4th June 2015

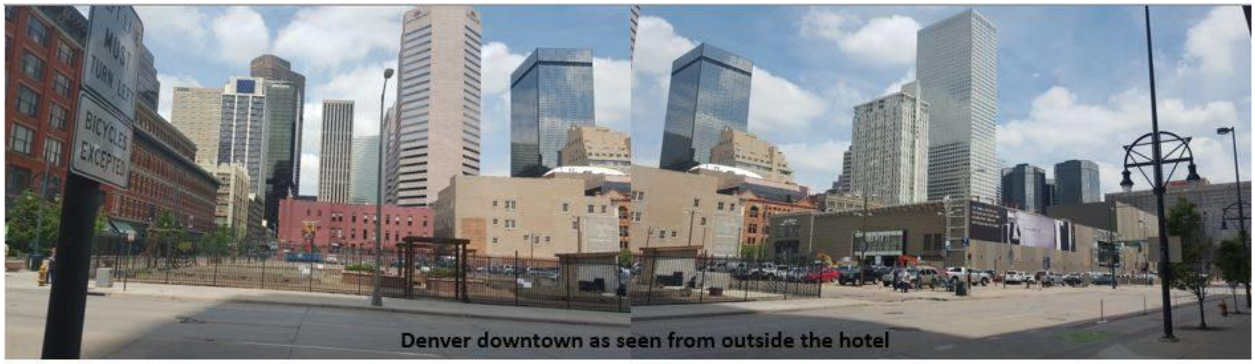
Earlier this week as I was attending the AAPG Convention in Denver, I came across a couple of articles on oil price scenario in the Wall Street Journal (newspaper), that I found very interesting. I quickly scribbled a few notes to share with you all later. So, here they are.

1. In mid-May, the US pumped 9.6 million barrels of oil per day, which is the highest since 1970.
2. Such large production will keep the prices low for the remainder of 2015 and beyond.
3. Even though many US oil companies have slashed their spending budgets, and more than 100,000 jobs have been lost, there is plenty of capital available at low rates of interest. Investors seek to buy assets when oil process are low, hoping for some recovery at a later date.
4. Some oil companies are issuing more shares to raise capital to straighten out their balance sheets, and others are using that to drill more. As well, with easily available capital, more drilling may be seen in the second half of the year, which in turn could have a negative impact on prices.
5. There are some companies that are feeling the pinch in view of the low prices and that is resulting or may result in default payments.

From another article:

1. In the last 8 months oil prices have plummeted because of the US oil production from shales that has been growing in the last 5 years.
2. In the past, OPEC (with its 12 member countries Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE and Venezuela) has exercised its control over the prices by cutting or flooding theflow of oil in the market. They collectively supply over 30 million barrels a day (in April 2015 it was 30.84 mb/d) and are in no mood to cut their production.
3. Some member countries have openly said that they can hold on with the low oil process; others like Algeria and Nigeria need the oil revenue for balancing the overall spending of their countries, and have voiced their urgency, which has been rejected by the others.
4. According to the International Energy Agency, the world-wide oil production exceeds the demand by 2 mb/d, and the growth in the US output is expected to continue till the end of 2015, whereafter it could slow down.
5. OPEC meeting is scheduled for tomorrow but it is expected that no decision on curtailing of production may be taken.

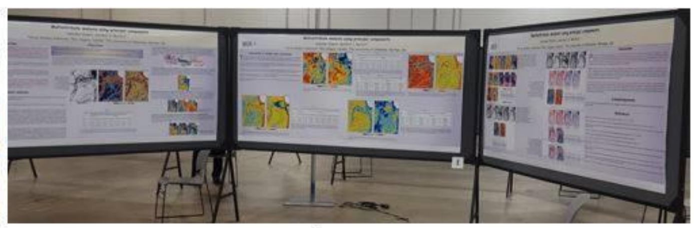
Hope you find this information useful. So much for now.



Denver downtown as seen from outside the hotel

On the exhibits floor

On the exhibits floor



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