

## Paying the Price of Demand

By Rick Bobigian, President of Black Pool Energy

The price consumers pay for regular gasoline in the United States has risen from an average \$3.05 per gallon in June 2007 to an average \$4.05 per gallon in June 2008<sup>1</sup>. According to numerous national media accounts, consumers are unhappy about the run-up in gasoline prices and have responded by changing their behavior and driving fewer miles. From June 2007 to June 2008, vehicle miles declined approximately 12.2 billion miles<sup>2</sup>, and that dip represents the first real decline in vehicle miles since the 1970s.

Motor fuel prices have soared because fuel manufacturers are paying a significantly higher price for each barrel of crude oil used in refining. In June 2007, the price of crude oil—the raw material refined into gasoline, diesel, kerosene, and jet fuels—averaged \$63.45 per barrel; in June 2008 each barrel was \$133.88<sup>1</sup>. Simply put, manufacturers are doing what they all do when the cost of a raw material increases: pass the higher cost to consumers. In an unregulated marketplace, consumers will ultimately pay directly or indirectly for all increases in manufacturing costs.

Consumers do not like the current cost of motor fuels because it is inflationary; meaning, they pay more for motor fuels without receiving added value. On a personal level, inflation shrinks disposable income and shifts money from discretionary spending to cost-of-living expenses.



That direct pressure on disposable income intensifies when all suppliers of goods and services increase prices to offset their higher fuel costs.

So if consumers do not like the current prices of motor fuels, what price would they like? The answer is simple: the lowest price. In this example, the lowest price is that which restores consumers' disposable income to levels where they might once again make discretionary purchases. To restore retail prices to lower levels, consumers must continue to change their behaviors and consume fewer motor fuels.

Economically, the price of crude oil has risen from \$63.45 to \$133.88 because of disequilibrium between supply and demand. Crude oil producers are not the ones raising the price of crude oil. The buyers, representing manufacturers of motor fuels and related products, are competing for finite supplies, and it is that demand that causes crude oil prices to rise.

The reasons that crude oil supply and demand are not in equilibrium are numerous. Those reasons are presented and analyzed in more detail in courses offered by PETEX such as Petroleum Fundamentals and Introduction to Offshore Operations.

To enroll in these and other courses offered by PETEX, visit [www.utexas.edu/ce/petex](http://www.utexas.edu/ce/petex) or call 800-687-7052.

*Rick Bobigian is Chairman of the PETEX Advisory Board and has been an instructor for PETEX since 1977. He is President of Black Pool Energy, a company active in exploration for and exploitation of crude oil and natural gas in Texas and Louisiana.*

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<sup>1</sup>U.S. Energy Information Administration, Petroleum Prices

<sup>2</sup>U.S. Department of Transportation, Federal Highway Administration, Policy Section

## PETEX PERSPECTIVES

From Director Greg McCormack



At the turn of the century, Baker Hughes understood that many of its middle management and key senior employees would soon be retiring in line with the rest of the industry. In time, their absence would create a serious shortage of critical skilled in-house personnel with the neces-

sary education, training, knowledge, and experience to carry the company into the future.

With continued worldwide growth and an understanding that energy industry demand for its products and services will increase, Baker Hughes management embarked on proactively identifying prospective key employees and focused on preparing them for future key roles.

But the company needed help training these future leaders and decided to enlist expert teaching, training, and guidance from third-party resources with the right knowledge, skills, and experience in oil and gas drilling and production. Baker Hughes knew that having its key employee candidates interact with recognized and estab-

lished industry experts would be vital to the success of its numerous training programs.

That's where PETEX comes in. Because our instructors are practicing industry experts, they can personalize their training courses with real-world examples of operating situations, conditions, and solutions. This provided the right mix Baker Hughes was looking for, and since 2005, we've been delivering training in support of its education model with positive results. Employees selected to participate in the program are held accountable to management for their personal success in fulfilling the required goals and objectives of the various training they receive.

The success of these efforts has resulted in also delivering training to the Baker Hughes facility in Dubai. Now, with construction of a second training complex completed there, PETEX has extended its support and continues providing Baker Hughes with resources to help prepare workers today for key roles tomorrow.

We are available to assist you, too. As your organization's training needs accelerate in an industry that won't hold still, you can count on PETEX to help tackle your challenges with courses at our Houston Training Center or custom solutions delivered to your door.

### PETEX Voice of Training

No. 486

Fall 2008



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### EASY ORDERING ONLINE

Did you know you can order books and enroll in classes online! It's convenient and easy to do. Just visit [www.utexas.edu/ce/petex](http://www.utexas.edu/ce/petex) and browse our offerings, then click on "Ordering Instructions" or "Enrollment Instructions." Complete the information requested, and submit it electronically. Your order will be shipped by the next business day.

### ENROLL NOW!

Hydraulics for Pipeline Engineers

Oct. 6-10

Hydraulics for Pipeline Operators

Oct. 14-16

Elementary Drilling

Nov. 3-7

Register at [www.utexas.edu/ce/petex](http://www.utexas.edu/ce/petex) or 800-687-7052.



## Introducing PETEXtbooks: the Academic Series

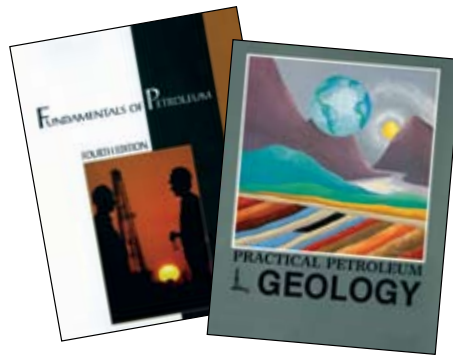
Helping prepare tomorrow's petroleum professionals

It's no surprise that several of PETEX's publications are used by university professors and technical instructors to teach petroleum industry fundamentals in classrooms across the country. Below is a snapshot of publications included in our new Academic Series of PETEXtbooks<sup>SM</sup> – popular choices for petroleum engineering and technology programs at universities, colleges, academies, and even high schools.

- *Fundamentals of Petroleum* – basics of geology, exploration, leasing, drilling, production, refining, and transportation. Also, the *Petroleum Fundamentals Glossary* of terms used in the book.
- *Oil and Gas: The Production Story* – a story about oil and gas from origin through

exploration, extraction, refining and transportation.

- *Practical Petroleum Geology* – basic geological concepts, exploration, economic examination, exploratory wells, and recovering oil and gas.
- *A Primer of Oilwell Drilling* – drilling processes on land and offshore including preparing sites, rigging up, and conducting drilling operations. Also, *A Primer of Oilwell Drilling Workbook*.



- *The Bit* – concepts of geology and bit design, performance, and other fundamentals.
- *Gas and Liquid Measurement* – types of meters and mass flow measurement, sampling, and equipment.
- *Land and Leasing* – land measurement and legal preparations for drilling, producing, and selling oil and gas.
- *Practical Well Control* – what a rig crew should know and do to control a well.
- *Safety on the Rig* – appropriate behavior on a rig, safety equipment, and safe transportation procedures. Also, The Rotary Rig and Its Components Poster.
- *A Dictionary for the Oil and Gas Industry* – one-stop resource with over 11,000 definitions of industry terms with nearly 500 illustrations.

Order any or all of these books by visiting [www.utexas.edu/ce/petex](http://www.utexas.edu/ce/petex) and clicking on PETEXtbooks. Or, call 800-687-4132.

## CALL FOR EXPERTS

If you are a subject-matter expert and would like to review publication projects in drilling techniques, offshore operations, or oil and gas fundamentals, please contact Fran Kennedy-Ellis, Assistant Director, at 512-471-6160 or [fkennedyellis@austin.utexas.edu](mailto:fkennedyellis@austin.utexas.edu).

## PETEX Embraces the Digital Age

By Itzel McClaren, PETEX Learning Specialist

PETEX is embarking on numerous digital initiatives that will ensure our training materials are state of the art. Because our primary objective is to serve the industry and provide the best training materials, we have established a Digital Delivery Team whose goal is finding ways to address our clients' online training needs. The team has been meeting with clients to clarify those needs and determine the future direction of PETEX online training for oil and gas industry personnel.

The team has various projects underway such as converting our publications to electronic books and establishing a process to license our DVDs for online use. We are also enhancing and producing more interactive animations, digitizing and cataloguing our intellectual materials, and establishing an infrastructure to provide online learning and blended-learning offerings.

To find out more about our digital delivery initiatives or discuss your company's online

training needs, contact us at [petex-digital@utlists.utexas.edu](mailto:petex-digital@utlists.utexas.edu).

*PETEX's Digital Delivery Team: Vanessa Harris, Course Delivery Coordinator; John Scannell, IT Infrastructure Coordinator; Dave Watson, Business System Coordinator; Itzel McClaren, Learning Specialist; Barbra Maley, Coordinator of Training; Amanda Koss, Graphics Designer; and Greg McCormack, Director.*



## FALL TRAINING

For the complete 2008-09 schedule, visit [www.utexas.edu/ce/petex](http://www.utexas.edu/ce/petex).

School	CEUs	Length	Dates	Tuition
* Pipeline Technology (third week)	--	4½	Oct. 6-10	\$1,600
Hydraulics for Pipeline Engineers	3.3	4½	Oct. 6-10	\$1,600
Hydraulics for Pipeline Operators	1.9	2½	Oct. 14-16	\$1,160
* Introduction to Offshore Operations	3.3	4½	Oct. 20-24	\$1,720
Mass Measurement of Hydrocarbon Fluids	3.3	4½	Oct. 20-24	\$1,600
* Elementary Drilling	3.3	4½	Nov. 3-7	\$1,600
* Natural Gas Measurement:				
Fundamentals	2.3	3	Nov. 3-5	\$1,060
Design/Application/Inspection	1.1	1½	Nov. 6-7	\$ 700
Electronic Flow Measurement	2.3	3	Nov. 10-12	\$1,060
Sampling and Analysis (Quality)	1.1	1½	Nov. 13-14	\$ 700
* Petroleum Fundamentals	3.3	4½	Nov. 10-14	\$1,625
Valves and Actuators—Operation and Maintenance	3.3	4½	Dec. 1-5	\$1,525

\* Indicates courses that have associated publications available by enrolling in the training class or by ordering from the *2008 Petroleum Extension Service Catalog*; call 800-687-4132.

All courses are held at the PETEX Houston Training Center, 2700 W.W. Thorne Blvd., Houston, TX 77073. Training dates are subject to change.

To enroll, call 800-687-7052; fax 281-443-8722; or email [petexhtc@www.utexas.edu](mailto:petexhtc@www.utexas.edu).

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