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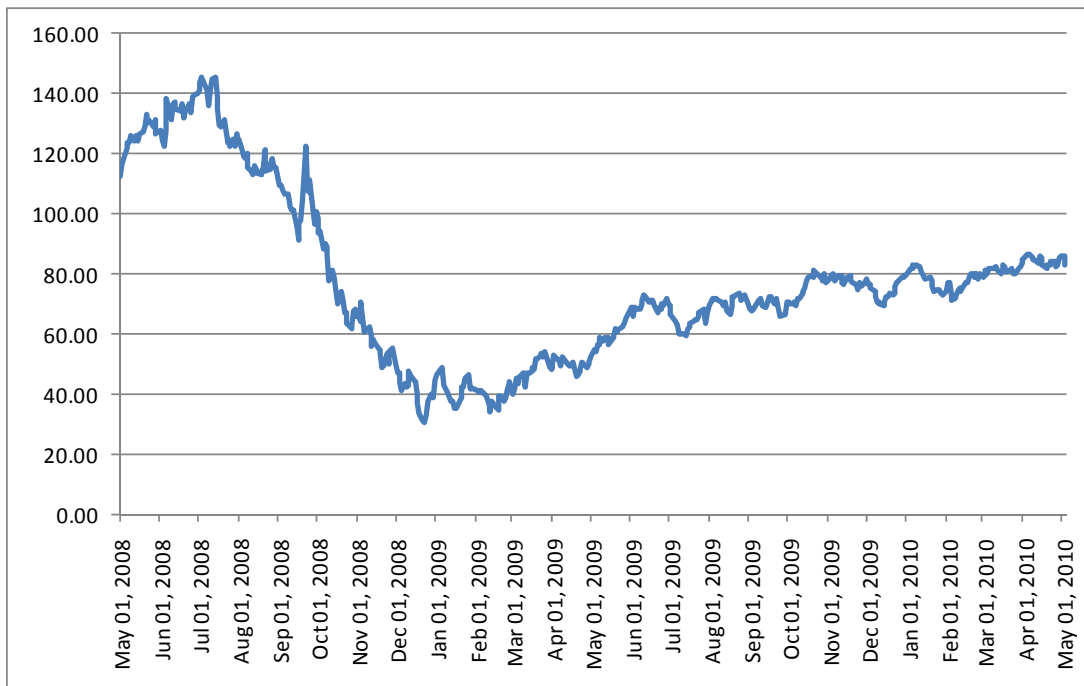
Daniel Bernoulli

## **Worldflow Flash Report**

# Crude Up and Down, but Mostly Holds above \$80

May 12, 2010 (Wakefield, MA) – The last time we published a Flash Report on oil prices, in June 2009, the news was that oil prices had just climbed above \$70 per barrel. The news this time is that oil prices have mostly been holding above \$80 per barrel since the first week of March 2010. Energy demand is increasing along with the improving economy, and this increasing demand is helping to push prices higher. While there have been no extreme gyrations in oil prices, prices have been on a slow but steady increase since mid-July 2009, when they were in the \$60 per barrel range.

### **Price per barrel of West Texas Intermediate (WTI) Crude Oil -- Cushing, OK: May 1, 2008 to May 4, 2010**



*Source: Energy Information Administration*

Oil prices peaked at \$147 per barrel in mid-July 2008. They then went into a steep decline, bottoming out at less than \$40 per barrel in December 2008. Oil prices increased to more than \$60 per barrel in June 2009. From October 2009 until March 2010, prices fluctuated between \$70 and \$80 per barrel. Finally, beginning on March 3, 2010, oil prices closed above \$80 per barrel. With a few exceptions, oil prices have remained above \$80 per barrel since then (see chart on preceding page).

The following chart shows worldwide supply for crude oil in millions of barrels per day by the quarter for 2009:

**Worldwide supply of crude oil in millions of barrels per day for 2009**

	<b>Q1 2009</b>	<b>Q2 2009</b>	<b>Q3 2009</b>	<b>Q4 2009</b>	<b>Average</b>
<b>Oil Supply</b>					
<b>OECD</b>					
United States	8.78	8.97	9.13	9.34	9.06
Other OECD	12.40	11.62	11.60	11.99	11.90
Total OECD	21.17	20.59	20.72	21.33	20.96
<b>Non-OECD</b>					
OPEC	33.36	33.59	34.26	34.30	33.88
Former U.S.S.R.	12.60	12.88	12.99	13.12	12.90
Other Non-OECD	16.32	16.38	16.45	16.57	16.43
<b>Total Non-OECD</b>	62.28	62.85	63.70	63.99	63.21
<b>Total World Supply</b>	<b>83.46</b>	<b>83.45</b>	<b>84.42</b>	<b>85.32</b>	<b>84.17</b>

*Source: Energy Information Administration (EIA);*

*OECD = Organization for Economic Cooperation and Development*

The charts on this page and the next show worldwide supply and demand for crude oil in millions of barrels per day by quarter for 2009. The chart on crude oil demand on the next page shows an increase in worldwide demand for crude oil of more than one million

barrels per day from Q1 2009 to Q4 2009. The above chart shows a parallel increase in worldwide supply of crude oil during this time. The increase in demand reflects the improving economic conditions in 2009. The increase in demand put upward pressure on oil prices in 2009, and the continuing economic recovery is having the same effect in the first part of 2010.

**Worldwide demand for crude oil in millions of barrels per day for 2009**

	<b>Q1 2009</b>	<b>Q2 2009</b>	<b>Q3 2009</b>	<b>Q4 2009</b>	<b>Average</b>
<b>Oil Demand</b>					
<b>OECD</b>					
United States	18.84	18.47	18.62	18.82	18.69
Other OECD	27.52	25.90	26.24	27.11	26.69
<b>Total OECD</b>	<b>46.36</b>	<b>44.37</b>	<b>44.86</b>	<b>45.93</b>	<b>45.38</b>
<b>Non-OECD</b>					
China	7.62	8.44	8.33	8.48	8.22
Former U.S.S.R.	4.09	4.19	4.23	4.33	4.21
Other Non-OECD	25.30	26.64	26.78	26.20	26.23
<b>Total Non-OECD</b>	<b>37.01</b>	<b>39.27</b>	<b>39.33</b>	<b>39.01</b>	<b>38.66</b>
<b>Total World Demand</b>	<b>83.37</b>	<b>83.63</b>	<b>84.20</b>	<b>84.94</b>	<b>84.04</b>

*Source: Energy Information Administration (EIA);*

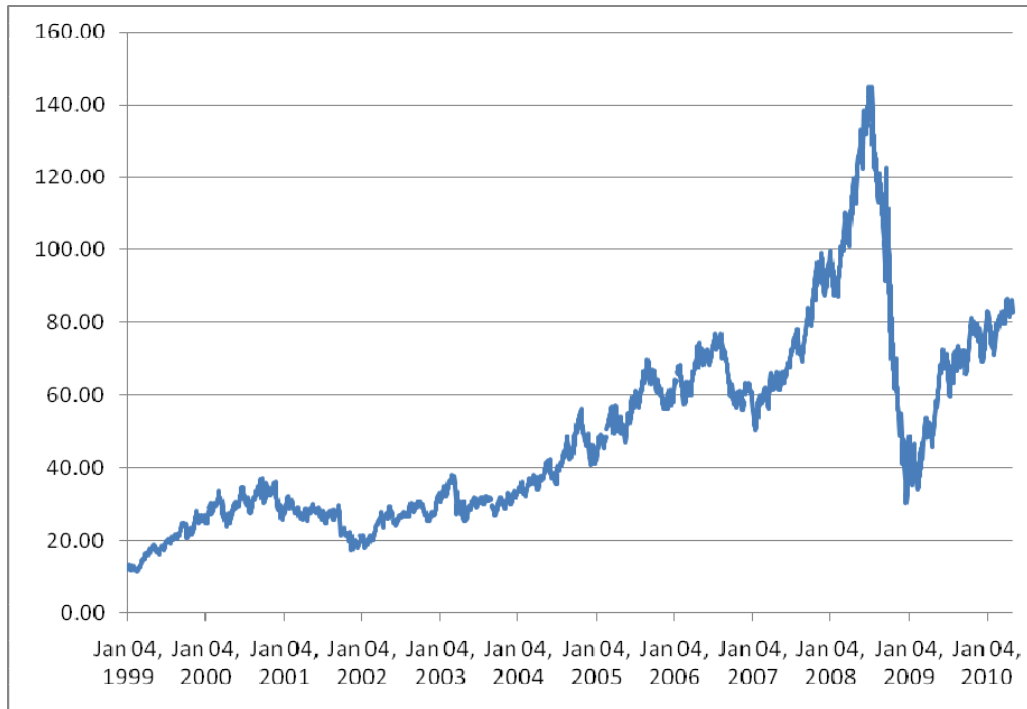
*OECD = Organization for Economic Cooperation and Development*

**What it means.** The EIA is projecting that oil prices will average above \$81 per barrel in the summer of 2010. Of course, many factors go into determining this price. While geopolitical considerations have not been at the forefront lately, they will continue to play a role. Tensions with Iran and North Korea have the potential to have an impact on prices. And “orifice plate” restrictions to supply from countries such as Saudi Arabia,

Russia, Venezuela, and Nigeria have the potential to drive prices higher. OPEC's stance on oil prices and oil supply also bears watching.

What does seem likely is that the continued global economic recovery will continue to increase worldwide demand, and this increased demand will put additional upward pressure on oil prices. While it may be awhile until we see \$100 oil again, it seems unlikely that oil prices will dip below \$70 per barrel anytime soon.

**Price per barrel of West Texas Intermediate (WTI) Crude Oil  
Cushing, OK: January 1999 to May 2010**



As the price of oil increases, along with the price of natural gas, companies will be willing to pay more to measure it. In the *Q4 2008 Energy Monitor*, we did an analysis of how the major oil companies are responding to the current economic situation in terms of investment. Our conclusion was that many of the major oil companies were maintaining their capital investment in 2009 in order to meet a perceived longterm energy demand. Even though some projects were canceled or delayed in 2009, some of these projects will come back online in 2010. Instrumentation companies would do well to look beyond the day-to-day changes in the economy in order to better take advantage of the current economic recovery.

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*Note: Flash Reports are published as part of the Worldflow Monitoring Service. For more information on Worldflow, please visit [www.worldflow.com](http://www.worldflow.com)*