

profits tax, which means all middle-sized independents running larger, more productive wells will be taxed out of existence, leaving only the "little guys and big oil."

Multinational corporate consolidation

A grim assessment for the independents was given this month by a California investment banker to the Pacific Energy Association. He predicted that severe recessionary economic conditions, fostered by Federal Reserve Chairman Volcker's recent moves, coupled with massive increases in production costs would force many of the smaller U.S. independent oil companies out of business.

Under these circumstances, he anticipated that many valuable independent oil producers would be ripe for

"acquisitions." The recent buy up of the tiny California company Belridge Oil by Shell for a whopping \$3.6 billion is just the first. Belridge reportedly controls reserves of California heavy crude to the tune of 360 million barrels. The purchase occurred just weeks after the administration decontrolled the price of heavy crude.

The only difference in the long term between future acquisitions of independents by the multis and the Belridge purchase is that as credit tightens further and inflation worsens, the purchase price of such acquisitions will go down markedly as the multis' profits and oil prices climb higher.

—Judith Wyr

Spot oil prices reach \$50 a barrel

The following are excerpts of an account of growing chaos on the international spot markets which appeared in the Wall Street Journal, October 26.

The oil market is near chaos following the collapse of price stabilizing efforts by the Organization of Petroleum Exporting Countries.

"It is a complete shambles," a crude oil trader with a major oil company said...

So far this month, five of OPEC's 13 member states have increased official crude oil quotes in what appears to be a new round of price leapfrogging in the producers group. But until this week, only Libya had broken the \$23.50-a-barrel "ceiling" established by OPEC last June in an effort to stabilize runaway oil prices for the second half...

Oil buyers had been hoping, however, that others in OPEC would continue to honor the ceiling. That hope vanished Wednesday when Algeria announced that the price for its key grade would be increased to

\$26.27 a barrel to match the top price set by Libya...

The African producers often move in tandem in pricing petroleum, and representatives of the three met recently in London to discuss fourth quarter prices. Sources said that Nigeria had agreed to hold prices where they were if Algeria would do the same...

Nigeria notified contract buyers of its crude oil early this month that prices for the fourth quarter would be the same as in the third quarter...

How much longer this restraint will hold in view of the Algeria action isn't known. Meanwhile Nigerian and other African crudes are being sold on the spot market at prices of about \$40 a barrel. So are the Iranian crudes...

Published reports in Iran yesterday said that a cargo of Iranian crude had been sold at \$45 a barrel. Some U.S. crude-oil trading sources said they understood the Iranians were asking \$46 to \$48 a barrel currently, and one source said he has heard the price is as high as \$50 a barrel...

Trading sources said they expect a continued spiraling of prices on other crudes, too.