Cheaper Oil Buoys Consumers, Hammers Producers

AP Business Writer

DALLAS — Oil prices have been lower for longer than expected. Now, with OPEC's decision to keep pumping at current levels, analysts expect oil to remain relatively cheap well into 2016 and maybe longer.

That, of course, is good news for consumers and fuel-guzzling industries like airlines, but oil producers are being squeezed and thousands of workers in the oil patch have been laid off.

The price of a barrel of oil fell Monday to \$37.65, a nearly sevenyear low. Energy stocks, from giants Exxon and Chevron down to independent producers, took a beating.

What's causing the upheaval? Simply put, supply and demand are out of synch, and that's causing ripples across economies, creating winners and losers.

ROBUST SUPPLY, SO-SO DEMAND

U.S. oil production rose from 5 million barrels a day in 2008 to an estimated 9.3 million barrels a day in 2015. That unexpected surge, coupled with OPEC's unwillingness to cut production, left the world awash in oil and sank prices. Supply is outpacing demand by about 1.4

million barrels a day, according to Judith Dwarkin, chief economist at ITG Investment Research.

Meanwhile, economic growth has been slower than expected, undercutting demand for energy. China's economy has slowed, Japan is in recession, and Europe continues to struggle. The U.S. economy is growing, but more-efficient cars

have blunted the need for more fuel. The U.S. government predicts U.S. production will drop 6 percent next year as oil companies curtail unprofitable projects. Globally, "it could take well into 2017 to work off the surplus inventory," Dwarkin said.

HEYDAY FOR CONSUMERS

Motorists see the effect of cheaper crude every time they fill up. According to AAA, the national average price for a gallon of regular gasoline on Monday was \$2.03 and should soon drop below \$2 for the first time since 2009. Gas is already below \$2 at nearly two-thirds of the nation's 130,000 gas stations, according to the price-watching site GasBuddy.com. A gallon of diesel is more than \$1 cheaper than at this time last year, benefiting shippers.

Tom Kloza, chief oil analyst for Oil Price Information Service, says the nationwide average could drop as low as \$1.75, before turning around in the spring, possibly going as high as \$2.75 in time for driving season.

All that pocket change and low interest rates are leading many consumers to splurge on new cars, particularly bigger ones. SUV sales have jumped 45 percent since November 2012, when gas was around \$3.63 a gallon. But car-buying in key oil states has tailed off, according to IHS Automotive. New vehicle registrations in Texas and North Dakota rose just slightly this year through September, after outpacing the nationwide growth in the boom oil years

Saving on gasoline could improve shoppers' holiday spirit. Cheaper gas "frees up money that could be spent elsewhere, so that's a plus for holiday shopping," said Scott Hoyt, senior director of consumer economics at Moody's Analytics.

Cheap oil also translates to lower heating bills. The average household using heating oil will spend \$1,360 this year, \$493 less than last winter, according to the EIA.

Big airlines such as American, United and Delta burn billions of gallons of jet fuel every year, and savings from cheaper fuel are helping them post record profits. Thanks to cheaper fuel, travelers are seeing a slight drop in average airfares after five straight years of fares rising faster than inflation.

PRODUCERS FEEL THE PAIN

Oil companies, their employees, and their subcontractors are feeling the pinch from lower prices. Profits are down at the majors such as Exxon Mobil Corp. and Chevron Corp., but independents are suffering more.

"Exxon is not going to go out of business even if oil goes down to \$10," said Fadel Gheit, an energy analyst for Oppenheimer. But many smaller independents will be forced to consolidate because they can't handle the higher costs of acquiring acreage, expensive drilling technology and declining fields in the U.S., he said. "It can't get any bleaker."

According to government figures released Friday, the energy and mining sector — that's mostly oil and gas exploration and production has lost 122,300 jobs in the last year. Paychecks for those still employed are smaller: Average wages in the energy industry have fallen 1.5 percent at a time when other workers are earning slightly more than they

did a year ago. On Monday, the NYSE ARCA Oil and Gas index dropped nearly 4 percent. Exxon and Chevron fell more than 2 percent, while smaller oil companies suffered steeper losses.

GOVERNMENTS FEEL PINCH

Several energy-producing states, such as Alaska, mapped out budgets based on oil at \$50 to \$60. Their plans are crumbling now that crude prices are around \$40. Natural gas prices also are down sharply and the future for coal looks bleak. In North Dakota, overall revenues are 7.5 percent lower than were expected for the two-year budget cycle that began July 1.

Overseas, collapsing oil prices have undercut exports and the economy in Venezuela, leading to shortages of goods and contributing to the ruling socialist party's defeat in legislative elections Sunday. In Russia, the government budgeted its spending on \$50 crude. Its oildependent economy is expected to shrink 3.4 percent this year, according to the International Monetary Fund. On Monday, the ruble fell 1.3 percent against the dollar to a threemonth low.

New Neb. Roadwork **Rules Proposed** To Ease **Standards**

LINCOLN, Neb. (AP) - A Nebraska state board has proposed new road construction rule changes that would ease the standards that cities, counties and the state must follow when rehabilitating roadways.

The Lincoln Journal *Star* reports that the Nebraska Board of Public Roads Classifications and Standards hopes the proposed rules will allow roadwork budgets to be stretched further by eliminating right-of-way and construction costs.

"It doesn't solve all of the financial shortfalls that many of us have, but it makes the dollars we have go farther," said Roger Figard, who helped craft the proposed rules as chairman of the Nebraska Board of Public Roads Classifications and

The push for new rules is not new. Figard says he expressed interest in updating the state's rulebook in the 1990s with new road repair standards.

The state has required that road repair projects that go beyond simple maintenance follow standards applied to new road construction. Officials say the new rules would allow governments to be less invasive in the process.

"It gives us more flexibility to do the right thing on our roads," said Steve Riehle, the Hall County engineer.

Riehle says that in many cases the state's rules have been stricter than American Association of State Highway and Transportation Officials standards, also known as the green book.

Sometimes some things are worth it, but where do you draw that

line?" he said. New construction changes are also being proposed. Officials propose increasing the minimum bridge width from 20 to 24 feet in most cases, to accommodate big farm equipment.

A hearing on the proposal is scheduled for Dec. 17. The Board of Public Roads Classifications and Standards will then determine whether any changes are needed before forwarding the rules to the attorney general and governor for

final approval.
State Roads Director Kyle Schneweis said "The revisions will provide great options and put good sense into government practices.

> Local News! The P&D

Man Sought In Deaths Of Woman, Toddler At Omaha Apartment

OMAHA, Neb. (AP) — A 22-year-old woman who was fatally shot along with her 2-year-old daughter this weekend had asked friends to come stay with her because she was afraid of her boyfriend, the mother of one of those friends said. Three other women in the apartment were wounded in the shooting, authorities

Police said the five were

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shot around 11 p.m. Sunday. Authorities said Destacia Straughn and her daughter Kenacia Amerson-Straughn were pronounced dead at the scene. Eighteen-year-old Jamie Latner, 21-year-old Larrion Williams and 22-year-old Kachelle Roby were taken to Omaha hospitals for treatment.

Earlier in the day, Straughn had been looking for friends to gather at her apartment

because she feared for her life after a previous confrontation with the boyfriend, said Kristina Packett, the mother of Jamie Latner.

"The girl was scared," Packett said to the *Omaha* World-Herald. "She was trying to gather some people to come sit with her. I don't think she thought he would do anything because they were

Omaha police said Monday that Dontevous Loyd, 23, is being sought on a warrant that lists two counts of firstdegree murder, three counts of attempted murder and six weapons counts. No arrest has been reported. It's unclear whether Loyd has an attorney who could comment on his behalf.

A police report shows Straughn had called police

around 4:15 p.m. Sunday and reported that Loyd had taken her car while she was sleeping. The report described Loyd as Straughn's boyfriend. Straughn called police back around 7 p.m. after Loyd returned the 2001 Ford Taurus, but officers could not locate him at that point. The shooting happened about four hours later.

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