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OIL and NATURAL GAS RESOURCES



AN UPDATE!

~ AND AWAY!

~ UP!

UP!



Stephen L. Bakke  August 24, 2013

Click [HERE](#) for a link to an earlier report which provided background and terminology.

Click [HERE](#) for a link to an earlier report which reported on the status of oil reserves.

The last time we met re this topic it was “all about optimism” – mine!

In May and June of 2012, I gave my last update on U.S. **oil resources focusing on recent discoveries** such as the Green River Formation and The Bakken Formation.

In that report I summarized the potential for **jobs and economic recovery** and reported on new extraction technologies, such as fracking, pointing out that recent discoveries would not have occurred without the dynamics of free market forces, and that we must make sure the free markets survive and thrive!

I reported that **technically recoverable oil reserves in the U.S. had grown to over 1.4 TRILLION barrels** – and this didn't include all the potential reserves that have now been discovered or expected as we improve technology. That's more oil than the entire world has consumed in the last 150 years. And, according to the Washington Times, if we add in an estimated 2.7 quadrillion cubic feet of recoverable natural gas, and 486.1 short tons (whatever that is) of recoverable coal, the result is a conclusion that the U.S. has more combined reserves than any other country on earth! Wow!

Peak oil refers to that point that production of oil necessarily decreases based upon reducing levels of reserves. In the past it was often reported that the U.S. reserves have passed that point of diminishing returns. But NOT SO FAST! Most new oil production will occur outside of the Mideast and the U.S. seems to be prime territory. **In June 2012 I reported that traditional peak oil theories are losing favor!**

Let's take a look at some updated information!

Is "peak oil" really about limited resources ... or is it really (secretly) something else?

U.S. production is up dramatically, and there are signs of upward production trends in Saudi Arabia, Russia, and the Mideast in general. And I have read reports of increases all over: Canada, Azerbaijan, Kazakhstan, Indonesia, Columbia, Brazil, et al. In fact, global production is up after a brief softening around 2009 because the recession was suppressing demand.

If all of that's true, how can the International Energy Agency (IEA) contend that we have already reached the "peak"? It's because they have drawn an arbitrary distinction between conventional and unconventional methods and sources – i.e. fossil fuels are available in huge quantities, and are now being harvested from different sources using new techniques. Consider: fracking, horizontal drilling, shale, oil sands, liquefied natural gas, etc. Arbitrary definitions are not credible and are used to "spin" an argument and mislead.

I bet the IEA would admit that "unconventional" methods and sources are quickly becoming "conventional"! It seems to me that "peak oil" is turning out to be an evaluation of technology, rather than a measurement of remaining resources! – Stefano Bachovich – obscure curmudgeon and wise political pundit – a prolific purveyor of opinions on just about everything – my primary "go to guy."

Technology is improving oil production, as green energy technology struggles!

U.S. oil production rose by 790,000 barrels per day in 2012 according to the Manhattan Institute. And the U.S. Department of Energy envisions (without apparent concerns about a "peak") a possible U.S. production increase of 140 metric tons per year by 2025. Even the IEA predicts we may be the top world oil producer as early as 2017. That seems to me to be way too soon – look at the section on "independence."

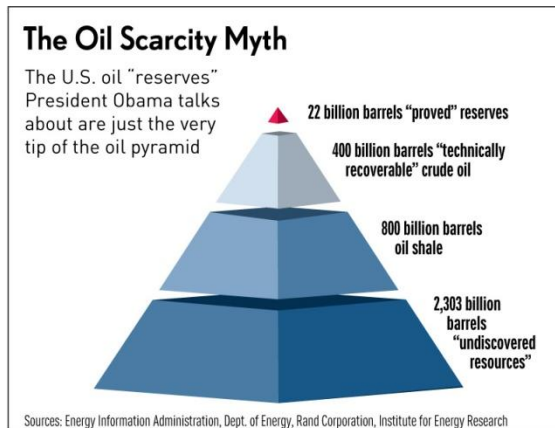
Focusing just on the Bakken shale formation, the number of wells increased from under 200 to approximately 4800 between 2001 and late 2012, and average per well production exploded to 140 barrels per day – up from about 10 barrels per well, per day.

..... you and I both know that with only 2% of the world's oil reserve, we can't just drill our way to lower gas prices – not when we consume 20% of the world's oil – Barack Obama

GOOD GRIEF, that is SO untrue!! Obama emphasizes that the U.S. has only 2% of the world's oil reserves, but, as with so many of his explanations, this is misleading. (Refer back to the report linked above to understand the terms like "proven.") The reference to unproven reserves simply indicates that certain steps have not been taken to get them into the proven category, and moreover, **they only take into account currently producing oil fields!** While the U.S. does have only 2% of the PROVEN worldwide oil reserves, we have more total RECOVERABLE oil than the rest of the world's proven reserves combined. Just burn this into your mind: **proven reserves are in no practical way a measure of accessible oil resources!** The government's own Energy Information Agency (EIA) states: *proved [reserves] are a small subset of recoverable resources.* (Oh! Those pesky terms!)

Obama vigorously shouts down those who criticize his energy policy. He brags about the increased U.S. production – even claiming credit for it! The simple fact which he doesn't explain is that production on U.S. government owned land has declined, while virtually ALL of the increased U.S. production has occurred “in spite of” his policies – i.e. private interests are recovering oil from private lands – out of the reach of Bamy. **Only 11% of the natural gas and 5% of the oil produced in the country comes from public land!**

Let this illustration sink in for a few minutes – it was published in March of this year:



“Bamy” can mislead by using terms that seem simple, but which have very technical definitions and nuances. He does know what he’s doin’ – and he’s a master at being a bit slippery! – **Stefano Bachovich** – obscure curmudgeon and wise political pundit – a prolific purveyor of opinions on just about everything – my primary “go to guy.”

(Bob Beauprez used this illustration for an article in Townhall.com – courtesy of Investors Business Daily)

In other words, our reserves are immense!

Consider:

- The IEA projects U.S. oil production will exceed Saudi Arabia’s production by 2020.
- While our oil production is projected by some to rise to 11 million barrels a day by 2020 (I’ve seen a projection as low as 6 million), oil imports realistically could drop to 4 million barrels a day.
- The U.S. is now the leading worldwide producer of natural gas.
- **In the last few years, shale gas has increased almost 20 fold as a percent of total natural gas production – now comprising almost 40% of the total.**
- In a report I found from May of this year, while proven reserves continue to grow, technically “undiscovered” shale deposits in JUST the Bakken and nearby Three Forks formations (under North and South Dakota, and Montana) are confidently estimated by the United States Geological Survey (USGS) to be 7.4 billion barrels of oil and gas. And that isn’t a stab in the dark, nor a far-fetched “hope and a prayer”!
- As reported by David Harsanyi, and according to the Institute for Energy Research (IER), **there is enough natural gas in the U.S. to meet electricity demand for 575 years at current fuel demand, enough to fuel homes heated by natural gas for 857 years – and I could go on.**
- While we have been focusing on new shale deposits all around the U.S., the oil fields in Texas, once thought useless, have turned into a bonanza for oil production and jobs thanks to fracking. Remember that fracking is used for both gas and oil extraction. West Texas could now surpass the oil extracted from Alaska’s Prudhoe Bay. One potential complication, however, is the “sand dune lizard” which, if declared endangered, would make ALL of this oil off limits – stay tuned!

- And stay tuned for reports of major oil and gas discoveries in the Gulf of Mexico! The levels of production there are currently way below what they were before the BP oil well blowout – more news to come about all that.

Energy independence is possible and expected – but Bamy must get out of the way!

According to oil and gas company BP, the U.S. Energy Information Administration, and Anthony Fenson of “The Diplomat”:

- Foreign-oil imports are already down 40% from 25 years ago.
- **Because of the exploitation of unconventional sources of energy, the U.S. could be essentially self-sufficient by 2030. The shale oil and gas revolution is the major part of this explosion.**
- **It’s realistic to predict that by 2030 99% of America’s energy requirements will be “home grown.”**
- The U.S. could become a liquefied natural gas (LNG) exporter as early as 2016!
- Green technology can and should play an ever bigger role as energy sources, but a majority of energy needs will be met by fossil fuels for the foreseeable future – not only in U.S. but everywhere!
- **Shale gas has already measurable lowered household energy costs** – some estimates are approximately \$1,000 per year. And the natural gas powered power plants are FAR cleaner in terms of CO2 emissions.
- Fossil fuel production will continue to grow in the decades to come, but non-fossil sources (including nuclear and hydro) and renewable will probably grow faster as a group than will oil, gas, and coal.

It’s inevitable that the U.S. will be an ever more dominant presence in energy production, in spite of current anti carbon policies by the administration. But prosperity in the fossil fuel industry will continue and the U.S. will be the energy superpower of the future. It’s the answer to a lot of economic problems, and even carbon fuels are being burned ever more efficiently and cleanly. That dominance and energy prosperity in the U.S. could be even greater, if only – Stefano Bachovich – obscure curmudgeon and wise political pundit – a prolific purveyor of opinions on just about everything – my primary “go to guy.”

More from me on ENERGY soon, I hope!

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