



For as long as I can remember, there have been discussions on the need for the United States to become energy independent. Usually these discussions would peak during election years or when there was a spike in gas prices, but then nothing much occurred to actually address the issue. Many had argued that the restrictions on traditional oil and natural gas extraction by the EPA made it economically risky to expand domestic production.

However, much of that has changed since technological advances over the past several years have allowed for a huge expansion in oil and natural gas extraction from shale. U.S. crude oil production is up 50 percent since 2008 and field production of crude oil and petroleum products in the U.S. has grown 15.2 percent in the past 12 months alone. In addition to this great expansion of production, domestic consumption has remained relatively flat during the past few years due to increases in the efficiency of automobiles and other fuel-fed products. Amazingly enough, while energy independence is something that politicians have been promising us for years, many attribute the recent expansion in shale energy production to the fact that it is regulated at the state level and not at the federal level by the EPA.

It will be interesting to see if this trend will continue or if this is just another bubble ready to burst. Many have already pointed to the fact that shale producers are spending money faster than they make it. Earlier this year, *Bloomberg* reported that, "(i)ndependent producers will spend \$1.50 drilling this year for every dollar they get back. Shale output drops faster than production from conventional methods. It will take 2,500 new wells a year just to sustain output of 1 million barrels a day in North Dakota's Bakken shale, according to the Paris-based International Energy Agency. Iraq could do the same with 60."

Still, if efficiency can be increased in extracting the natural gas and oil from shale, there are enough shale deposits to meet the current demand for an estimated 100 years. Will the money run out before costs come in line with profitability? Time will tell.