Energy - Docket Optical System

From: Gary [gsgoodson@aol.com]
Sent: Friday, August 29, 2014 6:13 PM
To: Energy - Docket Optical System
Subject: Fwd: Docket 14-IEP General

Please docket this version. Thank you

-----Original Message-----
From: Gary <gsgoodson@aol.com>
To: docket <docket@energy.ca.gov>
Cc: publicadviser <publicadviser@energy.ca.gov>; janea.scott <janea.scott@energy.ca.gov>
Sent: Fri, Aug 29, 2014 1:00 pm
Subject: Docket 14-IEP General

Commissioner Janea Scott
California Energy Commission
Dockets Office
Re. Docket No, 14-IEP General
1516 Ninth St.
Sacramento, CA 95814-5512

Dear Commissioner Scott,

In truth I am unaware of your own position on oil depletion but clearly you know that the non-renewable resource petroleum is critically important to a society fueled by this miraculous substance and one heavily dependent upon it for economic growth.

I had invested a considerable amount of time discussing the petroleum challenge with former Commissioner Carla Peterman, whom I greatly respect and admire. She was interested enough to speak with an expert on petroleum, a Dr. John Darnell, energy adviser to former MD Congressman Roscoe Bartlett at my urging. Following this conversation she shared at least some of my concerns about petroleum *supply* risk. I encourage you to ask her about this conversation and her own research into the matter.

Yet she moved on the the PUC and the Commissioners' ongoing refusal to have an open debate on this critically important challenge is likely to be considered a violation of the Commission's mission. It is akin to discussing early English literature and refusing to read or acknowledge the seminal works of Shakespeare. But in this case the stakes are much higher.

As you know the CEC would not exist if it weren't for the "Energy Crisis" of the early 1970's.

"The Legislature passed a bill in September 1973 that created a commission to manage energy policy, but Governor Ronald Reagan vetoed it because of perceived government interference in markets. But the next month, the Organization of Petroleum Exporting Countries (OPEC) declared an oil embargo in response to U.S. support for Israel during the Yom Kippur War, triggering a nationwide oil shortage. The Oil Crisis turned concerns about America’s dependence on foreign oil into front-page news."

"The next year, state Assemblyman Charles Warren and Senator Al Alquist wrote what would become the Warren-Alquist Act, which created the California Energy Commission. The commission would research and plan energy policy as well as inspect and license power plant sites and, along with the already existing California Public Utilities Commission (PUC), be a primary energy regulatory agency in the state. It provided the statutory framework for constraining demand in energy growth while increasing energy efficiency.
This time Governor Reagan signed the Act into law and it took effect the next year. The first five commissioners were selected by his successor, Democratic Governor Jerry Brown." CEC's self-reported history

Tragically, the Commission has turned its back on the "crude" circumstances of its birth to become what comedian, Will Rogers, called a "self greasing axle." A purveyor of many wonderful grants and a patron of energy research studies.

Some of which are truly worthwhile and useful to all Californians. But the black hole, the elephant in the room is petroleum ***supply. I urge you to please reconsider the urgency of the challenge. Please lead with conviction and full vigor. We need you to use your intellectual integrity to take us out of the wilderness created by those wishing to obscure the facts. Be the Rosa Parks of Energy. All California Citizens need that level of courage, honesty and commitment.***

Thank you, Gary Goodson

p.s. Please docket this email in its entirety

"The Peak Oil Crisis: When?"

by Tom Whipple, originally published by Falls Church News-Press | Aug 26, 2014

Aerial view via amymyou/flickr. Creative Commons 2.0 SA license.

For those following the world oil production situation, it has been clear for some time that the only factor keeping global crude output from moving lower is the continuing increase in U.S. shale oil production, mostly from Texas and North Dakota. Needless to say, once the fabled "peak" comes oil and gasoline prices are certain to move higher, triggering a series of economic events – most of which will not be good for the global economy.

Thus the key question is just how many more months or years production of U.S. shale oil (more accurately call light tight oil) will continue to grow. Many have answers to this question ranging from the "next year or so" on out the middle or end of the next decade. Some forecasts as to time remaining until the "peak" arrives are politically tinged. No politician, business manager, or even investor wants to hear that serious economic problems affecting their lives may be only a few years away. Fortunately for these folks, there are many forecasters available to spin stories about how "technology" will enable US shale oil production to continue on into the dim future of the 2020's – which most of us really can't comprehend or plan for.

Usually missing from optimistic estimates for future U.S. shale oil production is any discussion of just how fast production from fracked wells declines. Most fracked wells are adequate or at least economic producers for three years or so, after which their production is so small that they need to be replaced or reworked to keep a meaningful amount of production going. As shale oil production grows larger and larger, more and more wells will have to be drilled and fracked just to keep production level. At some point there will be a cross over between new wells coming on stream and old wells going out of production, so output will start to slip. The EIA recently noted that for North Dakota to increase its oil production by 20,000 barrels a day (b/d) next month, it must bring 94,000 b/d of new production online. At Texas's Eagle Ford basin, it will take 152,000 b/d of new production next month to increase net production by 31,000 b/d.

There is no doubt that the shale oil drilling industry has made many significant technological advances in recent years. Multiple wells are now being drilled from a single drilling pad – foregoing the need to move drilling rigs and setting up all the expensive infrastructure needed to frack shale wells. For a while shale oil drillers were drilling and fracking longer wells, which reduced the cost per barrel. Now we hear that drillers are increasing production per well by pumping more fracking materials down each well, and some are saying this will be enough to offset any decline in prices.

Currently US shale oil production is about 3 million b/d and in June output increased by about 100,000 b/d. About half of US shale oil production comes from North Dakota, where winter conditions are so harsh that production has been falling during the winter months.

The two major forecasting agencies, Washington's EIA and Paris' IEA, are both more pessimistic than is generally known for they both foresee US shale oil production leveling off as soon as 2016. The reason for this is that drillers will simply run out of new places to drill and frack new wells. While new techniques of extracting more oil from a well are possible, there is need to look closely at the costs of these techniques vs. the potential payoff.

The shale oil situation in Texas is somewhat different than in North Dakota, for there you have much better weather and two separate shale oil deposits. The recent growth in Texas's shale oil production has been much smoother than in storm-

prone North Dakota and has been increasing at about 44,000 b/d each month. So far as can be seen from the outside of the industry, production in both states will continue to grow for at least another year or two – but then we will be at 2016.

The government has never gotten around to publishing the assumptions that go into the forecast that U.S. shale oil production will stop growing circa 2016. The biggest difference between EIA/IEA and independent analysts is the government forecasters do not see a precipitous drop in shale oil production following the peak. Instead they see a period of flat production followed by a gentle decline stretching well into the next decade. Such a gentle end to the shale oil "bubble" can only assuage fears of a calamity. This projection on a gentle end to U.S. shale oil is at variance with outside forecasters who note that shale oil wells are pretty well gone in three years and simply do not see where the oil to maintain production levels will be coming from for another 10 or 15 years after the peak.

Independent analyses of U.S. shale oil generally come to the same conclusion that production will peak in the 2016-2017 timeframe, but as noted above see a much faster decline than does the government.

There are however, other factors that could become the primary cause of world oil production peaking in the next few years. The first is the turmoil in the Middle East. A lot of oil production in the region has dropped off line in recent years for political reasons and Iraqi production is endangered. The spread of militant Islam could eventually threaten other major producers in the region as could the Arab-Israeli standoff.

A more recent development having serious long-term implications for the oil industry is the growing disparity between the cost of producing a new barrel of oil from the Canadian oil sands or deep below the ocean and the selling price of that oil. A recent study points out that many planned oil production projects are simply not economical at today's oil prices, which have been relatively stable for the past five years as costs continued to soar. Oil companies are already cutting back on new drilling projects which will have little impact on current production, but will be very significant five years or so from now.