

### **Tapping into the spirit of Col. Drake**

*Energy pioneer's legacy still holds great promise for U.S. prosperity*

By Michael McMahon

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Two issues confronting America are jobs and foreign wars. An effective energy policy is the best way to make significant progress on both fronts.

Col. Edwin Drake drilled the first commercial oil well in 1858, in Titusville, Pa. Fueled by abundant energy and other natural resources, America became an industrial colossus.

The United States once again is presented with an energy springboard that can vault us to good jobs and reduce our dependence on foreign oil. But in order to take advantage of this, we must change the present political debate, focused on individual agendas: controlling gasoline prices, drilling in sensitive areas, tax loopholes for energy companies, and to "frack" or not to "frack."

Misconceptions, inaction and misguided regulations are stifling our ability to position the United States for significant job growth and reduce our dependence on foreign oil.

We have tried and failed to achieve energy independence over the past 34 years. With this goal in mind, President Carter created the Department of Energy in 1977. Since then, U.S. oil production has declined from 8.2 million barrels per day to 5.5 million. The cost of imports has increased from \$92 billion a year to \$337 billion. The cost of foreign wars over the past 10 years, related in part to our dependence on foreign oil, has been estimated at \$2.8 trillion.

Why can we be successful now? Greater appreciation of the cost of doing nothing and the need to create good jobs add to the urgency of getting it right.

Once again, America is the beneficiary of good luck. We have been producing increasing amounts of oil from shale formations in South Texas, North Dakota and Montana. Recently, an Ohio formation also has emerged, and some think it could contain as much as 25 billion barrels of oil. Additionally, new discoveries in Oklahoma, Mississippi, Louisiana, North Texas, New York, Pennsylvania, West Virginia, Ohio and Maryland are popping up regularly. No one knows how much oil we are sitting on, but it is a lot.

What has sparked this bonanza? Two things: higher prices and technology.

The technologies include the ability to manage massive amounts of data and evaluate reprocessed and new seismic information and, of course, hydraulic fracturing, or "fracking."

The industry has only itself to blame for not getting out in front of the public's concerns about hydraulic fracturing, but it is playing catch-up and moving ahead on issues related to drinking water, air emissions and



wastewater disposal. The benefits associated with achieving energy independence are too important to allow misconceptions to stand in the way of success.

We import approximately 9.2 million barrels per day from Saudi Arabia, Nigeria, Venezuela and other countries at a cost of \$287 billion annually. We also import 2.5 million barrels per day from Canada. Through a combination of conservation, doubling of Canadian imports and increasing U.S. production, we can reduce non-North American imports to 2 million barrels per day and save \$225 billion of foreign-exchange payments each year.

This increased domestic activity will create almost 2 million new, high-paying jobs. College graduates with an oil-related engineering degree enjoy a starting salary of \$90,000. High school graduates can be hired into field-level jobs starting at \$75,000 and, after a few years, can work up to levels that pay as much as \$125,000. It is no coincidence that the states with the lowest unemployment rates are among the states with the highest exploration and production activity - North Dakota 3.5 percent, South Dakota 4.7 percent and Oklahoma 5.6 percent.

Companies are responding to this oil-field activity and expanding existing capacity, opening closed plants or building new ones, and expanding existing facilities to provide equipment to meet this increased demand. These companies include Caterpillar, Cummins, Vallourec and U.S. Steel.

Abundant and low-cost natural gas has prompted Shell, Dow, Chevron and LyondellBasel to expand their petrochemical activities. In addition to these direct jobs, we also will see opportunities in plastics and composites that will enable the United States to be a major supplier to auto, aerospace and other industries.

Embracing the potential of an energy economy, however, will require political leadership. Mustering the courage will not be easy in the present climate. But that is nothing new. Crowds ridiculed Drake for believing he could successfully do what none of his peers had done. As he embraced technology and innovation, his persistence ultimately transformed the lives of generations. By reclaiming Drake's spirit, we, too, can reignite our economy and recapture the middle-class lifestyle that was once emblematic of American greatness.

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