Running Dry?

Oil prices have been on the rise, and have been for some time. For those of us in the oilpatch, this is sweet music. A natural question is how long it will last, for all too fresh is the memory of June 2008, when we entered the month with world oil prices at $147/bbl, only to see them drop off a cliff by the end of August.

So, I took particular note of a short article from The Economist Online that caught my attention last week, entitled Running Dry (June 9, 2011). It called forth a “first” in 2010; worldwide production fell short of consumption by some 5 million barrels per day (the difference was made up from stockpiles). With the still emerging middle classes in Asia, particularly China and India, accounting for most of the increased demand, this deficit will only widen, further straining supply, and assuring ever rising prices. Indeed, annual worldwide consumption has grown by 10 million barrels per day over the last decade. Here’s a visual of the current situation:
This is all the more sobering upon considering that only 46% of a barrel of oil is used for making gasoline. The rest is used in making some 6,000 other consumer products that have become a very fundamental part of the modern life. Think of the construction industry (roofing materials, PVC piping, linoleum, appliances, asphalt, adhesives, paint)...or fashion (fabrics, shampoo, makeup, eyewear, shoes), or “the basics” (soap, hand lotion, antiseptics, deodorant, toothbrushes, hairbrushes). And calls to increase fuel efficiency cannot occur without lightening the load, and that means plastics, and plastic is made from petroleum.

However one feels about developing alternative energy sources, we’re not going to get there overnight. While the current political environment is unfriendly toward developing offshore or wilderness locations, places like little ol’ Bakersfield loom large (our area ranks as the fourth largest oil-producing state in the country, the industry’s west-coast hub).

Source:
“Oil Production and Consumption Running Dry,” The Economist Online, June 9, 2001