



Written by [Bob Adelman](#) on February 9, 2012

Rising Oil Production in Alberta: More Evidence Disproving Hubbert's Peak

The latest report from the Calgary (Alberta, Canada) Herald was nothing but good news: The steadily declining production of light oil from 2002 to late 2010 has reversed itself completely and is now not only proving the power and principles of a free market but "will change the way we think about oil, with many weighty consequences..." says blogger Peter Tertzakian. The graph he provided here shows Alberta's production declining by about 16,000 barrels per day (B/d) every year since 2002, dropping to just over 300,000 B/d in late 2010. Now, thanks to new capital, new technology, and new enthusiasm, production is close to 400,000 B/d. It also "could heighten the blood pressure of a few peak oil theorists," said Tertzakian.



He refers to the [theory first offered by M. King Hubbert](#) in 1956 that claimed that oil production in the United States would reach its peak between 1965 and 1970 and begin to decline thereafter. It was based upon the assumption that the amount of oil reserves is fixed and that it is analogous, according to peak theory supporter Colin Campbell, to a glass of beer: "The glass starts full and ends empty, and the faster you drink it, the quicker it's gone."

From that theory, Hubbert then claimed that this would drastically alter life in the United States, predicting chaos, war, starvation, economic decline and possibly even the extinction of mankind.

As Daniel Yergin (Pulitzer Prize-winner for his book [The Prize: The Epic Quest for Oil, Money and Power](#)) noted in the *Wall Street Journal*, this prediction of the "end of the world as we know it" was one of many such predictions, each one of which never came true. "Hubbert's Peak" moved from the 1970s to 2005 and then to 2011, and is now expected sometime before the year 2020. But it's all based on one primary faulty assumption: that the quantity of oil is fixed. Because of continued improvements in technology, the quantity of oil is far from fixed, as the news from Alberta shows. In fact, according to Yergin, in the years 2007 to 2009, "for every barrel of oil produced in the world, 1.6 barrels of new reserves were added ... in 2010 U.S. oil production was 3½ times higher than Hubbert had estimated: 5.5 million barrels per day versus Hubbert's 1971 estimate of no more than 1.5 million barrels per day."

Hubbert's boss at the U.S. Geological Survey was Peter Rose, who said that Hubbert had "no concept of technological change, economics, or how new resource plays evolve. [His] was a very static view of the world." As economic professor [Mark Perry put it](#), "Hubbert ... assumed that there could be an accurate estimate of ultimately recoverable resources, when in fact it is a constantly moving target."

Yergin agrees. "Proved reserves" isn't just a physical concept but an economic one as well: how much is



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available at prevailing prices. And it's also a technological concept: With improved technologies, reserves once of out of reach become available and viable. Added Yergin:

The world has produced about one trillion barrels of oil since the start of the industry in the 19th century. Currently, it is thought that there are at least five trillion barrels of petroleum resources [still] in the ground, of which 1.4 trillion are deemed technically and economically accessible...

With the development of the Bakken fields in North Dakota, new discoveries in Texas and Pennsylvania, the presalt deposits off the coast of Brazil, and the new discoveries in Ghana, the estimate of oil reserves continues to climb. As noted [here](#), North America is producing so much oil that the "oil map" of the world is changing. Notes Yergin: "Things don't stand still in the energy industry. With the passage of time, unconventional sources of oil, in all their variety, become a familiar part of the world's petroleum supply ... Hubbert's Peak is still not in sight."

When it is allowed to operate, the free market will always confound its critics as "human action" and the "invisible hand" inevitably result in better living standards and greater prosperity for everyone. Nowhere is this clearer than in Alberta, Canada.

Map (above and at left): Location of the Athabasca oil sands in Alberta, Canada



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