



Written by [Bob Adelman](#) on July 11, 2018

EIA: U.S. Shortly to Become “the World’s Leading Producer of Crude Oil”

The U.S. Energy Information Administration (EIA) [proclaimed on Tuesday](#) that, if its forecasts are correct, “the United States will average nearly 12 million barrels a day (mbd) ... in 2019 ... mak[ing] the U.S. the world’s leading producer of crude [oil].”

Those forecasts could understate the U.S. oil industry’s production, as it builds into its calculations the present bottlenecks of pipeline capacity, being experienced especially in the Permian Basin.



One month ago, IHS Markit, the global information marketplace, focused on what’s happening in the Permian Basin and concluded that, even with those bottlenecks currently slowing the flow of crude from wellheads to refineries along the Gulf Coast, it expects a “stunning” increase in production there between now and 2023. Total crude-oil production will nearly double over that time to 5.4 mbd once the 41,000 new wells and \$308 billion in new investment have been completed. Said Daniel Yergin, IHS Markit’s vice chairman: “In the past 24 months, production from just this one region — the Permian — has grown far more than any other entire country in the world. Add in another 3 mbd by 2023 — more than the total present-day production of Kuwait — and you have a level of production that exceeds the current production of every OPEC nation, except Saudi Arabia.”

One key assumption IHS Markit is making is that oil prices will stay around \$60 a barrel or higher. And its forecast is “far from a best case” scenario, according to Raoul LeBlanc, HIS Markit’s executive director, who added, “That the outlook still expects the Permian to exceed existing (and already lofty) expectations speaks to the region’s unique and growing prominence in the world’s oil market. The level of growth — from 0.92 mbd in 2010 to 5.4 mbd in 2023 — is truly stunning.

The New American made just such a prediction about the U.S. oil industry way back in 1990, as we noted in a 2015 article:

Our October 8, 1990 cover story opined that “America was not running out of energy in 1973-74 [during the oil embargo], and it is not running out of energy today,” despite having “become so heavily dependent on foreign supplies.”

But why the dangerous dependency? “U.S. governmental treatment of our enervated energy sector is akin to strangling a patient, then exclaiming that this patient is undergoing an oxygen crisis,” we analogized in our 1990 essay. “Indeed he is, but this does not mean that the supply of oxygen in the atmosphere suddenly disappeared. American entrepreneurs will be able to alleviate whatever energy woes exist just as soon as the government stops strangling our free-enterprise system.”

Regarding oil, we not only cited specific examples of where drilling has been restricted or prohibited such as in the Arctic National Wildlife Refuge (ANWR) in Alaska, but we also predicted that the development of new recovery techniques would result in “deposits now deemed



Written by [Bob Adelman](#) on July 11, 2018

unrecoverable” becoming recoverable. Regarding “unconventional oil” such as “oil that can be extracted from tar deposits or shale stone,” we observed: “Should extraction of a significant portion of this unconventional oil become economical, America’s oil resources would increase dramatically.” And “increase dramatically” America’s oil resources did, as soon as fracking made the unlocking of the oil found in shale formations practical and economical.

Today it is well known that annual oil production in the United States has been steadily climbing in recent years. But when we wrote our 1990 assessment about America’s abundant energy resources including oil, U.S. annual production had been declining for years, seemingly supporting M. King Hubbert’s widely accepted forecast that U.S. peak oil would be reached around 1970. But Hubbert’s prediction of peak oil has turned out to be premature, to say the least.

Back in 1990, George Mitchell was experimenting with a way to extract oil from shale — oil that he knew was down there but, at the time, was not recoverable with present technology. But he found a way to extract it, with the *Economist* giving him credit for the breakthrough:

The rise [in shale gas] has been helped along by a variety of factors.... But the biggest difference was down to the efforts of one man: George Mitchell ... who saw the potential for improving a known technology, fracking, to get at the gas.

Big oil and gas companies were interested in shale gas but could not make the breakthrough in fracking to get the gas to flow. Mr Mitchell spent ten years and \$6 million to crack the problem (surely the best-spent development money in the history of gas). Everyone, he said, told him he was just wasting his time and money.

But even the *Economist* missed the point: Mitchell was operating in a culture that rewarded such adventurism and experimentation, if he was successful. And that culture was, and is, founded on the limitations of government built into the Constitution of the United States, the rule of law, and enforcement of contracts. Mitchell, probably not even knowing it at the time, was part of Adam Smith’s “invisible hand.” Smith in his *Wealth of Nations* explained how Mitchell, in working to solve the riddle of fracking, was actually working for the benefit of all mankind:

He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.

When Mitchell died in 2013, *Forbes* considered him to be one of the world’s 500 richest people. His legacy, however, exceeds his personal fortune (gained by seeking and finding the magic fracking formula) a thousand-fold, and resonates today as the United States will shortly become the world’s leading producer of crude oil.

Image: ssuaphoto via iStock / Getty Images Plus

An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelman@thenewamerican.com.

Related article:



Written by [Bob Adelman](#) on July 11, 2018

[Thirty Years of Projecting the Lines](#)



Subscribe to the New American

Get exclusive digital access to the most informative, non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.

Subscribe