

Energy Insider by William Engdahl

'The tax must be repealed'

A respected geophysicist outlines the hydrocarbon potential that means America need not go energy-hungry.

I recently had the opportunity to share the podium at a Dallas EIR conference with one of the nation's most respected exploration geophysicists, D. K. Davis, currently senior vice-president of the 4,000-member Texas Independent Producers and Royalty Owners Association. He has worked in every onshore and offshore oil- and gas-producing province in the United States and Canada in the past 32 years as well as Australia, Europe, and Africa. I obtained his permission to excerpt his remarks:

Tons of dismal statistics are flowing from Democratically controlled bureaucracies, designed to prove Big Brother's theory that a horrible fate lies ahead of this nation, unless the brilliantly conceived governmental plans for exotic fuels are put into action, making fuel out of everything from coal to bull manure, and ocean currents to hominy grits.

In July, the President signed a bill to channel \$20 billion from the oil industry into a government-supported synthetic fuel industry over the next 10 to 12 years. Very few, if any, of these projects will give us much help for many, many years.

It is a cruel deception of the American people. . . .

Isn't there *some* way we can have more energy and ensure our domestic security?

Let me count the ways:

1) We can begin to recover

more of the oil already discovered. Two-thirds of all the oil ever found in this country is still in the ground, and even if only one-half of it can be recovered, it represents as much oil as this country has already used in its entire history. What does it take to get it out? *Money*: the money being taken away by the Windfall Profits Tax.

2) We can begin to drill in areas that have been too expensive or risky in the past. Only 2 percent of the 3 million square miles of potential oil and gas areas in the United States are producing, and we should not let the 98 percent lie dormant.

3) We can drill deeper holes. Basin after basin, offshore and onshore, has 15,000 to 30,000 feet of prospective sediments. Geologists worldwide agree that this may be where most of our future oil and gas in this country will come from. Past policies of price controls have kept the average depth of oilwells in this country to less than 5,000 feet. And less than 1½ percent of the wells drilled last year went to 15,000 feet or deeper. Money is the answer again. It costs 63 times as much money to drill a 16,000-foot hole as it does a 2,800-foot hole.

4) Geopressurized methane gas contained in the hot salt water, onshore and offshore in Texas and Louisiana, may contain up to 105,000 trillion cubic feet of gas. If we use no other energy source, and

use energy at three times our present consumption, that one source could provide all our energy needs for 500 years. Even if only 10 percent of it is recovered, we can provide twice our present natural gas consumption for 200 years.

5) Last September, Dr. William Menard, Director of the U.S. Geologic Survey, described a newly defined reef in 6,000 feet of water along the Continental Slope from Florida to Maine. It's 15 miles wide, 20,000 feet thick, and could contain from 2 to 15 billion barrels of oil.

6) We can drill more areas similar to the Overthrust Belt in Idaho, Wyoming, and Montana, which is now estimated to contain 37 billion barrels of new oil. All our other proven reserves amount to only 34 billion barrels! The U.S. Geological Survey now believes that a band from northern Georgia to New York conceals an Eastern Overthrust Belt covering 75,000 square miles of sedimentary rocks with great oil and gas potential. . . .

The best way to cure the shortage in the shortest time is to be certain that oil and gas is the most profitable investment anywhere. I can assure you that is not so under the terms of the Windfall Profits Tax Act, which has nothing to do with profits, but is an excise tax right off the top. . . . Without that tax, Texas producers could *triple* the annual number of wells for the next 10 years.

If everything goes according to plan, on Oct. 13 a landmark suit will be filed in the 10th District Federal Court in Casper, Wyoming to challenge the constitutionality of the Windfall Profits Tax Act of 1980. . . . The Windfall Profits Tax must be repealed!