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Drilling Is Worth The Risk



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   That huge black plume of oil gushing from the broken well in the Gulf of Mexico at a rate of 210,000 gallons a day is threatening the ocean and the coastline, and has earned BP, Transocean and Halliburton the sort of invective previously reserved for Goldman Sachs.

Let's put this risk of drilling in the gulf into perspective: Accidents, although rare, do occur in the gulf, and everywhere oil is produced. What makes risks and the damage they incur acceptable are the benefits to the economy and the U.S. way of life, which also are very great. A society that cannot manage risk wisely and accept some risk has no future.

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Forgoing the quarter-trillion dollars or so of yearly economic stimulus that comes from deep-water production in the Gulf of Mexico would add to our fiscal risk in a time of high budget deficits.

So here's one geologist's advice: Don't overreact to the accident in the gulf, and recognize that all domestic energy production involves both financial and physical risk.

The gulf currently contributes about 25% of all the oil and gas produced each year in the United States. About half a billion barrels of oil and gas equivalent is being produced from water more than 1,000 feet deep from the U.S. portion of the Gulf. Over the next few years this production is expected to double, affecting about 1.7 million jobs.

The deep-water gulf is among our biggest future petroleum resources. According to the Minerals Management Service of the Department of the Interior, the deep water of the gulf contains 86.3 billion barrels of oil and gas equivalent of undiscovered but technically recoverable resources. This potential oil resource is about the same size as the discoveries in the North Sea in the 1960s. When you think of what the production of the North Sea oil has meant to the United Kingdom and Norway, you get an impression of what the deep-water gulf could mean to the region and the nation.

Nor is this the first time that hydrocarbons have leaked into the gulf. For millennia, oil and gas have been leaking naturally and at highly variable rates at perhaps 10,000 locations on the gulf shelf and slope--through gas vents, oil seeps and mud volcanoes. These leaking hydrocarbons feed micro-organisms and support a food chain that may in part explain why the gulf is such a productive fishing area.

Yet there have been calls for a moratorium on new exploration in the gulf, and six West Coast U.S. senators have proposed a permanent ban on drilling in the Pacific. The sponsors of the U.S. Senate climate and energy bill have rewritten the section on offshore oil drilling to reflect mounting concern over the gulf oil spill, raising new hurdles for any future drilling off the Atlantic and Pacific coasts, although allowing it to proceed off Louisiana, Texas and Alaska.

We should be careful what we wish for. Every source of energy we could utilize is at least as risky as getting oil and gas from the gulf. Tapping geothermal energy is hazardous, requiring bleeding gas into the atmosphere to prevent blowouts. The 20 acres of the pink and white hot spring terraces of New Zealand were considered one of the seven wonders of the world until they blew up in 1886.

Not a trace is left. Solar and wind installations are vulnerable to storm damage, resulting in potentially serious power disruptions. Nuclear power carries risk in handling and transporting radioactive materials.

How our society responds to the recent setbacks will reveal a great deal about our future. If we respond badly it might be time to sell short.

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