



ENERGY - ANALYSIS

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Analysis: Unconventional oil partnership

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WASHINGTON, June 21 (UPI) -- An alternative to Middle Eastern oil lies in America's back yard -- and on the other side of the fence, under the neighbor's turf, some experts say.

Developing unconventional oil in the United States and Canada could lead to a significant increase in homemade oil, simultaneously dropping imports from politically unstable regions like the Middle East, panelists said Tuesday at a discussion on U.S. energy security and the Canadian province of Saskatchewan.

Cooperation between the two countries, particularly the oil-rich provinces of Alberta and Saskatchewan, could benefit both sides' efforts to develop oil production.

"There're a number of things in common between our two countries," said Sen. Orrin Hatch, R-Utah. "I believe energy is becoming, increasingly, the tie that will bind us together. As our two nations turn to unconventional energy sources, we're going to have to work closely together."

Alberta and Saskatchewan both have large unconventional crude oil resources, and the United States already imports more crude oil from its northern neighbor than any other country. Alberta produced 198 billion barrels in 2006, and an estimated 33 billion barrels of Saskatchewan's oil could be recovered using advanced technologies.

Areas of the United States, particularly in Colorado, Utah and Wyoming, also have large unconventional oil reserves. Scientists estimate 750 billion barrels of oil could be recovered from Colorado's Piceance Basin alone, and if Wyoming and Utah reserves are included, the number could reach 1.3 trillion barrels.

The Middle East's oil reserves pale in comparison to the hydrocarbon resources in North America, said Paul Michael Wihbey, president of the Global Water and Energy Strategy Team, a partnership of professionals interested in geopolitics, water, gas and other resources.

"Sometimes, we in the United States don't take time to see what's literally right under our noses," he said. "The center of gravity in terms of global oil production is now to be found in the Western Hemisphere."

While that may be true in terms of reserves, getting the oil out of the ground for use presents many difficulties.

North America's oil lies locked in oil sands and shale for the most part, making it more difficult to extract than that found in shallow oil fields, like those in the Middle East. However, while Canadians haven't been able to achieve nearly as high of a profit margin as conventional oil producers, they've still managed to create a cost-effective business.

In the United States, on the other hand, most of the unconventional oil lies beneath public lands and production is prohibited. The Energy Policy Act of 2005, though, will encourage production through a new program, which should come into effect in the near future.

"It gets the government back into the leasing plan" for oil development on those lands, said J.J. Brown, legislative assistant to Hatch, who sponsored the section of the bill that encourages development of oil shale and sands. "The obstacles that stood in the way (of production) I think have been leveled."

As the United States begins to develop production of its own unconventional oil, a partnership with Canada could help expedite the process, said Tony Dammer, a director of the Office of Naval Petroleum and Oil Shale Reserves at the U.S. Department of Energy.

Officials from both countries have discussed the matter before, and Dammer told United Press International he thinks a formal partnership will develop shortly.

"The ball is really in our court to put forth a memorandum of agreement to outline the scope and objectives of the partnership," he said.

The partnership could potentially set up a joint research and development initiative and establish a common road map for development, taking into consideration the best way to increase benefits for both countries.

"The No. 1 objective is just to share information," Dammer said. "When you have a really close neighbor like that, you don't want to duplicate research."

And because the Canadians have already been in this business for a while, the United States could implement more effective systems if they look northward for advice, Dammer said.

"I think there are a tremendous number of lessons to be learned about the development of oil fields in Canada," he said.

The Canadians could also benefit from a partnership, particularly if it brings in investments from the U.S. private sector.

"In our view, America doesn't know enough about what Saskatchewan has to offer," said Maynard Sonntag, minister of Saskatchewan industry and resources. "We want as much private sector investment as possible."

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