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## Will Canadian Sands Kick the Natural Gas Addiction?

By Keith Kohl

**Baltimore, MD--Whether you believe in a peak or a plateau, the coming energy crisis will offer you an unprecedented investment opportunity.**

Driving home from Northern Jersey late last night, I found myself in a very odd predicament. Certainly it was my fault. I had the opportunity to leave earlier in the evening, but I opted to push my trip back to avoid the frustrating traffic.

It's not like the directions were difficult. Jump onto I-95 South. Drive for hours. Then take my Baltimore exit. Piece of cake.

I procrastinated on my departure until about eleven at night. But I had no reason to be concerned. After all, this was going to be an easy ride, right?

Those were my famous last words.

About an hour into my trip, the road started to look a bit crowded. The traffic became thicker. Surely there was some accident or construction ahead causing the congestion. Yeah, that had to be it.

After another hour of crawling along, I slowly realized it was neither an accident nor construction delays. There were simply too many people who had the same brilliant idea of leaving later.

My speed was so painfully slow, I wouldn't have gotten a speeding ticket if I were in a school zone. And I'd like to make this point now--it's not funny when you're stopped dead in front of a 65 MPH sign which also reads, "Minimum Speed 40 MPH."

So there I was, sitting idle at one o'clock in the morning on the highway. I was starting to get used to the bumper-to-bumper traffic when my phone rang. One of my colleagues had just left our local Irish pub and was wondering why I wasn't stumbling home next to him.

After a few jests from him about my situation, we started talking about energy. How could we not? Hurricane Dean was threatening still to pummel Mexico.

First their massive Cantarell oil field begins to drastically decline, and now a hurricane was about to make landfall. This definitely has not been the best year for Mexico. I wonder who they pissed off?

"Turns out that Dean is a dud," he started. True, Hurricane Dean had certainly lost some steam. It was downgraded from a category 5 to a category 3. Certainly not the Katrina-like quality that puts the fear of God in oil execs. He continued to worry, "You know, if this season turns out to be much weaker than expected, oil prices could seriously drop. We'll be screwed."

I knew the point he was making. I wasn't concerned at all.

"Trust me, if you were sitting in my car right now, you wouldn't be worried one bit," I said confidently. "It's the middle of the night and this highway is packed. Could you imagine what would've happened if I had left during rush hour? Looking at this traffic, the only thing that comes to mind is how badly our

oil demand is out of control."

But the question is where is that oil going to come from? If people aren't complaining too loudly at oil prices in the \$70s, do you really think OPEC will increase production and lose trillions of dollars?

Of course not.

And they're struggling as it is, spending a vast amount of money just to maintain production. As many oil experts have said, "We ran out of \$50/bbl oil this year." I completely agree.

My colleague was right about one thing--we will be screwed if prices fall much lower. Companies won't have the investment money needed. But like I just said, I'm not worried. The world will be consuming more than 86 million barrels of oil every day next year.

With the current state of declining fields and aging equipment in the world's conventional fields, we're going to have to satisfy our demand somewhere else.

It's not surprising to hear that production from Canadian oil sands is expected to grow fivefold within the next decade. But if you remember from last week's *Energy and Capital*, oil sands are running into some problems. Right now, you need to use a lot of energy to produce energy.

Don't forget that oil companies use more than 600 million cubic feet of natural gas per day in their operations. Think of what they'll need when production doubles. Triples!

That provides investors the chance to make some serious gains from technology that would replace natural gas in the process. Whether it's nuclear energy or some new device, the window is still open. These are precisely the kind of plays that my [Pure Energy](#) readers have been cashing in on for years. In the end, there'll be two kinds of investors. Those that sat on the sidelines playing the "what if" game, and those going to the bank and counting their money.

### Home Sweet Home

My drive home took twice as long as I expected last night, and long after my friend had gone to sleep, I couldn't help thinking more about energy prices.

Sometimes we blame the weather for outrageous prices and other times we blame OPEC. Sooner or later we'll have nobody to blame for the energy crisis but ourselves. We might as well take advantage of it.

Until next time,



Keith Kohl