

**The California Oil and Gas Report**

# California Seen As Next Shale Boom State

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#### ****By Dennis Luna, J.D., P.E.****

California’s huge and largely untapped Monterey shale oil field gives the state the potential to become a much larger producer and exporter of oil and gas, creating up to $1 trillion in new business and social benefits, and restoring the state government’s fiscal health.

That’s the conclusion of Mark P. Mills, in a [column](http://online.wsj.com/article/SB10001424127887323353204578128733463180210.html?KEYWORDS=Mark+Mills) published in the January 16, 2013, issue of the Wall Street Journal.

Mills is a [senior fellow](http://www.manhattan-institute.org/html/mills.htm) at the Manhattan Institute, an economic think tank. He is also founder and CEO of the Digital Power Group, an energy- and technology-focused investment advisory firm, and he writes the Energy Intelligence column for [Forbes](http://blogs.forbes.com/markpmills/).

The Monterey shale field, which extends 200 miles from Bakersfield into central California, contains “Saudi Arabia-scale oil resources,” Mills wrote in the Journal column. Newer techniques including horizontal drilling and hydraulic fracturing make recovery of that resource both possible and environmentally clean.

The federal Energy Information Administration estimates that “the Monterey shale field alone holds 15.4 billion barrels of oil, rivaling America’s total conventional reserves,” Mills wrote.

California collects tax revenues of about $15 per barrel of oil, he noted. That means the Monterey field could yield $250 billion in new taxes to the state over the next 20 years.

In addition, he said, the American Enterprise Institute and the Milken Institute report that each barrel of oil pulled out of the ground results in $30 to $80 of increased economic activity and social benefits.

“Do the math:  The overall economic benefits of opening up the Monterey shale field could reach $1 trillion,” Mills declared. These benefits would include enormous positive impact on everything from the state’s underfunded educational system, social programs and infrastructure, as well as on research into new energy technologies.

Half a century ago, Mills noted, California ranked second in the nation in oil production, at 400 million barrels per year. Now, with production half that level, California is fourth, behind Texas, North Dakota (boosted by shale oil production) and Alaska. Output from the Monterey field could move California up the list, supplying not only domestic needs but exporting to Asian markets for which its location makes California an ideal provider.

New “clean” energy sources, such as solar and wind, may seem attractive, Mills wrote, but they are long-term solutions at best. The U.S. Department of Energy says gasoline and diesel will provide up to 90% of transportation energy growth for the next 20 years.

Environmentalists express concern about the volume of fresh water used in fracking of wells, making the issue “a political hot potato,” but water-free technologies are being developed that could resolve that issue while saving money for producers, Mills pointed out.

Fully developing the Monterey field will require leadership in Sacramento and Washington, and Mills sees positive signs at both the state and federal level. The Bureau of Land Management sold 15 leases for possible shale production on thousands of acres of California land. “Add to this that a year ago Gov. (Jerry) Brown fired his two regulators who had overseen a 70% decline in state drilling permits since 2008, and you have the makings for progress,” Mills declared.

Dennis Luna is the managing partner of Luna & Glushon and is considered one of the top energy and real estate attorneys in California. Dennis is a graduate of Harvard Law School and a licensed Professional Engineer. He holds a Master of Science in Petroleum Engineering from the School of Petroleum Engineering at the University of Southern California, where he also earned a Bachelor of Science in Petroleum Engineering and a Master of Business Administration.