“A new scientific truth does not triumph by convincing its opponents and making them see the light, but rather, its opponents eventually die, and a new generation grows up that is familiar with it,”

Max Planck, German physicist.

INTRODUCTION

Natural gas trapped in shale (shale gas), in sandstone (tight gas) and in coal seams as a product of Hydraulic Fracturing or “Fracking” is asserting a role in North America (USA and Canada), Europe (Poland and Germany), Australia, Indonesia, India, Latin America and Asia (China), as a bridge fuel toward the eventual adoption of renewable and carbon-free sources of energy. Tight natural gas is trapped in rock formations that are about one thousand times less permeable than conventional gas reservoirs and requires the use of hydraulic fracturing for its release. In conventional natural gas deposits, about 80 percent of the gas can be extracted. In the case argillaceous or clayish rock, only 10 to 20 percent of the gas is extractable.

The global reserves of conventional natural gas are estimated as 44,093 exajoules (1 exajoule = 10^{18} Joules) compared with just 17,145 exajoules in crude oil, according to the German Federal Institute for Geosciences and Natural Resources (BGR). Another 34,951 exajoules are available from unconventional sources in shale, sandstone and coal beds, excluding natural gas hydrates and gas from water-saturated rocks. The global primary energy consumption was 470 exajoules in 2009. Natural gas could replace coal as a source of electrical power production by 2030. Half as much CO_2 is emitted in the combustion of natural gas as in coal combustion, with a positive effect on global warming. From a different perspective, global shale oil reserves are estimated at over three trillion barrels recoverable under current technology. The USA has two trillion of those barrels.

Table 1. Global resources of conventional and unconventional natural gas in shale, sandstone and coal beds, excluding gas from water-saturated rocks, in trillion cubic meters. Data: BGR.

<table>
<thead>
<tr>
<th>Location</th>
<th>Conventional [10^{12} m^3]</th>
<th>Unconventional [10^{12} m^3]</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>31.2</td>
<td>372.4</td>
</tr>
<tr>
<td>Europe</td>
<td>6.3</td>
<td>84.4</td>
</tr>
<tr>
<td>Commonwealth of Independent States (CIS)</td>
<td>117.1</td>
<td>248.8</td>
</tr>
<tr>
<td>Middle East</td>
<td>35.4</td>
<td>147.7</td>
</tr>
<tr>
<td>Latin America</td>
<td>9.4</td>
<td>233.2</td>
</tr>
<tr>
<td>Africa</td>
<td>16.2</td>
<td>153.2</td>
</tr>
<tr>
<td>Asia/Australia</td>
<td>25.1</td>
<td>480.1</td>
</tr>
</tbody>
</table>
Estimates of USA shale gas resources are about 862 trillion cubic feet, and shale contributes 23 percent of the USA natural gas supply, with an expectation that it could reach 46 percent by 2035. Over 3,000 gas wells have been drilled in Pennsylvania in the 2005-2011 period, and 15,000 in north Texas.

In 2013 USA production reached 7.4 million barrels / day, an increase over 2012 of 15.3 percent. In 2014, production should reach 8.3 million barrels / day. The volumes of crude petroleum being moved by train cars, for the lack of existing pipelines from the shale fields, was 9,500 wagons in 2008. In 2013, this number reached 400,000 train cars. For natural gas the output is expected to reach 70 billion cubic feet / day in 2014, reaching over 100 billion cubic feet / day by 2040.

The decades-old secondary recovery technique of hydraulic fracturing is undergoing a dramatic revival and a wide adoption since the introduction of horizontal well drilling in shale formations, but has generated environmental concerns about water contamination because of the chemicals used in the process.

![Map of Shale Gas basins in the USA](image)

Figure 1. Shale Gas basins in the USA. Source: EIA.
Figure 2. Shale gas occurrences in the USA. Source: USDOE.

Figure 3. Oil shale deposits in the USA. Source: USDOE.
In terms of water supply usage, the average shale well in the Marcellus Formation uses about 3.8 million gallons of water during the entire operation. This can be compared to 2.2 million gallons per week used by a typical golf course, 5/7 million gallons per minute used by New York City, and 5/11 million gallons of cooling water used by a large coal-fired power plant.

The injected water carries 0.5 percent of sand as a crack propping agent and 0.5 percent as various assisting chemical agents. Tested shale wells identified the following nonspecific chemicals: “pH adjusting agent, corrosion inhibitor, friction reducer, antibacterial agent, scale inhibitor, clay stabilizer, gelling agent, iron control, crosslinker, breaker, acid and surfactant.”

![Seismic exploration trucks in Bavaria, Germany. Source: DPA.](image)

The USA will overtake Saudi Arabia as the world's biggest oil producer "by around 2020", according to a November 2012 International Energy Agency (IEA) report. The reason for this was the big growth and development in the USA of extracting oil from shale rock. This has enabled the US to gain significantly more extractable oil resources. As a result, the IEA predicts the USA will become "all but self-sufficient" in its energy needs by around 2035. It predicts that the USA will be producing 11.1 million barrels per day by 2020, compared with 10.6 million from Saudi Arabia.

It also expects that the USA will overtake Russia as the world's biggest gas producer by 2015, again thanks to hydraulic fracturing or fracking. It warns that the big growth in USA oil and gas production could have significant geopolitical implications, as it may make the USA less concerned about the Middle East.


“Consider how much can change in one year alone. In 2013, on properties in Oklahoma in which the GHK Companies hold interests covering 150 square miles, one large U.S. independent company drilled and
completed over 100 horizontal wells. Had those wells been drilled vertically, they would have exposed only about 1,000 feet of shale, whereas horizontal drilling allowed nearly 100 miles to be exposed. And rather than performing the 100 injections of fracking fluid that a vertical well would have made possible, the company was able to perform between 1,000 and 2,000 of them. The company’s engineers also tinkered with such variables as the type of drill bits used, the weight applied while drilling, the rotation speed of the drill, and the size and number of fracking treatments.

Thanks to that continuous experimentation, plus the savings from scale (for example, ordering tubular steel in bulk), the company managed to slash its costs by 40 percent over 18 months and still boost its productivity. The result: in 2014, six or seven rigs will be able to drill more wells and produce as much oil and gas as 12 rigs were able to the year before. Since the shale boom began, over a decade ago, companies have drilled about 150,000 horizontal wells in the United States, a monumental undertaking that has cost approximately $1 trillion. The rest of the world, however, has drilled only hundreds of horizontal wells. And because each borehole runs horizontally for about one mile (and sometimes even two miles) and is subjected to ten or more fracking injections, companies in the United States have fracked about 150,000 miles of shale about two million times. That adds up to around a thousand times as much shale exposed inside the United States as outside it.”

HISTORICAL PERSPECTIVE

EARLY DEVELOPMENT
Hydraulic fracturing technology can be traced back to 1862 during the American Civil War battle of Fredericksburg, Virginia. Colonel Edward A. L. Roberts observed what happens when firing artillery shells into a narrow canal that obstructed the battlefield. The explosion is amplified by the confining canal walls and the generation of steam from the water in what is referred to as “superincumbent fluid tamping.”

Colonel Edward A. L. Roberts received his patent on April 26th, 1865, for an “Improvement” in exploding torpedoes in artesian wells. In November, 1866, Edward L. A. Roberts was awarded patent number 59,936, for his “Exploding Torpedo” invention. The process is carried out by packing a torpedo in an iron case that contained 15-20 lbs of explosive black powder. The case is lowered into the depleting well, at a spot closest to the oil. The torpedo is initiated by connecting the top of the shell with an electrical wire to the surface, while filling the borehole with water to generate a steam explosion.

The methodology enhanced the secondary recovery of petroleum by 1,200 percent from some wells within a week of implementation. The “Roberts Petroleum Torpedo Company,” charged $100-$200 dollars per rocket, plus a royalty of 1/15 of the profits generated from the enhanced-recovery well.

In the 1930s, drillers used a non-explosive liquid substitute called “acid,” instead of nitroglycerin as an explosive, making the created cracks in the medium more resistant to closing, thus increasing productivity. The birth of contemporary hydraulic fracturing began in the 1940s. In 1947, Floyd Farris of Stanolind Oil and Gas carried out a study on the relationship between oil and gas production output, and the amount of pressurized treatment being used on each well. This was followed by the first experiment of hydraulic fracturing at the Hugoton natural gas field in Grant County, Kansas in 1947. In this case, 1,000 gallons of gelled gasoline and sand were injected into a gas producing limestone...
formation at a depth of 2,400 feet. Afterwards an injection of a gel breaker is done. This experiment failed to produce a significant production increase. However, it marked the start of hydraulic fracturing.

On March 17, 1949, the Halliburton Company conducted two commercial more successful experiments; in Stephens county, Oklahoma, and in Archer County, Texas. In the 1960s Pan American Petroleum began using this drilling technique in Stephens county Oklahoma. In the 1970s, this secondary recovery method was adopted in the Piceance Basin, the San Juan Basin, the Denver Basin, and the Green River Basin.

President Gerald Ford, in the 1975 state of the union address, promoted the development of shale oil resources, as part of his overall energy plan, as a means of reducing foreign oil imports.

**RECENT DEVELOPMENT**

The recent shale gas technology boosting the USA’s natural gas production was initiated in the Barnett Shale deposit in North-Central Texas around Dallas and Fort Worth, Texas, by pioneer George P. Mitchell, who was chairman and chief executive officer of Mitchell Energy and Development Corporation. He perfected the then 40-year secondary recovery method known as “hydraulic fracturing” by combining it with horizontal well-drilling.

In the 1950s, well crews would drop “torpedoes” which are metal cylinders filled with nitroglycerine down the well hole. When the torpedo hits the bottom of the well, it exploded, cracking the rocks and showering everyone within 100 yards with rock chips, water, and oil. Water, sand, and giant pumps have replaced explosive nitroglycerine.

In Wise County, Texas, about 60 miles west of Fort Worth the Greek goat herder named Savas Paraskivoupolis (who changed his name to Mitchell) came to Galveston in 1905. His son George Mitchell worked his way through Texas A&M University and obtained a degree in petroleum engineering. After World War II, George Mitchell teamed up with his brother Johnnie Mitchell and Merlyn Christie. They drilled their first well in 1952, in what became known as the Boonesville Field in Wise County, near Bridgeport. They went on to drill hundreds of gas wells but had to shut them down because they had no way to deliver the natural gas they found in abundance. The work was done at serious financial risk, but they just kept drilling and plugging those wells. Finally a contract for a pipeline was financed by an Illinois utility, and those wells went into production. Mitchell was encouraged by a provision inserted into the 1980 windfall oil profits tax bill to encourage drilling for unconventional natural gas. George P. Mitchell adopted a trial-and-error approach for a long time before succeeding in the late 1990s. The hydraulic fracturing or fracking method that he perfected cracked the rock deep underground, increasing its permeability by opening small cracks that allowed natural gas trapped in tiny pores to flow into the well and up to the surface. Over time, Mitchell would drill over 10,000 wells, with over 1,000 of them being wildcat or exploratory wells.

Devon Energy Corporation, located in Oklahoma, acquired the Mitchell Energy and Development Corporation in 2002 for about $3.3 billion and hybridized the fracking technology with its own directional drilling technology that it developed in offshore exploration to yield a powerful new petroleum and gas production methodology.
The new approach has Devon and its competitors, such as Chesapeake Energy Corporation, SandRidge Energy, and Shell Oil redeveloping old oil and gas deposits such as the Fayetteville Shale in North Arkansas, Haynesville, Marcellus, Woodford, Eagle Ford, Devonian-Mississippian Bakken, and others that were thought depleted.

North Dakota, with its Bakken formation, emerged as the new oil frontier of tight oil and natural gas and became the fourth largest oil producing state behind Texas, Alaska and California. There may be four more layers or benches of shale oil and gas below the Upper Bakken formation, including the promising Three Forks stratum.

![Figure 6. Hydraulic fracturing well site.](image)

Natural gas is filling a role as a bridge fuel along the road of the implementation of renewable energy sources and an energy economy where hydrogen is used as an energy carrier with fuel cells replacing the Internal Combustion Engine (ICE). Natural gas could be used in the steam reforming process to produce synthetic gas which is a mixture of H\textsubscript{2} and CO. Instead of Carbon Separation and Storage (CCS), the process of carbon dioxide reforming would use natural gas to turn CO\textsubscript{2} into useful products such as green diesel fuel. To overcome the intermittence property of thermal solar energy, the Combined Cycle
Concentrated Solar (CCCS) alternative uses natural gas in hybrid plants under construction to provide power during the night period and on cloudy days.

**NATURAL GAS COMPARISON TO OTHER FUELS**

Natural gas prominently has a high specific energy among existing fuel choices, only exceeded in the energy content per unit weight by nuclear fuel (Table 1). In the last 200 years there has been an evolution toward burning less carbon in favor of burning more hydrogen in different fuels as shown by the atomic ratio of hydrogen to carbon (H/C) in Table 2 for different fuels from wood to natural gas or methane CH₄, as well as its liquid form as methanol or methyl alcohol CH₃OH. The increased per capita energy consumption as estimated by Ausubel [1] is leading to a trend toward using fuels with more hydrogen content as shown in Table 3.

**Table 2. Specific energy of different energy supplies.**

<table>
<thead>
<tr>
<th>Fuel</th>
<th>Specific energy [MJ/ kg]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enriched uranium (3-5 percent U²³⁵)</td>
<td>3.7x10⁶</td>
</tr>
<tr>
<td>Natural uranium (0.72 percent U²³⁵)</td>
<td>5.7x10⁵</td>
</tr>
<tr>
<td>Natural gas</td>
<td>55.6</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>45.8</td>
</tr>
<tr>
<td>Crude petroleum</td>
<td>41.9</td>
</tr>
<tr>
<td>Coal</td>
<td>32.5</td>
</tr>
<tr>
<td>Ethanol</td>
<td>26.8</td>
</tr>
<tr>
<td>Wood</td>
<td>10.0</td>
</tr>
</tbody>
</table>

**Table 3. Hydrogen to Carbon ratio (H/C) for different fuels**

<table>
<thead>
<tr>
<th>Fuel</th>
<th>Hydrogen to Carbon ratio, (H/C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood</td>
<td>0.1</td>
</tr>
<tr>
<td>Coal</td>
<td>0.5-1.0</td>
</tr>
<tr>
<td>Oil</td>
<td>0.8-2.0</td>
</tr>
<tr>
<td>Light sweet crude oil, (CH₁.₅)ₙ</td>
<td>1.5</td>
</tr>
<tr>
<td>Heavy sour crude oil, (CH₀.₈)ₙ</td>
<td>0.8</td>
</tr>
<tr>
<td>Clean transport fuel, (CH₂)ₙ</td>
<td>2.0</td>
</tr>
<tr>
<td>Cetane, C₁₆H₃₄</td>
<td>2.125</td>
</tr>
<tr>
<td>Hexane, C₆H₁₄</td>
<td>2.333</td>
</tr>
<tr>
<td>Propane, C₃H₈</td>
<td>2.666</td>
</tr>
<tr>
<td>Methane, CH₄</td>
<td>4.0</td>
</tr>
<tr>
<td>Methanol, methyl alcohol, CH₃OH</td>
<td>4.0</td>
</tr>
<tr>
<td>Ethanol, ethyl alcohol, C₂H₅OH</td>
<td>3.0</td>
</tr>
<tr>
<td>Hydrogen</td>
<td>Infinity</td>
</tr>
</tbody>
</table>
Table 4. Per capita energy consumption trend for different fuels.

<table>
<thead>
<tr>
<th>Timescale</th>
<th>Fuel</th>
<th>Per capita consumption in tons of coal equivalent (tce)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1850-1925</td>
<td>Coal</td>
<td>0.3-1.0</td>
</tr>
<tr>
<td>1925-2000</td>
<td>Oil</td>
<td>0.8-2.3</td>
</tr>
<tr>
<td>2000-2050</td>
<td>Gas</td>
<td>2.0-6.0</td>
</tr>
<tr>
<td>2050-……</td>
<td>Hydrogen</td>
<td>6.0-15.0</td>
</tr>
</tbody>
</table>

However, hurdles have to be overcome along the road. Based on environmental concerns, the province of Québec in Canada, the state of New York in the USA, and France do not authorize the use of the technique of hydraulic fracturing for the extraction of tight natural gas from shale rock formations. Improper application of the technique generated claims that the hydraulic fracturing of tight shale natural gas formations may lead to more environmental concerns than the mining and burning of coal.

In a paper at a conference by the Seismological Society of America in April 2012, researchers from the USA Geological Survey reported that for the three decades until 2000, seismic events in the nation’s midsection averaged 21 per year. They increased to 50 per year in 2009, 87 in 2010 and 134 in 2011. The increase is associated with deep disposal well injection of waste water from hydraulic fracturing. There are about 140,000 disposal wells in the USA with a small number associated with potential minor seismic activity.

VERTICAL VERSUS HORIZONTAL DRILLING

In conventional natural gas reservoirs a few vertical wells are usually drilled every 2.5 km² and are sufficient to extract the existing natural gas. Tight natural gas formations are porous and have a permeability that is three orders of magnitude lower than the conventional gas reservoirs. Tight gas does not diffuse easily in the low permeability formation rock and is often spread over a larger area.

This necessitates an approach where wells are drilled in different directions from a central location that penetrate the gas reservoir both vertically and horizontally. This poses a limitation on the number of available drilling locations or wells pads on the surface. One of the pretexts used by Iraq’s President Saddam Hussein for the invasion of Kuwait in 1990 was that Kuwait was resorting to “slant drilling,” whereby its petroleum wells were drilled on Kuwaiti territory, but crossed the border into Iraq underground.

In horizontal drilling, an extensive network of wells is generated, stretching underground for lengths of up to 2 kms or 1.2 miles. This increases the potential production to ten times more than is achieved through conventional methods. Mobile drilling units are moved between the well pads, avoiding the dismantling and reassembling of the drilling equipment for each pad.
HYDRAULIC FRACTURING, FRACKING

Hydraulic fracturing of tight natural gas shale formations is a secondary recovery drilling technique that involves pumping a mixture of water, sand and chemicals into deep shale deposits to fracture the rock, increase its permeability, and free the oil or gas. The technique has been used since the 1950s, but in the last decade the development of the horizontal drilling technique has made hydraulic fracturing a useful technique. It has allowed the extraction of natural gas from shale rock deposits, which are usually around a mile in depth. The tight natural gas that used to be inaccessible is leading to a substantial increase in natural gas production in the lower 48 USA states.
In hydraulic fracturing, fluids are pumped under high pressure into a well whose casing has been perforated by projectiles shot from a special gun to create fractures in the rock, increasing its permeability. The sand keeps the cracks open after withdrawal of the fracturing fluid and allows the gas to flow into the perforated casing. This takes place deep underground below the shallow fresh water aquifers at pressures sufficient to create fractures in the host rock.

The hydraulic fracturing fluids consist mainly of water mixed with small amounts of chemical additives that help to cool and lubricate the piping and drill bits and prevent scale formation. Sand or ceramic particles are mixed with the fracturing fluid to keep the fractures open and allow natural gas to diffuse through them. Ceramic particles are preferred to sand for shale formations at the greater depths and pressures.

The wells are finished by lining them with steel pipes and are cemented in place down from the surface to below the level of the shallow fresh water aquifer that are the primary sources of the drinking water supplies. When properly installed, these barriers are effective in containing to the hydraulic fracturing fluid and prevent the fluid from mixing with the water in the shallow fresh water aquifers.

**INCREASED PRODUCTION AND RESERVES**
Figure 11. Natural Gas Reserves, USA 1979-2009. Source: USA Energy Information Administration, EIA.

Figure 12. Historic and projected natural gas production projections in trillion cubic feet.

As of 2011, tight shale natural gas deposits are reported to have provided 25 percent of the USA’s natural gas production. They are expected to provide 45 percent by the year
2035. In 2010, the USA produced 4.87 trillion ft$^3$ of shale gas. This represents a 57 percent increase above the 2009 level.

Tight shale natural gas discoveries accounted for 90 percent of the increase in the USA’s domestic natural gas reserves in 2009, when gas reserves grew by 11 percent, even as the prices fell by a factor of one third as a result of increased production and supply. Tight shale natural gas currently amounts to 21 percent of the USA’s total natural gas reserves.

The increase in tight shale natural gas production was facilitated by the recent developments in the technique of horizontal drilling. The technology advanced to a level where drillers are able to perform the hydraulic fracturing process horizontally. Hydraulic fracturing has been used to extend the lives of vertical wells since 1949, but vertical fracturing cannot retrieve tight shale natural gas at economic levels.

As the global conventional gas fields are suffering depletion, an increase in the price of natural gas occurred and encouraged exploration and capital investment. Hence tight shale natural gas is considered as the “bridge fuel” in the USA’s energy plan as it transitions from the depleting hydrocarbons fuels to the renewable energy sources.

**TIGHT NATURAL GAS PRODUCTION GOVERNMENT INCENTIVES**

President Barack Obama’s administration has promoted natural gas as part of its clean energy policy. Yet, earlier support for hydraulic fracturing originated from the time of President George W. Bush’s tenure. In 2005, his administration passed the Energy Policy Act, a wide-ranging energy bill championed by his Vice President Dick Cheney.

The Energy Policy Act of 2005 explicitly exempted the hydraulic fracturing process from excessive regulation, specifically the provisions of the Safe Drinking Water Act, the Clean Air Act, and the Clean Water Act. This introduced a loophole that is known as the “Halliburton Loophole,” in reference to the previous involvement of Vice President Dick Cheney with the Halliburton Company. It allows the tight gas extraction companies to pump large volumes of hydraulic fracturing fluids into old wells and to store the used fluids in open pools at the surface. In the USA, to provide ample energy supplies, the oil and gas industry is endowed with favorable treatment by being exempt from several provisions in the “Toxic Release Inventory Act,” “The Superfund Law,” “The National Environmental Policy Act,” “Clean Water Act,” “Safe Drinking Water Act,” and “The Clean Air Act.”

About 8 million gallons of water are usually needed to hydraulically fracture a tight natural gas well. A well may be repeatedly hydraulically fractured about 18 times. Each time, about half of the hydraulic fracturing fluid is pumped to the surface entraining the natural gas. The gas is collected at compressor stations, where it is separated from carbon dioxide and compressed for pipeline transport. The returned hydraulic fracturing fluid is either trucked to water treatment plants, injected into old wells, or stored in large, tarp-lined evaporation pools.

**ENVIRONMENTAL CONSIDERATIONS**

Natural seeps of oil and gas are a common occurrence. Stockton, California lighted its county courthouse in 1854 with natural gas released from a local water well. California
has thousands of naturally occurring oil seeps. In the Gulf of Mexico, there are more than 600 natural oil seeps that leak between five hundred thousand and one million barrels of oil per year. When a petroleum seep develops underwater it may form an asphalt volcano. The ecological system has evolved certain bacteria that feed on the oil-seeps hydrocarbon. Oil spills disappear over a few years through evaporation, ultraviolet radiation dissociation and bacterial action.

The rapid growth of hydraulic fracturing has generated opposition due to concerns about shallow fresh water aquifers contamination by the chemicals used in the process. Their leakage is associated with hasty improper or sloppy well finishing and casing procedures. Some of the substances used in the fracking fluids are relatively benign, such as guar gum used to thicken the water-based solution to help transport the “proppant” material; others are more worrisome, like benzene. Poorly constructed wells, improper handling of fluids as they return to the surface or spills can lead to the contamination of the surface water supplies.

Fracking fluids are 90 percent water and 9.5 percent "proppant," such as sand, which helps wedge cracks open. The remaining 0.5 percent of the fluids is a mixture of ingredients:

1. Acids to dissolve minerals and start cracks in the rock,
2. Gelling agents to keep the sand suspended in the solution,
3. Chemical "breakers" to disperse the gel when it is no longer needed,
4. Friction reducers to keep the fluids moving,
5. Biocides to kill off bacteria that corrode the pipes,
6. Other chemicals that stabilize, winterize or neutralize the well.

Naturally occurring radionuclides are unwelcome in fracking fluids that bring them to the surface in drilling operations. When groundwater comes out of a well and it is radioactive above a certain level, they cannot put it back into the ground. Companies have to ship contaminated water to repository sites around the country at very large expense.

The chemicals reportedly used in the process include salt and organic solvents such as benzene and toluene, boric acid, xylene, diesel-range organics, methanol, formaldehyde and ammonium bisulfite. Dilute acids such as hydrochloric or muriatic acid are used to dissolve carbonate minerals and opening fractures near the well bore. Some chemicals are meant to control bacterial growth that could affect the gas and liquid flows as biocides and disinfectants as bromine-based solutions or glutaraldehyde. Scale inhibitors such as ethylene glycol are used to control the precipitation of carbonate and sulfate minerals. Citric acid or hydrochloric acid are used to inhibit the precipitation of iron compounds by keeping them in soluble forms. Friction reducing agents used are potassium chloride or polyacrylamide-based compounds. Corrosion inhibitors such as N,n-dimethyl formamide and oxygen scavengers such as ammonium sulfite are used to protect the well casing. Cross-linking agents that may contain boric acid or ethyl glycol, enhance the capability of the gelling agent to transport the proppant material. A breaker solution is added later to cause the gelling agent to break down into a simpler fluid to be removed from the well bore leaving behind the sand or ceramic proppant material. The use of carbon dioxide fracturing is under consideration as an alternative to water fracturing.
Table 5. Composition of hydraulic fracturing fluids.

<table>
<thead>
<tr>
<th>Component</th>
<th>Volumetric percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₂O and SiO₂</td>
<td>99.51</td>
</tr>
<tr>
<td>Diluted Acid</td>
<td>0.123</td>
</tr>
<tr>
<td>Friction reducer</td>
<td>0.088</td>
</tr>
<tr>
<td>Surfactant</td>
<td>0.085</td>
</tr>
<tr>
<td>Potassium Chloride, KCl</td>
<td>0.06</td>
</tr>
<tr>
<td>Gelling agent</td>
<td>0.056</td>
</tr>
<tr>
<td>pH adjusting agent</td>
<td>0.011</td>
</tr>
<tr>
<td>Breaker</td>
<td>0.01</td>
</tr>
<tr>
<td>Cross-linker</td>
<td>0.007</td>
</tr>
<tr>
<td>Fe control</td>
<td>0.004</td>
</tr>
<tr>
<td>Corrosion inhibitor</td>
<td>0.002</td>
</tr>
<tr>
<td>Biocide</td>
<td>0.001</td>
</tr>
</tbody>
</table>

The wells, if improperly finished, are considered eyesores for some. The access roads, storage tanks and drill pads construction have affected pristine tracts of land. The real concern is water contamination. Incidents of fresh water supplies being contaminated by metals and volatile organic compounds as a result of improper hasty well finishing and casing have generated complaints about health problems for people, livestock and wildlife.

Table 6. Hydraulic fracturing additives [8].

<table>
<thead>
<tr>
<th>Additive</th>
<th>Composition</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted Acid</td>
<td>HCl or muriatic acid</td>
<td>Dissolve minerals and initiate cracks in rock</td>
</tr>
<tr>
<td>Biocide</td>
<td>Glutaraldehyde</td>
<td>Inhibits bacteria in the water that produce corrosive byproducts</td>
</tr>
<tr>
<td>Breaker</td>
<td>Ammonium persulfate</td>
<td>Leads to a delayed break-down of the gel polymer chains</td>
</tr>
<tr>
<td>Corrosion inhibitor</td>
<td>N,n-dimethyl formamide</td>
<td>Prevents corrosion of well pipe</td>
</tr>
<tr>
<td>Cross-linker</td>
<td>Borate salts</td>
<td>Maintains fluid viscosity at higher temperature</td>
</tr>
<tr>
<td>Friction reducer</td>
<td>Polyacrylamide</td>
<td>Minimizes friction between the fluid and the pipe</td>
</tr>
<tr>
<td></td>
<td>Mineral oil</td>
<td></td>
</tr>
<tr>
<td>Gelling agent</td>
<td>Guar gum or hydroxyl ethyl cellulose</td>
<td>Thickens the water to suspend the sand</td>
</tr>
<tr>
<td>Ingredient</td>
<td>Function</td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Iron Control</td>
<td>Citric acid</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prevents precipitation of metal oxides</td>
<td></td>
</tr>
<tr>
<td>KCl</td>
<td>Potassium chloride</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Creates a brine carrier fluid</td>
<td></td>
</tr>
<tr>
<td>Oxygen scavenger</td>
<td>Ammonium bisulfite</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Removes oxygen from the water to protect the pipe from corrosion</td>
<td></td>
</tr>
<tr>
<td>pH adjusting agent</td>
<td>Na or K carbonate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maintains the effectiveness of other components, such as cross-linkers</td>
<td></td>
</tr>
<tr>
<td>Proppant</td>
<td>Silica, quartz sand</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Allows the fractures to remain open so the gas can diffuse out of the well</td>
<td></td>
</tr>
<tr>
<td>Scale inhibitor</td>
<td>Ethylene glycol</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prevents scale deposits in the piping</td>
<td></td>
</tr>
<tr>
<td>Surfactant</td>
<td>Isopropanol</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increases the viscosity of the fracture fluid</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 13.** “Jewels” are about four-foot-long sliding sleeves encased in stainless steel, looking like shiny gems along the dark string of iron pipe. To maximize the fracking effectiveness in a two-mile pipe, about 30 sliding sleeves are used. The closed sliding sleeves are included at a set spacing in the steel casing at the time it is set in place. The bottom sliding sleeve is first opened and the first stage is pumped. The next sleeve is
opened which concurrently isolates the first stage, and the second stage is pumped, and so on, one stage at a time.

Figure 14. Fracturing gun and generated fractures around horizontal well bore.

Figure 15. Fractured horizontal well shale formation.

In the state of Pennsylvania, the Department of Environmental Protection reported an incident involving the contamination of the fresh water aquifer feeding rural household wells in Dimrock after more than 60 wells were drilled in a 9 square-mile area. The hydraulic fracturing operations may have caused the water to turn brown in color and imbued it with methane (CH₄) gas, iron and aluminum. Hydraulic fracturing fluids leaked into water streams, affecting their colors and killing fish. The methane in a water well ignited and caused an explosion. A family evacuation was initiated because of hazardous methane levels at their home.

Tight shale natural gas formations are typically 5,000-8,000 feet in depth. This is below the fresh ground water aquifers that exist up to 1,000 feet in depth. Consequently, it is not plausible that the hydraulic fracturing gases and fluids diffuse all the way up to the aquifers through fractures. Contamination can more likely be attributable to hasty poor
cementing and well casings that would cause the hydraulic fracturing fluids and methane gas to escape at the shallow fresh water aquifers level.

The so-called Halliburton Loophole exempts hydraulic fracturing from otherwise restraining regulations. The above-ground handling of return hydraulic fracturing water and the airborne pollution produced through processing are perceived as sources of health risks in the hydraulic fracturing process. The city of Fort Worth, Texas, sits atop a productive tight natural gas shale formation. The chemical emissions from the natural gas processing facilities at Fort Worth are reported as equal to the city’s total emissions from automobiles and trucks.

The Eagle Ford shale formation holds an estimated 3 billion barrels of oil and 150 trillion cubic feet of natural gas reserves. The formation stretches from north Houston, Texas, southwest to the Mexican border. The shale’s existence was known for a generation of geologists. However, the techniques for extracting oil and gas from it have become practical in the last decade. The first Eagle Ford well was drilled in 2008. The Eagle Ford formation could provide as many as 900,000 barrels per day by 2016. The Permian Basin, deep in west Texas, may reach 1 million barrels daily. By 2020, Texas’ crude output may exceed the 3.45 million barrels a day seen in 1972 if prices stay high enough to make drilling economical. The Eagle Ford oil output rose to more than 352,000 barrels a day in 2012, compared with 358 barrels a day in 2008. The number of drilling permits surged to 4,143 in Eagle Ford in 2012, up from just 26 in 2008. Mineral rights are assigned for $1,500 per acre over a 5-million-acre territory, yielding $7.5 billion in compensation since 2007.

SAFETY CONSIDERATIONS

GENERAL PROVISIONS

Safety procedures are applied in the hydraulic fracturing process according to the “as reasonably as practicable” industry and regulatory principle. Professionally conducted hydraulic fracturing engineering operations incorporate electronic monitoring equipment measuring the wells parameters to ensure its safe operation. Pressure sensors are used to check that the wells are firmly sealed. The fractures and the fluids are also monitored.

Hydraulic fracturing technology was developed in the 1940s and has been continuously improved. Advanced sensors record what happens when the shale formation rock is fractured. Imaging software using virtual reality methods and specialized computers is used to map the gas fields below the surface to better target the gas-bearing formations.

In the USA, about one million hydrocarbon wells have been hydraulically fractured since the process was first introduced. However, local communities are becoming concerned over the increase production activities and fracturing. Studies by the USA Environmental Protection Agency (EPA) and the Ground Water Protection Council have determined that the process can be safely conducted.
Figure 16. Mixing water and sand at a 6,600 psi pressure. Marcellus formation, Camptown, Pennsylvania. Hydraulic fracturing is being used to pump natural gas out of about 3,000 wells in the USA, with 120 to 150 wells being added every month. The actual procedure lasts only about a week, and then the operating team moves on to the next on a long list of wells. Source: Southwestern Energy Co.

Figure 17. Hydraulic fluid recycling.

Before drilling a well, a set of practices, called a “safety case,” is used to analyze the anticipated risks and to develop protective barriers over the operational lifetime of the
well. Two or more barrier layers are built into all oil and gas wells and for the surface storage enclosures of the fluids produced from the wells. Steel casings and cement is used to protect and isolate the potable fresh groundwater zone from the production stream, as well as from the hydraulic fracturing fluids, in the wellbore.

The use of open pit systems for the primary containment of the produced and drilling fluids is being phased out in several operating areas. The released information about the chemicals used in the hydraulic fracturing operations is still incomplete and sketchy and is considered as proprietary information by the suppliers.

Monthly safety reviews of the processes are conducted. Emergency response plans that take into account the local surroundings are put in place.

**WATER USAGE ISSUES**

The completion and production activities are designed in such a way so as to isolate them from the potable groundwater aquifers. Only air, water, or water-based drilling mud is used through and to at least 500 feet or 150 meters below the potable groundwater aquifers. This particular zone is carefully cemented and cased before drilling further or hydraulic fracturing is carried out at the lower levels of the wells.

![Figure 18. Sand and water mixing at the Marcellus formation, Camptown, Pennsylvania. Trucks bring giant 2,400 horsepower pumps to the site, where about a dozen of these are connected. A fluid and sand mixture at about 1,000 bar is forced into the deposit. The mixture consists of millions of liters of water, special sand and chemicals designed to kill bacteria that could inhibit the flow of gas. Source: Bloomberg.](image)

In new potential development areas, the potable fresh groundwater is tested before and after drilling to help determine whether changes have occurred as a result of the hydraulic fracturing activities. The use of potable fresh water is minimized and non-potable water supplies are used whenever available. The hydraulic fracturing and completion fluids are pumped back to closed systems or tanks. The fracturing fluid and produced water that
comes out of the well are recycled to the extent possible in the field. It is stored, treated and disposed of it in an environmentally responsible manner and in accordance with the prevailing regulatory requirements.

**EMISSIONS CONTROLS**

Emissions are minimized according to the “as reasonably as practicable” operational principle. The emissions are measured, catalogued and reported to the appropriate regulatory agencies. Fugitive emissions are detected by visual observation and infrared testing. Routine venting is eliminated if permitted; wherever venting is required by regulation. Vapor recovery units are usually used at the wellheads.

Steps to lower emissions from the operations include the use of natural gas engines. Catalyst technology used in diesel cars and power plants can be used on drilling rigs in harsh winter environments. The catalyst can reduce the local emissions from the drill rig engines by about 90 percent.

Natural gas is considered as a clean and green fuel because, on combustion, it emits roughly half the carbon dioxide of coal and about 30 percent that of petroleum. The problem is that its combustion is only one part of the natural gas life cycle. During other parts of the cycle, methane CH₄ could be released to the environment. Cornell University studies suggest that the rush to develop the USA’s unconventional gas resources will likely increase the nation’s carbon emissions rather than decrease them. The suggestion is that between 3.6 - 7.9 percent of the CH₄, a greenhouse gas, is lost from the time a well is plumbed to when the gas is used.

A study from the Goddard Institute for Space Studies at NASA suggests an interaction between CH₄ and certain aerosol particles significantly amplifies its already potent greenhouse gas effects.

A large fleet of trucks drive around to bring the hydraulic fracturing fluids to drills and to remove the waste water. When this is factored in, the greenhouse gas footprint of shale gas is suggested to be 20 percent greater than coal per unit of energy content, and estimated to be twice as high. Such an impact needs to be minimized by judicious engineering, as well as the effect of the operations on wildlife and livestock, such as limiting the activities during specific time periods.

The landscape is to be restored once a drilling location is completed in collaboration with the Bureau of Land Management such as planting a mix of native species trees, brushes and grasses that are food staples to the local fauna.
Figure 19. Water treatment plant for the separation of oil, sediment and antifreeze, Camptown, Pennsylvania, Marcellus formation. Source: Bloomberg.

ECONOMICAL ATTRACTIVENESS

Hydraulic fracturing enjoys wide ranging industry and landowners support in the USA. In the USA, landowners in most locations also own the mineral rights below their land, which is not generally the case in Europe. The royalties and lease fees that the drilling companies pay to the landowners are sufficient to turn them into ardent supporters. The price to lease an acre of the Marcellus Shale, the shale formation stretching from West Virginia to New York, continues to climb. Twenty years ago around 1990, it was just $25/(acre.year). As of 2012, it averages $5,000/(acre.year). The industry creates a large pool of local jobs and injects funds into the local communities and state economies.

COMPARISON TO SHALE AND SHALE OIL DEPOSITS

Tight natural gas shale deposits should be distinguished from shale and shale oil deposits. Shale may contain organic matter, but no oil. Some occurrences of petroleum do occur in shale oil deposits. However, there was not enough time, pressure and heat to generate oil in the oil shale. The process of forming oil must thus be completed by heating the organic matter in the oil shale first using an energy source as heat, often with the addition of water; at a significant cost.

In shale oil deposits, oil has already been generated but is trapped in the dense fabric of the rock. Its extraction from the rock matrix is more difficult than from the conventional porous rock reservoirs since the petroleum has not been expelled from the shale and did not migrate away from the source shale rock into the porous rock such as sandstone. In this case one needs to help the process of migration by fracturing the shale.
GLOBAL CONSIDERATIONS

Figure 20. Liquefied natural gas tanker. Source: Reuters.

The natural gas's share of the energy mix worldwide is growing and the fuel will become more important. Gas turbines and combined cycle power plants are becoming more common, replacing old coal plants. They would be the ideal supplement to a fluctuating flow of energy from renewable sources. Natural gas offers new prospects as a fuel. In the USA truck fleets are being converted to liquefied natural gas.

Figure 21. Hydraulic fracturing rigs in Poland. New drilling rigs can move themselves and drill as many as 16 holes from one pad, into all the various levels and in different directions.
Figure 22. Oil shale prospects in Jordan and Israel.

**UPPER DEVONIAN-LOWER MISSISSIPIAN BAKKEN-LODGEPOLE SHALE FORMATION, WILLISTON BASIN PROVINCE**

The USA Geological Survey (USGS) estimates that the states of North Dakota and Montana have 3.0–4.3 billion barrels, with an average of 3.65 billion barrels, 1.85 trillion cubic feet of associated/dissolved natural gas, and 148 million barrels of natural gas liquids, of undiscovered, technically recoverable hydrocarbons in the area known as the Bakken Formation. This is a 25-fold increase in the amount of oil that can be recovered compared to a 1995 estimate of 151 million barrels of oil. Technically recoverable oil resources are those producible using currently available technology and industry practices.
The Upper Devonian-Lower Mississippian Bakken Formation is a thin and widespread unit within the central and deeper portions of the Williston Basin in Montana, North Dakota, and the Canadian Provinces of Saskatchewan and Manitoba. The formation consists of three members:
1. A lower shale member,
2. A middle sandstone member,
3. An upper shale member.

Figure 23. Extent of the Bakken formation in the USA and Canada. Source: USGS.

Figure 24. Oil production from shale formations in thousands of barrels per day.
In the Bakken-Lodgepole Total Petroleum System (TPS), the upper and lower shale members of the Bakken Formation are the source for oil produced from reservoirs of the Mississippian Lodgepole Formation.

Each succeeding member is of greater geographic extent than the underlying member. The upper and lower shale members are composed of organic-rich marine shale of fairly consistent lithology; they are the petroleum source rocks and part of the continuous reservoir for hydrocarbons produced from the Bakken Formation. The middle sandstone member varies in thickness, lithology, and petro-physical properties, and local development of matrix porosity enhances oil production in both continuous and conventional Bakken reservoirs.

Figure 25. USA Bakken-Lodgepole formation Total Petroleum System (TPS) (blue), five Assessment Units (AUs) (red), one conventional AU (orange), area of oil generation for the upper shale member of the formation (green). Source: USGS.

Figure 26. The Eagle Ford formation in Texas.
The Bakken Formation estimate is larger than all other USGS oil assessments of the lower 48 states and is the largest "continuous" oil accumulation ever assessed by the USGS. A "continuous" oil accumulation means that the oil resource is dispersed throughout a geologic formation rather than existing as discrete, localized occurrences. The next largest "continuous" oil accumulation in the USA is in the Austin Chalk of Texas and Louisiana, with an undiscovered estimate of 1.0 billion barrels of technically recoverable oil.

Five continuous Assessment Units (AU) were identified in the Bakken Formation of North Dakota and Montana at: the Elm Coulee-Billings Nose, the Central Basin-Poplar Dome, the Nesson-Little Knife Structural, the Eastern Expulsion Threshold, and the Northwest Expulsion Threshold.

A number of wells have produced oil from three of the assessments units in the Central Basin-Poplar Dome, the Eastern Expulsion Threshold, and the Northwest Expulsion Threshold. The Elm Coulee oil field in Montana, discovered in 2000, has produced about 65 million barrels of the 105 million barrels of oil recovered from the Bakken Formation.

It must be observed that the Bakken bump could produce as much as 2 million barrels per day (bpd) up from roughly 500 thousand bpd, maybe as much as 3 million bpd, but the USA imports roughly 8 million bpd today under even severe economic conditions, and as much as 10 million bpd under happier economic conditions. The Bakken and other shale plays are simply not going to replace all of that. The gains realized from shale oil are fighting depletion losses from the rest of the tired fields under production. Typical petroleum wells in the Bakken formation initially produce 200 barrels per day and decline 70-75 percent in the first year to a flat 30-40 barrels per day. Conventional wells produce oil with a fast ramp up to several thousand barrels/day and can hold that or decline slowly for 10 years at 5 percent/yr. It must be admitted that the cost of production from the Bakken fields is much higher than traditional oil cases using vertical oil wells that produce 1,000-10,000 barrels per day.

Figure 27. USA crude petroleum and natural gas liquids field production showing the 2010 “Bakken Bump,” over the period 1949-2010. Source: EIA.
THE WATER OIL RATIO, WOR

An oil well is usually shut-down in at a Water to Oil Ratio (WOR) of 45:1. This is the point where it cost as much to pump the water as the oil is worth. The Bakken had a water cut of 15 percent in 2007; in 2018 it was 75 percent. At its rate of increase it will be nonoperational by 2023. The Bakken is still producing about a barrel of water per barrel of oil, which is still several times better than what the Saudis are doing with their giant Ghawar field. The Ghawar field is reported to be about 7 to 1 water to oil, versus Bakken at 1.3 to 1. This is a problem for the entire shale industry. Increasing the fracking application is increasing the water cut over every field.

A rising water cut is not a surprise to the industry as it is a natural progression of an aging oil well or field. The use of Larger Fracking Stage wells consume a great deal more water and sand to produce more oil initially, but the decline rates are even more severe than regular shale wells. According to the North Dakota Department of Mineral Resources, the Bakken produced 201 million barrels of oil in the first six months of 2018. However, it also produced a stunning 268 million barrels of wastewater. The waste water cannot be reused many times as salt water causes the oil producing formation to "close up", thereby turning a production zone into a dry hole.

The companies producing shale oil in the Bakken had to dispose of 268 million barrels of by-product wastewater in just the first half of the year. It costs approximately $4 a barrel to gather, transport and dispose of this wastewater. Which means, the shale companies will have to pay an estimated $2.2 billion just to get rid of their wastewater in 2018.

Some companies may be recycling their wastewater, storing it in temporary retention ponds, or injecting it into used fields. Old oil wells that have been completely emptied of as much oil as can be gotten out of them are called "empty wells". These are used as repositories of the produced water, which is considered to be hazardous. It cost more money to recycle wastewater than it does to simply dispose of it. So, as the volume of wastewater increases while the percentage of oil production declines, then the shale companies are hit with a double-whammy: less oil revenue and rising wastewater disposal costs.

Salt filtration and mineral extraction technologies are in the works that could change the whole waste water paradigm. One could use large multi section of 640 acres each evaporation farms or wind turbine driven hydrolysis steam plants. The economics shift with the price of oil and technological advancement.

GAS TO OIL RATIO, GOR

Shale oil production is claimed to produce 10 mb/d. In fact produces about 4.5 and the rest is natural gas. The purported 10 mb/d is boe or barrels of oil equivalent. The average shale well has a Gas to Oil Ratio (GOR) of about 500:1, and as the well gets older it goes up. This suggests that the high gas production is a predictor of the end of the conventional liquid oil age. American conventional oil production is suggested to have already peaked in the early seventies. Sweet light crude oil has been in fact been replaced with kerogen and bitumen at an ever increasing rate.
NATURAL GAS AND THE HYDROGEN ECONOMY

The USA uses some $10 \times 10^6$ tons/year of hydrogen for industrial purposes, such as manufacturing fertilizer and refining petroleum. If hydrogen-powered vehicles are to come into use the need would increase to 10 times the current usage.

Figure 28. Hydrogen station at Burlington, Vermont. Source: DOE.

STEAM METHANE REFORMING, SMR

Fossil fuels are also considered as “hydrocarbons” and hence contain hydrogen in addition to carbon. About 95 percent of the USA’s hydrogen is produced from natural gas through a process called Steam Methane Reforming (SMR).

High temperature and pressure break the hydrocarbon into hydrogen and carbon oxides including carbon dioxide, which is released into the atmosphere as a greenhouse gas.

Over the next 10-20 years, fossil fuels are expected to continue to be the main feedstock for the hydrogen economy. Using fossil fuels energy to make clean energy does not solve the CO$_2$, SO$_x$, and NO$_x$, mercury, arsenic, cadmium and even radioactive pollution problems associated with fossil fuels.

A partial remedy is Carbon Capture and Sequestration (CCS) which involves capturing the generated CO$_2$ and sequestering it underground to make the process more environmentally friendly. The General Electric Company (GE) and British Petroleum (BP) announced plans to develop as many as 15 power plants that will strip hydrogen from natural gas to generate electricity. The waste CO$_2$ would be pumped into depleted oil and gas fields.
The USA Department of Energy (USDOE) is considering funding a 10-year, $950 million project to build a coal-fed plant that will produce hydrogen to make electricity, and likewise lock away CO\(_2\) to achieve what it bills as “the world's first zero-emissions fossil fuel plant.”

Hydrogen gas can be produced in gas station-size facilities using natural gas steam reforming. There would be a need for 15.9 million ft\(^3\) / year, which is a fraction of the current USA annual natural gas consumption. A number of 777,000 small distribution facilities would be needed with a number of large central production plants.

Table 7. Comparison of different sources of hydrogen as transportation fuel. Hydrogen production: 150 x 10\(^6\) tons /year.

<table>
<thead>
<tr>
<th>Source</th>
<th>Nuclear Fission</th>
<th>Wind Power</th>
<th>Solar Power</th>
<th>Natural Gas</th>
<th>Biomass</th>
<th>Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost [$ trillion]</td>
<td>0.84</td>
<td>3.0</td>
<td>22.0</td>
<td>1.0</td>
<td>0.565</td>
<td>0.500</td>
</tr>
<tr>
<td>Price per gallon of gasoline equivalent [$ /gce]</td>
<td>2.5</td>
<td>3.0</td>
<td>9.5</td>
<td>3.0</td>
<td>1.9</td>
<td>1.0</td>
</tr>
<tr>
<td>CO(_2) emissions [million tons]</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>300</td>
<td>600*</td>
<td>600**</td>
</tr>
</tbody>
</table>

* Zero net emissions.
** With 90 percent CO\(_2\) capture and underground storage.

Uncertainties still exist about the CO\(_2\) containment in large scale operations. Natural gas is a limited resource whose price fluctuation would affect the cost of the produced hydrogen.

The Steam Methane Reforming (SMR) process is the most widespread method to generate hydrogen-rich synthesis gas from light hydrocarbons. The feed material can be natural gas, liquid gas or naphta. They are converted endothermically with steam into synthesis gas in catalytic tube reactors. Process heat as well as flue gases are used for the generation of steam.

The process consists of three main steps:

1. **Reformation process**

   The first step of the SMR process involves a light hydrocarbon reacting with steam at 750-800°C or 1,380-1,470°F to produce a synthesis gas or syngas, which is a mixture primarily made up of hydrogen, H\(_2\) and carbon monoxide, CO.

   The desulfurized hydrocarbon feed is mixed with superheated process steam in accordance with the steam/carbon relationship necessary for the reforming process. This gas mixture is heated up and then distributed on the catalyst-filled reformer tubes. The gas mixture flows from top to bottom through tubes arranged in vertical rows. While flowing through the tubes heated from the outside, the hydrocarbon/steam mixture reacts, forming hydrogen and carbon monoxide according to:
2. Shift Reaction

The second step, known as a Water Gas Shift (WGS) reaction, the CO produced in the first reaction is reacted with steam over a catalyst to form H\textsubscript{2} and CO\textsubscript{2}.

This process occurs in two stages, consisting of a High Temperature Shift (HTS) at 350 °C or 662 °F endothermic reaction:

\[
CH_4 + H_2O \rightleftharpoons CO + 3H_2
\]  

(2)

and a Low Temperature Shift (LTS) at 190-210 °C or 374-410 °F exothermic reaction:

\[
CO + H_2O \rightleftharpoons CO_2 + H_2
\]  

(3)

To minimize the CH\textsubscript{4} content in the synthesis gas while simultaneously maximizing the H\textsubscript{2} yield and preventing the formation of elemental carbon and keeping it from getting deposited on the catalyst, the reformer is operated with a higher steam/carbon relationship than theoretically necessary.

As the process is endothermic, the required heat must be produced by external firing. The burners for the firing are arranged on the ceiling of the firing area between the tube rows and fire vertically downward. The residual gas from the pressure swing adsorption unit as well as heating gas from battery limits is used as fuel gas. The flue gas is then cooled down in a convection zone, generating steam.

3. Purification Process

High to ultra-high purity hydrogen is needed for the durable and efficient operation of fuel cells. Impurities are believed to cause various problems in the current state-of-the-art fuel cell designs, including catalyst poisoning and membrane failure. Additional process steps may be required to purify the hydrogen to meet industry quality standards.

Additional steps could also be needed if carbon capture and sequestration technologies are developed and utilized as part of this method of hydrogen production. Hydrogen produced from the SMR process includes small quantities of CO, CO\textsubscript{2}, and HS as impurities and requires further purification. The primary steps for purification include:

1. Feedstock purification: This process removes toxic substances, including sulfur (S) and chlorine (Cl), to increase the life of the downstream steam reforming and other catalysts.

2. Product purification: In a liquid absorption system, CO\textsubscript{2} is removed. The product gas undergoes a methanation step to remove residual traces of the carbon oxides. Recent SMR plants utilize a Pressure Swing Absorption (PSA) unit instead, producing 99.99 percent pure product hydrogen.

**DRY CO\textsubscript{2} REFORMING PROCESS**
Synthesis gas (syngas), is a mixture of H\(_2\) and CO and is a building block for several important chemicals. The CO\(_2\) dry reforming of natural gas produces syngas from the equation [2]:

\[
CO_2 + CH_4 \rightarrow 2CO + 2H_2 \tag{4}
\]

Syngas can be produced by reforming natural gas with CO\(_2\) or steam. Partial oxidation of natural gas and heavier hydrocarbon feed-stocks is another means of producing syngas.

Reforming of natural gas with CO\(_2\) can produce syngas with a H\(_2\)/CO ratio of unity at 1,652-1,832°F (900-1,000°C) and 1-20 atmosphere pressure.

Group VIII metals such as nickel, Co, rhodium and ruthenium or Mo\(_2\)C are suitable as catalysts for natural gas CO\(_2\) reforming. Nickel has a high tendency of coking under most reforming conditions, but is still a preferred option. Palladium and platinum offer a compromise between costs and good functionality.

Alumina, magnesia, silica, zirconia, and titania have been considered as support structures to the catalysts. Syngas can be produced with imported CO\(_2\) or from captured and recycled CO\(_2\). Syngas itself can then be converted into other products such as methanol, sulfur-free green diesel fuel and carbon.

**HIGHER VALUE PRODUCTS**

Synthesis gas is an equimolar mixture of CO and H\(_2\). By adding H\(_2\) to the reactant gas feed to establish the correct reactants ratio, it can be used to produce higher value products, most notably sulfur-free diesel using the Fischer-Tropsch process:

\[
nCO + (2n + 1)H_2 \rightarrow C_nH_{2n+2} + nH_2O \tag{5}
\]

It can also be used to produce methanol:

\[
CO + 2H_2 \rightarrow CH_3OH \tag{6}
\]

The required additional H\(_2\) could be supplied by the steam reforming of CH\(_4\) through the reaction:

\[
CH_4 + H_2O \rightarrow CO + 3H_2 \tag{7}
\]

The dry reforming reaction is highly endothermic and so energy has to be supplied to drive it. Methanol is produced by the Synetix or ICI process in the temperature range 473-573 K, while reforming reactions are usually carried out in the temperature range 973-1,223 K.

**INTEGRATED SOLAR COMBINED CYCLE (ISCC)**
Figure 29. Nile delta gas resources. Source: USGS.
Figure 30. Levantine Basin gas resources. Source: USGS.
Figure 31. Natural gas fields and territorial claims in Eastern Mediterranean. Source: AFP.

Conceptual plant designs with energy storage as well as supplemental heating to enhance the capacity factor as well as avoid the thermal cycling problem encountered in solar-only plants are under construction or in the design stage.
A world competition is ongoing on plans for the world’s largest solar thermal power plant. The United Arab Emirates (UAE) is joining the fray with a massive concentrated solar energy project called Shams-1 or Sun-1, in Arabic.

The Masdar Company is teaming up with French oil company Total and Spanish solar company Abengoa Solar to build a 100 MW solar plant outside of Abu Dhabi in the UAE.
Figure 33. Shams-1 (Sun-1) Integrated Solar Combined Cycle (ISCC) solar power plant project, United Arab Emirates (UAE) is supplemented with a natural gas heater unit. HTF: Heat Transfer Fluid.

The plant is comprised of a solar field consisting of 768 parabolic trough collectors supplied by Abengoa Solar, plus a backup natural gas boiler to supply power when the sun is not shining. The plant will displace approximately 175,000 tonnes of CO\textsubscript{2} per year and directly contribute to the UAE’s goal of 7 percent renewable energy by 2020.

The new Integrated Solar Combined Cycle (ISCC) plant will be jointly owned by Masdar (60 percent), Total (20 percent) and Abengoa Solar (20 percent). Construction commenced in the fall of 2010.

The project is located about 75 miles southwest of UAE capital Abu Dhabi and estimated to cost between $500 and $700 million and is expected to generate around 100 megawatts of power, and will be the world’s largest Concentrating Solar Power plant (CSP) when completed by 2013.

Masdar currently operates a 10 MW Photo Voltaic (PV) power plant in Abu Dhabi. Unlike PV plants, which use solar panels that directly convert sunlight into electricity, ISCC reflect sunlight, usually with mirrors, heating liquids that produce steam to generate power and use natural gas to increase the capacity factor and overcome the intermittency problem.

FRACKING DIPLOMACY

Landowners are acquiring fortunes by allowing fracking on their land in the USA. Their neighbors complain about the possible contamination of their wells and surface water supplies. Unable to win the neighbor’s love, the drilling companies engage in “fracking diplomacy.” The oil and gas companies realize that their profitability depends as much on reputation management as on good engineering or strong geoscience skills. Community relations are also designated as “stakeholder management” in the jargon of the corporate world and is a critical aspect of operations for the mining and extractive industries.
Companies engage in “local philanthropy” to community initiatives and education to win the heart and minds of the surrounding communities in terms of environmental, social and corporate [11].

ALTERNATIVE SHALE NATURAL GAS STRATEGIES

Shale gas wells are subject to a fast decline after the first year of operation and must be propped multiple times. When the hydraulic fluid is pumped down to fracture the rock it also carries small particles of sand or a similar material. These grains are forced into the cracks to "prop them open" after the cracking pressure is released, and thus they are called proppants. But they can be quite hard, and if the rock is soft, or becomes soft after being wetted, then it can deform around them and close the fissures.

The micro fractures cannot be reached by the proppants. The proppant is used to hold open the much larger induced fractures. There is a peculiar characteristic to many of the shale gas wells that is not typically mentioned: much of the natural gas produced is not free gas. It is actually molecularly bound to the organic material in the shale. When the well is produced pressures in the rock decrease. This decreased pressure causes the molecules to become unstable and the methane molecules are released from the structure. Lower pressures release more methane but the lower pressures also cause the loading on the rock matrix to increase which, in turn, closes the fractures and reduces flow rates. The negative feedback loop eventually leads to a decreased production.

If one is lucky and hit an extensive natural crack system they have a profitable well. If the desorption is fast enough to keep the pressure up, the crack system is charged from the overburden above the shale.

One factor that drives some management teams to drill horizontally is the increased probability of making a commercial well even if the increased costs make the well less profitable than a series of vertical wells. Horizontal wells allow a better chance of intersecting fractures and statistically can connect up much larger areas through the micro cracks to larger crack network that gets intersected.
A series of vertical wells could be drilled and some would not be commercial and have to be plugged as a non-commercial well. Drilling all horizontal wells successfully but with a lower Rate Of Return (ROR) on the investment is usually justifiable. Recognition is given for a 20 million cf/d day flow rate even when the ROR of the well is just 2 percent.

To avoid the high depletion rate of currently horizontally drilled shale gas wells, an alternative strategy has been suggested for their development. The cheapest vertical well is drilled and if it intersects a crack system then slow but steady earnings from these wells if there is any natural crack system will pay for further analysis and developing steady and profitable wells.

Developing a fracture system requires a driller to hit the fracture. The faulting in any open road cut that goes through a shale layer can readily be located where a road cut through a shale layer and the cracks caused but the geologic forces which are the key to these layers can be readily be observed and mapped before embarking on costly drilling.

Table 8. Breakeven prices for different shale gas sources, 2009. Data: Credit Suisse.

<table>
<thead>
<tr>
<th>Formation, Source</th>
<th>Breakeven prices [$/mmBTU]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haynesville, core area</td>
<td>3.63</td>
</tr>
<tr>
<td>Barnett, core area</td>
<td>3.49</td>
</tr>
<tr>
<td>Marcellus, horizontal</td>
<td>3.68</td>
</tr>
<tr>
<td>Hayneville, East Texas</td>
<td>5.04</td>
</tr>
<tr>
<td>Woodford</td>
<td>5.59</td>
</tr>
<tr>
<td>Marcellus, vertical</td>
<td>6.48</td>
</tr>
<tr>
<td>Average USA production</td>
<td>7.27</td>
</tr>
<tr>
<td>Powder River Basin</td>
<td>10.77</td>
</tr>
<tr>
<td>Qatar, USA market</td>
<td>&lt; 5.0</td>
</tr>
</tbody>
</table>

FRACKING TECHNOLOGY UNSUSTAINABILITY

New supplies of tight hydrocarbons spread a claim of USA “energy independence.” The USA still imports millions of barrels of oil a day, though much less from Saudi Arabia than before 2008. The shale oil “miracle” hit the skids as shale oil production has gone flat, the rig-count is down, companies are going bankrupt, and financing for the debt-dependent operations is dwindling since the producers have demonstrated that they cannot make a profit at it. They are trapped in the quandary of diminishing returns, front-loading production, while failing to overcome steep decline curves in wells that only produce for a couple of years.

It is conveniently ignored that that shale oil is ultra-light crude, containing little heavier distillates such as diesel and aviation fuel as kerosene. American refineries were all built before shale oil came along. They were designed to crack heavier oil and cannot handle the lighter shale. The major oil companies do not want to invest their remaining capital in new refineries, and the many smaller companies do not have the ability. This results in a high volume of oil swapping around the world. Without diesel and aviation fuel, USA trucking and commercial aviation has a big problem, and consequently the USA economy has a big problem when the shale oil boom ends, as it is expected to do.
EARTH TREMORS

The Cuadrilla Resources Company using hydraulic fracturing in drilling for natural gas from tight shale rock in the North-West UK near the Blackpool coastal resort reported that studies by independent experts concluded that some Earth tremors measuring 1.9 and 2.8 on the Richter magnitude scale in April and May of 2011 were due to an unusual combination of geology and operations and would be unlikely to reoccur again. Its operations were suspended on May 27, 2011 pending the studies. The resulting report suggests that a maximum magnitude could reach 3 on the Richter magnitude scale and would be barely felt at the surface [3].

The UK government called for a halt to shale gas extraction in England amid fears about earthquakes. The indefinite suspension comes after a report by the Oil and Gas Authority (OGA) said it was not possible to predict the probability or size of tremors caused by the practice. Fracking was suspended at the end of August 2019 after activity by Cuadrilla Resources; the only company licensed to carry out the process, at its Preston New Road site in Lancashire caused a magnitude 2.9 earthquake.

The Department for Business, Energy and Industrial Strategy said that, after the OGA concluded that further seismic activity could not be ruled out, "further consents for fracking will not be granted" unless the industry "can reliably predict and control tremors" linked to the process.

Assessment by the British Geological Survey in 2013 suggested there were enough resources in the Bowland Shale across northern England to potentially provide up to 50 years of current gas demand. But research published in August 2019 estimated there were only five to seven years' supply.

All fracking in Scotland has been suspended since 2013 and the SNP recently confirmed a policy of "no support" for the extraction method. The Welsh Government has also opposed fracking for several years, with a "moratorium" in place since 2015, while there is a planning presumption against fracking in Northern Ireland.
At Prague, Oklahoma, a tremor cascade of magnitude 5.7 is suspected to be caused by wastewater injection, on November 6, 2011. The Prague earthquake was the largest of thousands of quakes that affected Oklahoma in late 2011. Three of them were of magnitude 5 or larger. The 2011 quakes struck along the Wilzetta fault zone near Prague. Earthquakes
break faults like a boat plowing through thick ice. The fault zips open as the earthquake ruptures the fault, and then seals itself shut behind [12].

The magnitude 5.7 earthquake near Prague was preceded by a 5.0 quake that hit a day earlier, on November 5, 2011. This foreshock occurred near an active wastewater disposal well. Tremors linked with hydraulic fracturing are rarely triggered by the actual oil and gas extraction. They are caused by the waste fluid disposal in deep wells. The wastewater can lubricate and open fractures and faults, triggering tremors. It is suggested that the first tremor may have primed the fault for the larger tremor that hit the next day [12].

The boom in hydraulic fracturing in the central USA correlates with an uptick in seismicity, with moderate magnitude earthquakes increasing in the states of Colorado, Texas, Oklahoma, Ohio and Arkansas. The number of quakes in the central USA has increased 11 times in the past 30 years [12].

WASTE WATER SEISMICITY

Wastewater in hydrocarbons production is brackish water that naturally coexists with oil and gas within the Earth. As a part of the drilling and extraction process, the produced water is extracted from the oil and/or gas and is typically reinjected into deeper disposal wells. In Oklahoma, these wells are in the Arbuckle formation, a 7,000-foot-deep sedimentary formation under Oklahoma.

Industry has been disposing wastewater into the Arbuckle for 60 years without seismicity. Some level of disposal is safe. One need to figure out the exact mechanism by which this wastewater injection is triggering the seismic events and modify our procedures to prevent them. In the area of the seismicity, ten barrels of produced water, which contains five times more salt than ocean water, is generated for each barrel of oil.

A Stanford study, by Professor Mark Zoback and doctoral student Rall Walsh, found that “the primary source of the quake-triggering wastewater is not so-called ‘flowback water’ generated after hydraulic fracturing operations.” The fluid injection responsible for most of the recent quakes in Oklahoma is due to production and subsequent injection of massive amounts of wastewater, and is unrelated to hydraulic fracturing. Less than five percent of the waste water is hydraulic fracturing water. More than ninety percent of the new oil-and-gas wells drilled in the USA use hydraulic fracturing.

Magnetic measurements made during low-altitude airplane flights conducted for the USA Geological Survey (USGS) and the Oklahoma Geological Survey (OGS) reveal possible deep faults that may contribute to increased seismic activity in response to wastewater injection in certain portions of Oklahoma. The data and results from the August through October, 2017, deep imaging magnetic survey were published in Geophysical Research Letters by Anji Shah.

A few of the earthquake sequences have occurred in Oklahoma on mapped faults, making seismic hazards difficult to estimate. The USGS and the OGS used the newly acquired airborne magnetic data to image rocks where the earthquakes are occurring miles beneath the surface. The magnetic field maps reveal boundaries or contacts between different rock types, some of which are linear, similar to faults. A number of these types of contacts, referred to as “lineaments” in the magnetic field map, are aligned with sequences
of earthquakes. This suggests that some of them represent ancient faults that have been reactivated due to wastewater injection, which generates, or induces earthquakes.

The data show that there is a dominant grain direction to the magnetic contacts like wood grain in the deep rocks where the earthquakes are occurring. This grain was formed hundreds of millions of years ago and may be composed in part by faults that are oriented favorably to move in response to natural background stresses within the earth. This alignment of deep features may contribute to the high levels of seismicity occurring in response to wastewater injection.

The survey areas included parts of Alfalfa, Beckham, Comanche, Greer, Harmon, Kiowa, Jackson, Lincoln, Logan, Major, Noble, Pawnee, Payne, Pottawatomie, Stephens, Tillman, Woods and Woodward counties.

Many of the possible deep faults highlighted by the magnetic data are different from those on previous fault maps. This discrepancy is probably because the previous maps reflect relatively young faults in the shallow rocks, whereas the magnetic data image the deeper, older rocks. The differences in the fault directions between these rock types are probably due to the different histories of ancient tectonic and magmatic events that shaped the rocks.

**METHANE GAS LEAKAGE, HYDRAULIC FRACTURING ACLHILES HEAL**

Methane leakage appears to be the Achilles’ heel of hydraulic fracturing. It is well established that when natural gas is combusted, it has both environmental and climate change benefits, starting with the fact that natural gas emits half the carbon of coal. But that advantage disappears when too much methane leaks during any part of the production process.

According to the Environmental Defense Fund (EDF): “Methane is at least 28 times more powerful than CO2 as a greenhouse gas over the longer term and at least 84 times more potent in the near term.” Even though methane gradually loses its potency as a greenhouse gas over time, the environmental movement admits that natural gas may be cleaner, but it is still a fossil fuel. Thus it believes that an abundance of natural gas could delay the long-sought vision of a world powered by renewable non-carbon energy sources.

The EDF adopted approach is that, rather than calling, Don Quixote-style, for an end to hydraulic fracking, it is working with states like Colorado to make it safer, more transparent and cleaner. In 2011 the EDF helped negotiate rules governing the disclosure of the chemicals in fracking compounds. In Wyoming, it has negotiated rules to require groundwater testing near wells to detect any possible contamination. In Texas, it was involved in coming up with regulations for well integrity. In Colorado, it announced a set of proposed rules that would govern, and reduce, methane leakage. In each case, the EDF is pushing other states to adopt these rules, which, taken together, would help ensure that natural gas will live up to its promise of being a better, cleaner fuel.

The rules proposed in Colorado require producers to test for leakage on a regular basis, monthly in some cases. They will have to avoid methane venting from wells. They will have to retrofit the valves on wells to minimize leakage. The industry goes along with the tougher regulations because it needs to be able to show that it is going about it in a manner that is safe and environmentally sound.
USA NATURAL GAS NETWORK

There exist about 210 systems of pipelines that carry natural gas to most parts of the USA, and about 1,400 compressor stations that maintain the driving pressure in the pipeline system. Gas is stored in underground tanks and in porous geological formations at more than 400 places.

There are more than 300,000 miles of gas pipelines underground in the USA in comparison to 470,000 miles of interstate highways and 250,000 miles of rivers.

The state of Texas produces about 100 trillion cubic feet of natural gas per year, almost a third of the 335 trillion cubic feet produced in the whole USA. The state of Wyoming comes second, at about 35 trillion cubic feet. Louisiana, Oklahoma and Colorado follow. About 66 million homes burn natural gas as a heating and cooking source. Another 5 million commercial enterprises use natural gas which produces about half as much CO$_2$ per Btu as coal and about 75 percent as much as petroleum.

INNOVATIONS IN HYDRAULIC FRACTURING

ZIPPER FRACKING

In 2012, an innovation in fracking, called “zipper fracking” was introduced where the operators drill two wells side by side. Once they are completed, they are hydraulically fracked at the same time. The generated fractures form a zipper pattern that cracks the rocks more deeply and efficiently than in a single well. The process allows both wells to produce more oil and gas. In the Barnett Shale in Texas, the zipper-fracked wells doubled the volume of a typical well.
STACKED LATERALS

In the offshore oil industry several wells from a single pad. Onshore shale drillers are adopting the technique. Because shale is a uniform layer of rock, the wells can be drilled close to each other. Since the drillers do not have to move the rigs too far between holes, the method saves time and money. The process of taking down and setting up a drill rig can take days and is costly. Some shale layers, like those in the Bakken and the Eagle Ford and Permian Basin in Texas, are stacked like pancakes. Companies can drill many wells into these layers.

Table 9. Increased production per drilling rig from zipper and lateral stacking methods.

<table>
<thead>
<tr>
<th>State</th>
<th>Shale region</th>
<th>Production, June 2011, [barrels /day]</th>
<th>Production, June 2014, [barrels /day]</th>
<th>Increase [percent]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado</td>
<td>Niobrara</td>
<td>95</td>
<td>361</td>
<td>280</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>Marcellus</td>
<td>2,427 mcf/day</td>
<td>6,516 mcf/day</td>
<td>168</td>
</tr>
<tr>
<td>Texas</td>
<td>Eagle Ford</td>
<td>198</td>
<td>476</td>
<td>140</td>
</tr>
<tr>
<td>North Dakota</td>
<td>Bakken</td>
<td>213</td>
<td>505</td>
<td>137</td>
</tr>
</tbody>
</table>

HURDLES TO OVERCOME, LAW OF DIMINISHING RETURNS

The shale industry faces the hurdle of precipitous well declines. Drillers have deployed an array of drilling techniques to extract more oil and gas out of their wells, steadily intensifying each stage of the operation. Longer laterals, more water, more fracking sand, closer spacing of wells; pushing each of these to their limits, for the most part, led to more production. Higher output allowed the industry to outpace the infamous decline rates from shale wells [13].

Since 2012, average lateral lengths have increased 44 percent to over 7,000 feet and the volume of water used in drilling has surged more than 250 percent. Longer laterals and larger use of water and sand means that a well drilled in 2018 can reach 2.6 times as much reservoir rock as a well drilled in 2012.

However, the suite of drilling techniques have lowered costs and allowed the resource to be extracted with fewer wells, but have not significantly increased the ultimate recoverable resource. Placing wells too close together can lead to less reservoir pressure, reducing overall production, the so-called “parent-child” well interference problem.

More water and more sand and longer laterals exceeding 15,000 feet have their limits. Precipitous decline rates mean that huge volumes of capital are needed just to keep output from declining. In 2018, the industry spent $70 billion on drilling 9,975 wells, with $54 billion going specifically to oil. Of the $54 billion spent on tight oil plays in 2018, 70 percent served to offset field declines and 30 percent to increase production. Assuming shale production can grow forever based on ever-improving technology is a mistake as geology will ultimately dictate the costs and quantity of resources that can be recovered.

The Eagle Ford and Bakken are both mature plays in which the best acreage has been picked over. Better technology and an intensification of drilling techniques have arrested decline, and even led to a renewed increase in production. But ultimate recovery
will not be any higher. Drilling techniques merely allow the play to be drained with fewer wells. In the case of the Eagle Ford, there appears to be significant deterioration in long-term well productivity through overcrowding of wells in sweet spots, resulting in well interference and/or drilling in more marginal areas that are outside of sweet-spots within counties. A more aggressive drilling approach just frontloads production, and leads to exhaustion sooner. Technology improvements appear to have hit the law of diminishing returns in terms of increasing production.

The Permian Basin requires 2,121 new wells each year just to keep production flat, and in 2018 the industry drilled 4,133 wells, leading to a big jump in output, but the steady increase in water and fracking sand have reached their limits [13].

Despite the introduction of new well-drilling technologies by the large and well established oil majors, the shale industry operates largely on debt and investor capital. When shale oil companies are not making a profit they require new influxes of debt and investment to operate. In the absence of a turnaround in prices, new operational funds will not be forthcoming. Marginal shale producers would have to shutter some operations and may be unable to pay bills and interest on their debt.

DISCUSSION

With a dearth of low-interest rate available capital, and the natural gas abundance making it the cheapest energy option for gas turbine direct and combined-cycle power generation, the Exelon Corporation shelved plans to expand its capacity at two nuclear power plants. The Michigan utility CMS Energy Corporation cancelled a $2 billion coal power plant after deciding it was no more financially viable. Next Era Energy Incorporated, the largest USA wind energy producer, shelved plans for new USA wind projects. In 2010, the energy investor T. Boone Pickens shelved wind energy projects in northern Texas and focused on promoting liquid Compressed Natural Gas (CNG) fuel for the USA trucking fleet.

A report: “Fact-based Regulation for Environmental Protection in Shale Gas Development,” at the University of Texas found that “surface spills of fracturing fluids pose greater risks to groundwater sources than from hydraulic fracturing itself.” Spills at the drill site or problems with cement casing around upper well bores were examples of incidents that have led to shallow groundwater contamination in the USA. It argues that these problems are common in other forms of oil and gas development as well. It did not call for a strict new regulatory framework but suggested that individual states could take steps to supplement the regulations that are already in place.

On the other hand, the USA Environmental Protection Agency (EPA) has been studying hydraulic fracturing to determine whether it affects the fresh water supplies.
Figure 38. Protest against hydraulic fracturing at the White House, Washington D. C. Source: Bloomberg.

Figure 39. Protest against Hydraulic Fracturing, New York.

Figure 40. Protest against hydraulic fracturing, Germany. Source: Der Spiegel.
Some jurisdictions are not waiting for official studies results. New York City and the city of Syracuse, New York, have banned hydraulic fracturing in their watersheds, citing a study that concluded that hydraulic fracturing could pose “catastrophic” risks to the prized local water supply. New Jersey considered a ban. The city of Pittsburgh has prohibited the practice within city limits.

The Canadian province of Québec banned hydraulic fracturing completely, even though the province hosts a considerable shale gas potential. In Australia, hydraulic fracturing has been sweeping the Queensland countryside, and objection is building up among landowners. Shale exploration is similarly spreading quickly and causing concern across Europe.

In a hope for an economic boom to the State of Illinois, a bill passed the legislature by a wide margin regulating the fracking process. Firms are required to test the groundwater in the drilling region both before and after the fracturing process. SM Energy of Tulsa, Oklahoma drilled an exploratory well in Wayne County in southern Illinois on the Walt Townsend farm. The plan is to drill down to 5,000 ft and then at a horizontal slant for 3,000 ft. Land owners have sold mineral leases to energy companies that are likely to drill on their land. Others sold leases to what is referred to in the business as “lease jockeys” who lock up acres with the intention of “flipping” or selling them to the highest bidder. Some short leases are up for one year for renegotiation if drilling does not materialize. In some long leases, the land could sit there undrilled indefinitely. One company has spent 50 million dollars on acquiring leases [10].

Shale gas contributed about 0.5 percent to the USA GDP in 2013 and is a significant driver of jobs and growth. There are new shale gas prospects over the USA and Canada. The Continental Resources Company announced a major new shale gas field in Oklahoma in October 2011, with a comparable geology to that of the Bakken field.

The USA exported Liquefied Natural Gas (LNG) by 2016 from McAllen, Texas, and other LNG ports are in various stages of permitting. Natural gas is priced Japan at about $18 per million BTUs, compared to $3.78 in the USA. Europe is at $11.83.

The real advantage for the USA may not come in exporting LNG, but rather in the chemical byproducts from it such as fertilizers and feed-stocks for the chemical industries. Europe is complaining that cheap USA natural gas is encouraging a flight of its energy intensive businesses to the USA. Europe’s chemical producers buying expensive Russian gas cannot compete with their USA competitors who are guaranteed access to cheap feed-
stocks. The development of their native considerable shale oil and gas fields faces public resistance.

Natural gas is blazing a trail as a bridge fuel along the road of the implementation of renewable energy sources and an energy economy where hydrogen is used as an energy carrier with fuel cells replacing the Internal Combustion Engine (ICE). Natural gas could be used in the steam reforming process to produce synthetic gas which is a mixture of H₂ and CO. Instead of Carbon Separation and Storage (CCS), the process of carbon dioxide reforming would use natural gas to turn CO₂ into a useful product such as green diesel fuel that is free of engine-corroding sulfur. To overcome the intermittence property of thermal solar energy, the Integrated Solar Combined Cycle (ISCC) alternative uses natural gas in hybrid plants under construction to provide power during the night period and on cloudy days.

Technological hurdles need to be overcome. An issue is horizontal drill holes collapsing due to improper drilling techniques. The holes collapse can lead to expensive lost time on rigs, in addition to losing drill bits, pipe and equipment down holes and having to seal up a lost hole and re-drill it over again. There is a need to understand the geo-mechanical properties of the drilling medium and the drilling mud quality and weight.

About one half of the fracking stages either do not function adequately from the start or fail soon after the well goes into production. Research and development is needed to address these issues and improve on the productivity of the drilled wells.

The shale oil and gas industry has not made a profit since 2009, and operated at a negative cash flow deficit if capital expenditures (CAPEX) and stock-holders’ dividends are accounted for.

Figure 42. Generating plants coming online from February 2018 to January 2019, mostly natural gas, USA. Source: EIA, Energy Information Administration.
Despite the remaining technological hurdles pertaining to environmental concerns, it must be admitted that the unconventional exploration for hydrocarbons, including hydraulic fracturing, is a phenomenon that will endure as a way to tap into the Earth’s stored energy resources, even though it is coming under intense scrutiny. Natural gas is
increasingly asserting its role as the bridge fuel of choice along the road of the implementation of renewable and carbon-free sources of energy.

Table 11. Water resource use in different energy production industries.

<table>
<thead>
<tr>
<th>Energy resource</th>
<th>Gallons of water per MMBtu of energy produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional vertical natural gas</td>
<td>1-3</td>
</tr>
<tr>
<td>Deep shale natural gas</td>
<td>0.78-2.97</td>
</tr>
<tr>
<td>Nuclear processed uranium fuel</td>
<td>8-14</td>
</tr>
<tr>
<td>Conventional vertical oil</td>
<td>8-20</td>
</tr>
<tr>
<td>Shale oil</td>
<td>7.88-20.39</td>
</tr>
<tr>
<td>Synfuel coal gasification</td>
<td>11-26</td>
</tr>
<tr>
<td>Oil shale petroleum</td>
<td>22-56</td>
</tr>
<tr>
<td>Oil sands petroleum</td>
<td>27-68</td>
</tr>
<tr>
<td>Synfuel, Fischer Trosch from coal</td>
<td>41-60</td>
</tr>
<tr>
<td>Enhanced oil recovery</td>
<td>21-2,500</td>
</tr>
<tr>
<td>Biofuels: irrigated corn ethanol, irrigated soybean biodiesel</td>
<td>&gt;2,500</td>
</tr>
</tbody>
</table>

Figure 44. Drilled wells density in Permian Basin, Texas. Oil and gas operators in the Permian Basin, the most prolific hydrocarbon resource basin in North America, will have to drill substantially more wells just to maintain current production levels and even more to grow production.

The shale industry has been burning through capital, posting mountains of red ink. One estimate from the Wall Street Journal (WSG) found that over the past decade, the top 40 independent USA shale companies burned through $200 billion more than they earned. A 2017 estimate from the WSJ found $280 billion in negative cash flow between 2010 and 2017. It’s incredible when you think about it – despite the record levels of oil and gas production, the industry is in the hole by roughly a quarter of a trillion dollars.

Pioneer Natural Resources, often cited as one of the strongest shale drillers in Texas, is largely giving up on growth and instead aiming to be a modest-sized driller that can hand money back to shareholders. Pioneer is reducing its workforce and slowing down
on the pace of drilling. Pioneer has been bedeviled by disappointing production from some of its wells and higher-than-expected costs.

While shale companies have succeeded in boosting oil and gas production to levels that were unthinkable only a few years ago, prices have crashed precisely because of the surge of supply. And, because wells decline at a precipitous rate, capital-intensive drilling ultimately leaves companies on a spending treadmill.

A report that studied over 1,700 articles from peer-reviewed journals found harmful impacts on health and the environment. Specifically, 69 percent of the studies found potential or actual evidence of water contamination associated with fracking; 87 percent found air quality problems; and 84 percent found harm or potential harm on human health. The health impacts have been a point of controversy for years, pitting the industry against local communities. The industry largely won the tug-of-war over fracking, beating back federal and state efforts to regulate it. In many cases, there is an abundance of anecdotal evidence pointing to serious health impacts, but peer-reviewed research takes time and has lagged behind the incredible rate of drilling. Now, the public health research is starting to catch up. Of the more than 1,700 peer-reviewed studies looking at these issues, more than half have been published since 2016.

A spike of a rare form of cancer has cropped up in southwestern Pennsylvania recently. The causes are unclear, but some public health advocates and environmental groups are pointing the finger at shale gas drilling, and have called on the governor to stop issuing new drilling permits. The Marcellus Shale Coalition, an industry group, said the request was “ridiculous.” The region is right at the heart of high levels of shale drilling, so any regulatory action coming in response the public health outcry could impact drilling operations.

Base decline is the volume that oil and gas producers need to add from new wells just to stay where they are. The base decline production rate for the Permian Basin has increased dramatically, and continues to accelerate. It is challenging for some companies with cash constraints to keep production flat.

The fracking industry will be profitable when oil demand goes high enough, as it will have to eventually as the traditional sources dry up. The traditional theory of economics suggests that if petroleum gets scarce, the law of supply and demand will raise the price and more of it will be produced. However, corporations and consumers are up to their limits and beyond on debt amassed over the period of low interest rates. Due to debt and the declining return of net energy unit per barrel produced, or energy returned on energy invested (EROEI), the economics of the process can no longer grow, and cannot service the debt. A dilemma is that he oil price is too high for consumers; reducing demand, as well as too low for producers; reducing supply.

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