US may soon become world's top oil producer

BY JONATHAN FAHEY
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NEW YORK — U.S. oil output is surging so fast that the United States could soon overtake Saudi Arabia as the world's biggest producer.

Driven by high prices and new drilling methods, U.S. production of crude and other liquid hydrocarbons is on track to rise 7 percent this year to an average of 10.9 million barrels per day. This will be the fourth straight year of crude increases and the biggest single-year gain since 1951.

The boom has surprised even the experts.

"Five years ago, if I or anyone had predicted today's production growth, people would have thought we were crazy," says Jim Burkhard, head of oil markets research at IHS CERA, an energy consulting firm.

The Energy Department forecasts that U.S. production of crude and other liquid hydrocarbons, which includes biofuels, will average 11.4 million barrels per day next year. That would be a record for the U.S. and just below Saudi Arabia's output of 11.6 million barrels. Citibank forecasts U.S. production could reach 13 million to 15 million barrels per day by 2020, helping to make North America "the new Middle East."

The last year the U.S. was the world's largest producer was 2002, after the Saudis drastically cut production because of low oil prices in the aftermath of 9/11. Since then, the Saudis and the Russians have been the world leaders.

The United States will still need to import lots of oil in the years ahead. Americans use 18.7 million barrels per day. But thanks to the growth in domestic production and the improving fuel efficiency of the nation's cars and trucks, imports could fall by half by the end of the decade.

The increase in production hasn't translated to cheaper gasoline at the pump, and prices are expected to stay relatively high for the next few years because of growing demand for oil in developing nations and political instability in the Middle East and North Africa.

Still, producing more oil domestically, and importing less, gives the economy a significant boost.

The companies profiting range from independent drillers to large international oil companies such as Royal Dutch Shell, which increasingly see the U.S. as one of the most promising places to drill. ExxonMobil agreed last month to spend $1.6 billion to increase its U.S. oil holdings.

Increased drilling is driving economic growth in states such as North Dakota, Oklahoma, Wyoming, Montana and Texas, all of which have unemployment rates far below the national average of 7.8 percent. North Dakota is at 3 percent; Oklahoma, 5.2.



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Austin Mitchell, left, and Ryan Lehto work on an oil derrick outside of Williston, N.D.