

Battle between big oil and natural gas flares

Dear Mr. Berko: I'm told by a real smart friend who reads lots of books that natural gas is cheaper than oil and that we have more natural gas than Saudi Arabia has oil. He claims that if Congress, the oil companies and the unions would allow industry to convert cars, trucks and big air-cooling equipment to natural gas, then the U.S. would become energy-independent in less than five years.

Is all this true? Can it be done? If so, can you explain this to me in numbers that I can relate to? And if so, would natural gas stocks be a good buy?

EP, Joliet, Ill.

Dear EP: OK! Using round numbers, let's say that one barrel of oil costs \$90, and 1,000 cubic feet of natural gas costs \$4. Before we get going, these numbers are not worth a tinker's dam unless we compare their respective energy output.

The universal energy measuring stick is called a British thermal unit, or BTU. One BTU is the amount of heat needed to increase the temperature of one pound of water (at sea level) by 1 degree Fahrenheit. Another definition would be the approximate heat produced by burning a single wood matchstick. Get it?

Now, one barrel of oil produces roughly 6,000 BTUs (technically, 5,800 BTUs), while 1,000 cubic feet of natural gas produce 1,000 BTUs. Therefore, it takes 6,000 cubic feet of natural gas to produce the same BTUs as one barrel of oil.

So with natural gas selling at \$4 per 1,000 cubic feet, it follows that



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6,000 cubic feet of natural gas, which costs \$24, will produce the same BTUs as one barrel of oil, which costs \$90. And yes, the U.S. has more BTUs of natural gas than the combined oil reserves of the entire Middle East. And natural gas emits significantly less carbon dioxide than oil, and significantly less sulfur dioxide and nitrous oxides than other hydrocarbon fuels.

Robert A. Hefner III discusses the solution to this crisis in his book, "The Grand Energy Transition: The Rise of Energy Gases, Sustainable Life and Growth, and the Next Great Economic Expansion." Hefner recognizes that as oil users, we consume increasing amounts of BTUs without paying the "full cycle of costs." Some of those costs are mercury poisoning, acid rain, particulate emissions, enormous health care expenses, Middle East wars, a debilitating trade deficit, inflation and so on. In other words, \$90 for a barrel of oil or \$3.50 for a gallon of gasoline doesn't cover the costs of the unintended consequences that result from burning oil.

Hefner concludes that we can't sustain growth in oil consumption by passing these costs on to the taxpayer and to future generations of taxpayers while contributing to the national debt.

In the book, Hefner poses an uncomplicated energy and industrial recovery plan that uses our abundant supply of natural gas to return the U.S. to economic dominance and prestige in five or six years. His plan could put millions of Americans to work immediately, revitalize American industry, eliminate dependence on Arab oil and make the U.S. energy policy a template for the future. Hefner's book is the Rosetta Stone, the Holy Grail and an elegantly simple solution that can reduce our oil consumption by 65 percent.

The flies in the soup are the major oil companies, especially ExxonMobil (XOM-\$80.13) and its treasonous greed. Exxon currently owns hundreds of millions of barrels of oil that are carried on their books well below the current market prices. And the oil giant will object to Hefner's energy plan with every slick lawyer, lobbyist and union official it can hire.

The most egregious example of Exxon's perfidy is the immense profits it earned supplying the technology to fuel and feed the Nazi war machine during World War II.

Back then, the company was known as Standard Oil of New Jersey. Money has no conscience or country, and the men on Standard Oil's board of directors proved that rule, reveling in their friendship with Nazi Germany: Capitalism at its finest!

And yes, I think some natural gas stocks are good investments.

Please address your financial questions to Malcolm Berko, P.O. Box 8303, Largo, FL 33775, or email him at mjberko@yahoo.com.