

DRILLING DOWN

Behind Veneer, Doubt on Future of Natural Gas



Kathy Chrusielski

A drilling operation in Texas. In documents, Energy Information Administration officials voice skepticism.

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Energy companies have worked hard to promote the idea that natural gas is the fossil fuel of tomorrow, and they have found reliable allies among policy makers in Washington.

“The potential for natural gas is enormous,” President Obama said in a speech this year, having cited it as an issue on which Democrats and Republicans can agree.

The Department of Energy boasts in news releases about helping jump-start the boom in drilling by financing some research that made it possible to tap the gas trapped in shale formations deep underground.

In its annual forecasting reports, the United States Energy Information Administration, a division of the Energy Department, has steadily increased its estimates of domestic supplies of natural gas, and investors and the oil and gas industry have repeated them widely to make their case about a prosperous future.

But not everyone in the Energy Information Administration agrees. In scores of [internal e-mails and](#)

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[documents](#), officials within the Energy Information Administration, or E.I.A., voice skepticism about the shale gas industry.

One official says the shale industry may be “[set up for failure](#).” “It is quite likely that many of these companies will go bankrupt,” a senior adviser to the Energy Information Administration [administrator predicts](#). Several officials echo concerns raised during previous bubbles, in housing and in technology stocks, for example, that ended in a bust.

Energy Information Administration employees also explain in e-mails and documents, copies of which were obtained by The New York Times, that industry estimates might overstate the amount of gas that companies can affordably get out of the ground.

They discuss the uncertainties about how long the wells will be productive as well as the high prices some companies paid during the land rush to lease mineral rights. They also raise concerns about the unpredictability of shale gas drilling.

[One senior Energy Information Administration official describes](#) an “irrational exuberance” around shale gas. [An internal Energy Information Administration document says](#) companies have exaggerated “the appearance of shale gas well profitability,” are highlighting the performance of only their best wells and may be using overly optimistic models for projecting the wells’ productivity over the next several decades.

While there are environmental and economic benefits to natural gas compared with other fossil fuels, its widespread popularity as an energy source is relatively new. As a result, it has not received the same level of scrutiny, according to some environmentalists and energy economists.

The Energy Information Administration e-mails indicate that some of these difficult questions are being raised.

“Am I just totally crazy, or does it seem like everyone and their mothers are endorsing shale gas without getting a really good understanding of the economics at the business level?” an energy analyst at the Energy Information Administration [wrote in an April 27 e-mail](#) to a colleague.

Another e-mail expresses similar doubts. “I agree with your concerns regarding the euphoria for shale gas and oil,” wrote a senior official in the forecasting division of the Energy Information Administration in an April 13 e-mail to a colleague at the administration.

“We might be in a ‘gold rush’ wherein a few folks have developed ‘monster’ wells,” [he wrote](#), “so everyone assumes that all the wells will be ‘monsters.’”

The Energy Information Administration’s annual reports are widely followed by investors, companies and policy makers because they are considered scientifically rigorous and independent from industry. They also inform legislators’ initiatives. Congress, for example, has been considering major subsidies to promote vehicles fueled by natural gas and cutting taxes for the industry.

In any organization as big as the Energy Information Administration, with its 370 or so employees, there inevitably will be differences of opinion, particularly in private e-mails shared among colleagues. A spokesman for the agency said that it stands by its reports, and that it has been clear about the uncertainties of shale gas production.

“One guiding principle that we employ is, ‘look at the data,’ ” said Michael Schaal, director of the Office of Petroleum, Natural Gas and Biofuels Analysis within the Energy Information Administration. “It is clear the data shows that shale gas has become a significant source of domestic natural gas supply.”

But the doubts and concerns expressed in the e-mails and correspondence obtained by The Times are noteworthy because they are shared by many employees, some of them in senior roles. The documents and e-mails, which were provided to The Times by industry consultants, federal energy officials and Congressional researchers, show skepticism about shale gas economics, sometimes even from senior agency officials.

The e-mails were provided by several people to The Times under the condition that the names of those sending and receiving them would not be used.

Some of the e-mails suggest frustrations among the staff members in their attempt to push for a more accurate discussion of shale gas. One federal analyst, describing an Energy Information Administration publication on shale gas, complained that the administration shared the industry’s optimism. “It seems that science is pointing in one direction and industry PR is pointing in another,” [wrote the analyst](#) about shale gas drilling in an e-mail. “We still have to present the middle, even if the middle neglects to point out the strengths of scientific evidence over PR.”

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Robbie Brown contributed reporting from Atlanta. Kitty Bennett contributed research.

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