

Astonishing Developments

BY PHILIP K. VERLEGER, JR.

A review of

THE FRACKERS: The Outrageous Inside Story of the New Billionaire Wildcatters, by Gregory Zuckerman, Portfolio Hardcover, 2013

There are two primary approaches to telling complicated economic stories. The first is academic in nature, that is, it involves a carefully presented examination of the underlying data and events characterizing a historical period, often bolstered by references to current theory. The second method may be described as “contextual.” The authors of this type of history reveal a particular time through the stories of its key participants.

Economists tend to prefer the academic approach, even though it often fails to reach a wide audience. The success of the late Charles Kindleberger (*Manias, Panics, and Crashes*) and Kenneth Rogoff and Carmen Reinhart (*This Time Is Different*) mark two rare anomalies to this rule.

Professional journalists and writers, as well as a few academics, have done much better in reaching a broad readership using the second approach. *New York Times* reporter Andrew Ross Sorkin, for example, presented a very readable review of the 2008 financial collapse in *Too Big to Fail*. Liaquat Ahamed was equally effective with his book *Lords of Finance*, which chronicles how the heads of the four leading central banks attempted to deal with the 1920s financial crisis.

I am certain that Sorkin and Ahamed have helped a much larger audience understand the events leading up to

the recent financial crisis and the Great Depression than other authors. In truth, most people learn more from well-written, easy-to-read volumes than from the often turgid prose of economists.

Gregory Zuckerman, a writer for the *Wall Street Journal*, will likely enjoy the same success with his new contextual history, *The Frackers*. In it, he describes the astonishing developments in energy production over the last decade. His engaging prose details how entrepreneurs such as George Mitchell, Aubrey McClendon, Harold Hamm, and Mark Papa have altered the future of global energy markets.

The story begins with the large integrated oil companies. Thirty years ago, these companies and every energy policymaker believed world oil and gas supplies would increasingly come from reserves in harsher, more distant locations. They also believed the United States was finished as an oil and gas producer, destined to become ever more dependent on imported oil. Many thought this dependence would weaken the United States and ultimately doom it to mediocrity. The accepted view also saw development of oil and gas reserves becoming more and more capital intensive, which meant firms had to become larger and larger to succeed. The latter belief led to the numerous mergers recorded at the end of the twentieth century.

Finally, the accepted wisdom of the time held that world energy resources were headed toward exhaustion. Believers in “peak oil” asserted that oil and gas prices

Philip K. Verleger, Jr., is president of PKVerleger LLC.

must rise perpetually for this reason. Economists at the International Monetary Fund still cling to this bankrupt theory.

Mitchell, McClendon, Hamm, and Papa proved all of these tenets wrong in dramatic fashion. Future historians may rank the impact of these four alongside that of explorer Ferdinand Magellan, who you may recall proved the world was not flat, or Galileo, who demonstrated that the earth circled the sun and not vice versa.

Mitchell, McClendon, Hamm, Papa, and their colleagues struggled for decades to break the geological code that kept oil and natural gas from being extracted from shale rocks. Zuckerman vividly describes the enormous difficulties these entrepreneurs faced, as well as the repeated failures, near misses, and blown opportunities associated with fracking. Chevron shareholders, for example, will be saddened to learn that a senior company executive came close to cracking the fracking code but the firm abandoned his efforts when he retired. (Ironically, that same executive joined a company that ultimately found the solution.) Individuals who once owned Sun Oil

Individuals who once owned Sun Oil shares will be dismayed to discover their company actually broke the code. Sun's future profits, though, evaporated when a major share holder, the Pew Foundation, forced the effort to end by siding with the tired, bland executives that are still all too dominant in major oil companies.

shares will be equally dismayed to discover their company actually broke the code. Sun's future profits, though, evaporated when a major shareholder, the Pew Foundation (created by the children of Sun's founder), forced the effort to end by siding with the tired, bland executives that are still all too dominant in major oil companies.

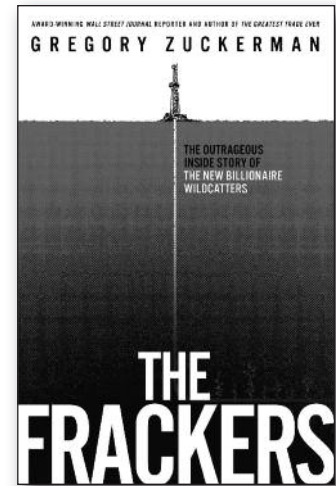
Zuckerman's historical narrative provides an excellent explanation of how fracking developed. Readers unfamiliar with the tale will find it compelling. Readers like me who

have followed the subject for forty years will also benefit. In my case, Zuckerman connected many of the seemingly random pieces of information I accumulated over the years into a clear picture.

Of course, Zuckerman does not—and indeed cannot—capture the complete story. No one can today. Fracking is a controversial practice. It is popular where landowners earn welcome revenues from the drillers' success. It is also popular in industrial areas, especially the Northeast, where the unexpected abundance and low price of natural gas is reviving manufacturing activities that closed decades ago when such supplies were unavailable.

On the other hand, fracking is very unpopular with many. Environmentalists worry that the methane emissions associated with increased production will contribute to global warming. Others worry about the water pollution associated with fracking. Drilling has been banned, for example, by the interstate commission controlling the Delaware River watershed because the members are not certain water quality can be protected. Zuckerman's book is essentially silent on these issues.

In sum, *The Frackers* joins contextual volumes such as *Too Big to Fail*. It is a very easy, very fast read. It makes an extremely complicated and important subject easy to understand. Readers will come away with a much better understanding of the recent revolution in American energy. Indeed, Zuckerman has done the world a favor by writing such a good, gripping book. It is left to others, though, to assess the longer-term impacts these developments will have on the global economy, climate change, and the future of the United States and the world. ♦



Zuckerman details how entrepreneurs have altered the future of global energy markets.