

Governing Energy



To Shale or Not to Shale?

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On February 14, 2018 the Wall Street Journal clanged the alarm—*Warning is Sounded on Shale!* The piece made the argument that US shale oil producers are producing at such rate that an oil price recovery is jeopardized.ⁱ

Over the past several years this author has espoused the position that circa 2014 crude oil pricing entered and new and more permanent (lower) trading range. Since that restructuring process, many have advocated the return of a significantly higher trading range.

The colloquial phrase, “It is what it is” can have a tone of resignation to it, but it is also the recognition of a reality.ⁱⁱ Likewise, the ‘definition of insanity’ usually attributed to Albert Einstein, “doing the same thing over and over and expecting different results” suggest alternate outcomes require different action plans.

Never say never; however, it does appear that the dynamics of the global crude oil markets have reformed. Hoping for the next boom and promising not to “screw it up again” no longer appears to be a winning strategy.

Shale driven technologies have seemingly disrupted the historical market and wrecked many paradigms. The new model requires Agility, Resiliency and Sustainability.

Astute readers will recognize these traits as those associated with High Reliability Organizations (HRO). Those top quartile entities have mature Human Systems Integration (HSI) as well.

An HRO focuses on resiliency and the ability to get ahead of issues that develop. More recently, the industry has incorporated the relationship that the human has with smart devices, aka., HSI.

The case can be made that oil & gas firms that capitalize on technologies such as fracking and digitalization with an HRO/HSI business model are following a disruptive path similar to other sectors, i.e. banking, manufacturing, etc. Such firms possess the organizational agility, resiliency and sustainability necessary to thrive regardless of the commodity price trading range.

While organizations may not be able to directly set the commodity price point. Shale players are seemingly holding it in a lower trading range—the so-called swing producers.

Time for others to get with the program. Remember the Oil & Gas Journal list of the top 500 oil and gas companies?

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Additional details are available from the author.

About the Author

Dr. [Scott M. Shemwell](#) has over 30 years technical and executive management experience primarily in the energy sector. He is the author of six books and has written extensively about the field of operations. Shemwell is the Managing Director of The Rapid Response Institute, a firm that focuses on providing its customers with solutions enabling Operational Excellence and regulatory compliance management. He has studied cultural interactions for more than 30 years—his dissertation; *Cross Cultural Negotiations Between Japanese and American Businessmen: A Systems Analysis (Exploratory Study)* is an early peer reviewed manuscript addressing the systemic structure of societal relationships.

End Notes

ⁱ Alessi, Christopher. (2018, February 14). Warning is Sounded on Shale. [The Wall Street Journal](#). pp. B1-B2.

ⁱⁱ <https://www.urbandictionary.com/define.php?term=It+is+what+it+is>