

Downey, Morgan – Oil 101

Wooden Table Press, 2009, [Business] Grade ★★★★★

If you seek a well-crafted technical guide to the production of oil and gas suited for the non-engineer this is a hot contender. The author used to be the Global Head of Commodities at Bloomberg after being a commodities trader at Standard Chartered, Bank of America and Citibank. There is no foreword to discuss the purpose of the book, but instead the reader gets to dive right into the first 1859 findings of oil in Oil Creek, Titusville, Pennsylvania. The sleeve however reveals that the aim is to meet “the need for a clear, concise guide to oil”.

Downey has divided the chapters into two parts. The first called *Oil Fundamentals* constitutes almost 9/10th of the text and stretches over 16 chapters and covers the products and the processes of the oil and gas industry. Part two, *Oil Markets*, is much shorter and the author’s background as a commodities trader is evident in the way that it mostly discuss the oil derivatives markets. In reality the first part could have been split into three as chapters 1 through 5 discuss the oil industry and oil as a chemical substance, chapters 6 through 12 report on and follow the production chain of oil starting with exploration and ending with storage and finally chapters 13 to 16 tie up a lot of loose ends discussing miscellaneous topics not covered elsewhere. Again, these last few chapters point to Downey’s background as they for example address product specifications, seasonality of supply/demand etc.

One of the strong points of *Oil 101* is the breadth. The text is dense and packed with details and facts on topics that for an equity investor not only would sort under the Energy industry but also under Utilities, Shipping, Chemistry and Automotives. Downey is passionate about giving the full picture of “how oil works” and the text is spiced up with quaint

industry terms like the electrical devices cleaning oil pipes called ‘pigs’ etc. I also think that Downey does a good job in structuring a number of entangled topics into logical sections and paints an illustrative picture of the functioning’s of the topic. Explaining the “chemical box” of refining to the non-technical user in an easily understood way is no small feat but the author pulls it off.

One type of aspects of the oil industry is perhaps less described – the business aspects. The management of an oil company is more than the practical aspects of exploring, drilling, transporting etc. Andrew Inkpen’s and Michael Moffett’s *The Global Oil & Gas Industry: Management, Strategy & Finance* does a better job covering these angles. Geopolitical issues are also somewhat absent from the discussion. However, for a non-engineer entering the oil and gas sector this book gives an excellent and comprehensive view of the topics not picked up in business school.

One small complaint is that the book isn’t very “pretty”. Sure, the cover is of sleek design but the text itself is small and dense, the pictures are also relatively small and in black and white. It’s also evident how hard it is to make predictions and how predictions are characterized by their times. The book is written in 2009, a time when common knowledge was that energy prices could only go up. A few years later shale gas and Elon Musk have entered the picture and Goldman Sachs is discussing if the oil price will go down to 20\$ a barrel. However, this is more a reflection on the difficulty of predictions in general and should not cast any specific shadow on Downey.

The nuts and bolts of the oil industry are truly well covered in this “clear, concise guide to oil”.

Mats Larsson, September 28, 2015