

Today's Notes:

1. **The 11th Hour of the 11th Day**
2. **Oil: The Transition**

1. THE 11TH HOUR OF THE 11TH DAY ...

Today we must stop and pay tribute to the men and women who serve in the military forces of the Free World. 91 years ago this day the “War to End All Wars” came to its bloody end. The guns in the killing fields of Europe fell silent at 11AM. This was called the Great War, the World War. It was a war of mud and trenches and new technology of machine guns and armor. In this war fought between soldiers of Canada, Britain, France, Austria, Germany, Russia, the United States and many other countries, 9.7 million soldiers and 6.5 million civilians perished. More than 21 million additional casualties survived. Today there are only 3 living veterans of WW I; an American, a Canadian and one British veteran. The “casus belli” of “The Great War” was the assassination of Austria’s regent Archduke Franz Ferdinand and his wife Sophie.

This seems such a small spark for such a significant catastrophe, the world’s first truly global conflict. This was tabbed, The War to End All Wars till another global catastrophe followed in 1939. Since November 11, 1918 of course millions more have given their lives in both global and local conflicts. The Second World War that followed a short 31 years later saw the extinction of more than 60 million humans – a 300% higher fatality rate.

Thru this Remembrance Day ¹ in Canada (Veteran’s Day, a holiday in the US since 1954) 136 Canadian and 836 American soldiers and civilians have perished in the faraway land of Afghanistan. In Iraq another 4,362 Americans have perished since hostilities began there. Britain (~300 deaths in Iraq and Afghanistan) and other NATO countries have also seen their share of military death.

And so we pause today to salute those men and women of the military who serve in harm’s way. They put aside family and friends, sacrifice their youth and always get the job done. We pray for the living that they shall return unharmed. We pray for those that perish or suffer wounds that their families may comfort them and be comforted.

Will you stop today at 11 AM and take a few minutes to reflect on all our many blessings? And will you please contemplate the sacrifice that these men and women and their families have made and are now making on behalf of our freedom and lifestyle.

¹ **Remembrance Day** – also known as **Poppy Day**, **Armistice Day** (the event it commemorates) or **Veterans Day** – is a day to commemorate the sacrifices of members of the armed forces and of civilians in times of [war](#), specifically since the [First World War](#). It is observed on [11 November](#) to recall the end of World War I on that date in 1918. (Major hostilities of World War I were formally ended at the 11th hour of the 11th day of the 11th month of 1918 with the German signing of [the Armistice](#).) The day was specifically dedicated by King [George V](#), on 7 November 1919, to the observance of members of the armed forces who were killed during war.

I leave you with an important personal question to ponder. What can be done to make the current war the last Great War? Surely there must be some “best” characteristics of humankind that will allow us to put aside the religious, social and economic grievances, imagined or real, that propel us endlessly into conflict with our fellow man, or is this treadmill endless? Are we surely not headed in these perilous days for further conflict – perhaps even a Third World War?

3. OIL: THE TRANSITION

"The scale and breadth of the energy challenge is enormous -- far greater than many people realise," International Energy Agency November 9 2009.

The world has reached peak oil production. No, wait a minute; we have not reached peak oil.

We will do away with carbon based fuels (oil) in the next decade. No, that is impossible given the current global oil-based infrastructure.

Global Warming (excuse me it is now called “Climate change) is caused by humans and CO₂, a greenhouse gas, is a major cause of our warming earth. No, humans are not responsible for climate change nor is CO₂ a culprit; the sun is the primary cause of cooling and warming cycles.

No matter your view of our energy world this AM you must admit that on these questions, and many more, there are very divergent opinions. Even the most esteemed scientists are split and polarized on the issues listed above.

Every time I drive into New York City I see hundreds of cars queued at the Holland Tunnel. Yes, they all burn gasoline refined from crude oil. Each time I sit in traffic around Washington D.C., I realize that thousands of these cars all burn gasoline.

Based on these observations the move to a carbon free economy will be a long and arduous road indeed. I think a transition that will require several decades, at a minimum. In addition we cannot immediately shovel coal-generated electricity out of our lives. After speaking with several senior labour executives involved with the Utility industry it is evident that unions in the US now realize that coal and nuclear MUST play an important role in the generation of electricity for decades to come. Clean coal may come but clean coal technology is also far off.

I am a strong supporter of the Canadian oil sands that have come under so much fire from the Obama Administration for their carbon footprint. More recently the Bakken shale oil deposits of Saskatchewan and North Dakota have riveted the attention of the energy sector. North Dakota is now the fourth largest oil producer (by state) in the US. New horizontal frac-technology has freed up the crude in the Bakken deposits of Saskatchewan and North Dakota. The Toronto Globe and Mail tells us that the Bakken now produces about 65,000 barrels per day. New wells in the field produce as much as 250 barrels a day (a yield that drops to 25 barrels by the fifth year of production) and economics are so solid that even during the oil crash last year, Bakken producers were still making money.

“The Bakken is economic at any price level,” said Crescent Point chief executive officer Scott Saxberg. ***“And the Lower Shaunavon is probably similar.”***

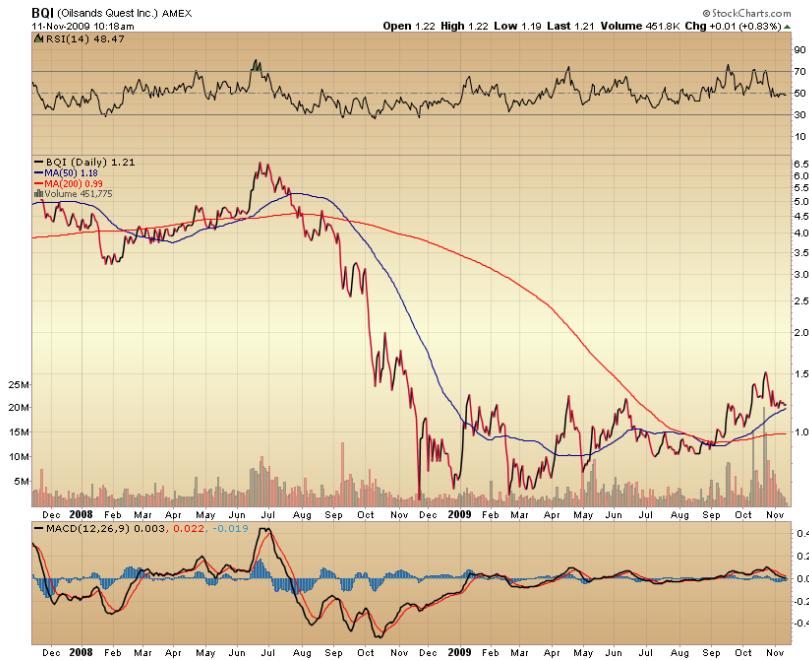
Analysts have calculated that Bakken plays will break even with oil at about \$30 (U.S.) a barrel. With 1,000 wells drilled, according to the Globe, the Bakken has between 4 to 5 billion barrels of oil in place – and it flows with horizontal drilling and frac-technology. At present the recoveries are estimated to be about 20% which means that with current technology about 1 billion barrels of oil are extractable. However with new exploration and extraction technology the Bakken fields of Saskatchewan and North Dakota and the oil sands of Alberta and Saskatchewan will eventually produce 5 million or more barrels of oil per day. With conservation, natural gas and new drilling technology to bridge the next two to three decades long transition to renewable sources of energy the US and Canada can become energy independent. Given Mexico’s current energy demise (Mexico will become a net oil importer with in a few years) and the unraveling situation of oil exports in Venezuela, Canada is likely to become the most important strategic oil exporter to the US.

Yesterday the International Energy Agency (IEA) indicated that it will cost an additional \$26 trillion to meet all the environmental hurdles relative to reducing carbon in the atmosphere.

“The agency estimated that even existing policies to ensure supplies to meet “inexorable” growth of demand and combat green-house gas damage would cost 26 trillion dollars (17.3 trillion euros) in real, or inflation adjusted, dollars for capital investment by 2030.”

This cost will cut economic growth in the OECD by 1.4 % per year. In short over the next 20 years the cumulative cost of the climate change revolution will be \$35 trillion (according to the IEA). The IEA forecast that the oil price, excluding the effects of inflation, would be \$100 a barrel in 2020 and \$115 in 2030, saying oil demand would rise by 1 % per year.

We still like Oil Sands Quest (BQI) and they are now field testing their extraction strategy at Axe Lake. We also like MegaWest Energy (MGWSF) for its heavy oil fields in Kansas and Missouri. Derek Oil and Gas (DRK) is moving forward in Wyoming after several false starts as well. We think that collectively North American and domestic oil supplies will be critical to filling the gap that will persist while the science catches up with the reality of the energy world.



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