

Title:

Oil Partnerships: How to Protect Your Investment

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Summary:

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Keywords:

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Article Body:

As burgeoning economies push the demand for oil to historic highs, some analysts say the world's oil production is in the process of peaking. Believing that an oil crisis -and, thus, higher prices - is inevitable, some investors are seeing dollar signs in their future.

According to the International Energy Agency, 2004 world oil demand increased by a higher rate than any year since 1988. And if current trends continue, worldwide oil demand will exceed 120 million barrels per day, according to the Energy Information Administration.

As oil fields yield less oil to satisfy this demand, prices are predicted to keep climbing. Forward-looking investors who see an opportunity to profit from these high prices are entering drilling partnerships with oil and gas exploration companies in geographical areas known to have established oil fields. Such drills may result in commercially marketable oil being found, bringing an investor anything from modest monthly checks to great wealth.

Although it's a risky investment, a good drilling partnership program may only have to hit one successful well to create a substantial profit. In addition, drilling partnerships can offer outstanding tax advantages.

However, investors should be cautious and research the company thoroughly before investing, said Dr. Roger L. Cory, President of Mammoth Resource Partners, a company that explores for oil and gas in oil-rich areas of Kentucky.

Cory says the company sets itself apart from others in the industry in the way

it does business - more communication with and accountability to its investors. Through its "Partner Communication System," for example, investors are kept up-to-date on drilling activities via an online drill log. They also are able to see the status, GPS coordinates and permit numbers for each drilling project as it progresses.

Investors also should consider the net revenue interest - the percentage of the profits that investors receive from the sale of the oil produced, Cory said. Mammoth offers competitive net revenue interest.

Another thing for a potential investor to address is whether the company takes steps to increase the likelihood of striking oil. Mammoth packages multiple wells into one project and uses computer technology to minimize the risk of "dry holes."

And unlike others, Cory says, Mammoth includes already-producing wells in its packages to provide income and offset risk while exploring for new strikes.