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\$100 Oil Prices Difficult to Sustain, Says Dallas Fed's *Economic Letter*

DALLAS—Absent supply disruptions, it will be difficult to sustain crude oil prices above \$100 a barrel over the next 10 years, according to the May issue of the Federal Reserve Bank of Dallas' *Economic Letter*.

The May *Economic Letter* can be found at <http://dallasfed.org/research/eclett/2008/el0804.html>

In "Crude Awakening: Behind the Surge in Oil Prices," Director of Energy Economics and Microeconomic Policy Stephen P. A. Brown, research analyst Raghav Virmani and senior economics writer Richard Alm attribute the recent surge in oil prices to four factors—global demand, expectations about future market tightness, the value of the dollar and fear of supply interruptions.

These same factors will determine future oil prices, the authors state, but the development of new oil resources could mean downward pressure on crude oil prices in coming years.

"The development of these resources could undermine the expectations underlying the higher oil price scenarios—even those of oil nationalism," the authors write.

While demand is currently outstripping supply and driving up prices, nonconventional oil resources—such as tar sands and oil shale—are in production and could help increase supply, according to the authors.

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