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Pipe Dream: Analysts Mull Natural Gas-Powered Bitcoin Mining Operation



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A group of Wall Street analysts has a unique idea to allow shale producers in Texas's oil-rich Permian Basin to profit from the massive amount of natural gas that is currently being wasted as a result of shale extraction: harness it to power a Bitcoin mining operation.

Writing in a recent note to clients, a group of Bernstein analysts led by Jean Ann Salisbury explored this outside-the-box strategy.

The basin could produce an “astounding 25 bcfd of wet gas to 2025, which will mostly be treated as a byproduct based on oil price and possibly even flared! What could producers do instead with this free gas?,” [Bloomberg](#) [↗] cites the analysts as writing in their report.

That's right, the basin could produce an estimated 25 billion cubic feet of natural gas *per day*, and most of it will be wasted through flaring, a process whereby oil producers dispose of unwanted gas by burning it. In fact, [Forbes](#) [↗] reports that some producers have been forced to cap their shale production because they have already reached the legal limit for flaring.

Of course, shale producers would prefer to sell the gas, but a pipeline shortage has taken this option off the table.

Under Bernstein's plan, shale producers would capture the excess natural gas and use it to produce electricity, which would then be used to power an on-site Bitcoin mining operation.

Unfortunately, the analysts found that the operation would likely lose money in the

next 15 years to make the venture profitable.

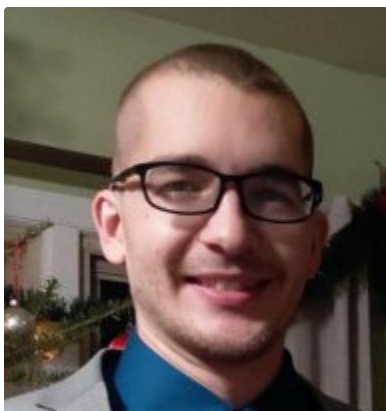
“If we account for this increasing difficulty, we make money only if the average price over 15 years is \$18,788,” the analysts said, concluding that the “fleeting thought of becoming a Permian-bitcoin billionaire will remain, for now, a dream.”

However, even at that inflated break-even threshold, the venture might be worth the gamble.

Cryptocurrency hedge fund Pantera Capital recently issued a rare buy recommendation for Bitcoin, predicting that the flagship cryptocurrency. will reach \$20,000 before the end of the year.

Meanwhile, Fundstrat Global Advisors — the first Wall Street strategy firm to cover cryptocurrencies — predicts that the Bitcoin price will reach \$25,000 during that same time frame.

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