

Chuck Stinnett: Kentucky oil producers 'getting momentum behind us'

By Chuck Stinnett

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The Kentucky oil production industry has seen booms and busts. For the past quarter-century, it has seen mostly busts.

But industry leaders are encouraged by some recent developments.

"A lot of good things are going on," Andrew McNeill, executive director of the Kentucky Oil and Gas Association, said recently.

"We're getting momentum behind us," he said.

"Oil prices are attractive enough to encourage activity," McNeill said. "Last year, we extracted 3 million barrels of oil, which was a 40 percent increase from the previous year."

Oilmen have been producing oil in Henderson County for generations, especially after a gusher — Blackwell No. 1 near Hebbardsville — was struck 75 years ago, triggering an oil rush. Production here surged from less than 68,000 barrels a year in 1937 to nearly 600,000 barrels in 1938 and 3.5 million barrels by 1943.

Output peaked at more than 4 million barrels in 1963 and 1964 when producers pumped water into underground formations to coax out more oil. But that was temporary; production fell to prewar levels by the late 1970s.

With the energy crisis of 1979, crude oil prices doubled in two years, sending oilmen — geologists, leasing agents, independent producers, drillers, well technicians and others, including an interesting mix of roughnecks and hustlers — back to the Henderson and Union county oil fields.

Rotary rigs lit up the night horizon from Niagara to the Alzey bottoms. Halliburton had a busy well-servicing shop here. Specialized trucks carried oil field supplies ranging from

dynamite to drilling mud rumbled along local roads. Tanker trucks pumped the fragrant black oil from roadside tank batteries while pumpjacks nodded across the countryside.

Flush with money and willing to take chances, major energy companies searched for elusive big pools of oil or gas far below western Kentucky's historic production depths of 500 to 2,500 feet. Conoco and Texas Gas Transmission sank big bucks to drill test wells to depths of 10,000 feet or more (though apparently without hitting pay dirt).

From 1981 through 1986, Henderson County remained Kentucky's top oil county, producing more than 1 million barrels of oil a year at prices that peaked at \$38 per barrel — about \$97 in today's currency.

But reduced demand and excess production produced a glut. In Kentucky, crude oil prices plummeted from more than \$26 per barrel in December 1985 to \$10.45 in July 1986. Although there would be momentary spikes, the price of oil lingered in the teens for years; it fell to just \$8.26 in late 1998.

While existing wells could still generate revenue, the incentive to take a \$50,000 risk on drilling an exploratory well vanished. By 1994, Henderson County's output had dropped in half compared with the early 1980s.

Still, Henderson County ranked as Kentucky's biggest oil county from 2001 through 2011, producing approximately 3.7 million barrels during that span. Union County ranked No. 2 with approximately 3.4 million barrels, while Webster County ranked ninth with approximately 900,000 barrels.

While today's production is a fraction of the peak, it still has an economic impact. KOGA reports that oil producers paid \$8.9 million in state oil severance taxes for Henderson County production from 2002 through 2012 as well as \$8.7 million for Union County and \$3 million for Webster County.

Statewide, it reports that the oil and gas extraction business provides jobs for 873 employees — and income for more than 7,000 independent oil and gas producers and others.

And with U.S. crude oil prices around \$100 per barrel, interest in exploration is rising.

Last month, Madisonville-based Navitas Land and Mineral Corp. announced it had completed the 7,008-foot-deep Otho Babb No. 2 oil well near Poole, which it said is the deepest ever drilled in Webster County with producible oil. Navitas President and CEO Dan Williams said a subsequent well, the Pruitt No. 4, is already producing oil.

“Although no one expects an explosion in the industry like in Pennsylvania with the Marcellus (shale gas boom),” McNeill said, Kentucky producers “see steady progress and see some growth going forward.”

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