

# **News** from the **Oklahoma Corporation Commission**

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**January 23, 2004**

## **BOTH A BOOM AND A BUST?**

*Corporation Commissioners express concern over latest energy stats*

**OKLAHOMA CITY --** Oklahoma's oil and gas industry is experiencing a revival many thought would never occur.

**But members of the Corporation Commission, which regulates oil and gas exploration and production in Oklahoma, say the latest numbers show there is still a dark lining to that silver cloud.**

**Commission Chairman Denise Bode says there is a dire need for a national energy policy that will reduce oil and natural gas price volatility and encourage more domestic production.**

**Bode likens the domestic energy situation to throwing a party that only a few can attend.**

**"Our numbers show prices for Oklahoma oil and gas at near-record levels, but production continues to lag," said Bode.**

**"The nation's long-standing policy of 'cheap energy at any price' has, ironically, caused far higher price volatility than should be the case, as domestic producers were put out of business over recent years at record rates. Rigs were scrapped, and experienced oil field hands found work in other sectors," she explained.**

**"Now we are faced with fewer domestic producers scrambling to meet demand while handicapped by a lack of equipment and manpower. The latest numbers, which track January through September of 2003, show both oil and gas production for the period lagging behind the 2002 total, even though prices are sharply higher.**

**"The last time energy prices were near these levels, Oklahoma had over eight hundred rigs actively exploring for oil and natural gas," said Bode. "The latest Baker-Hughes rig count for Oklahoma is only 146."**

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**(Production, pg. 2)**

**Vice-chair Bob Anthony said the situation shows the clear need for a multi-faceted policy that addresses more than just energy concerns.**

**"As a member of both the Gas Committee and the Special Natural Gas Task Force of the National Association of Regulatory Utility Commissioners, I have received various estimates that agree on one central point: natural gas**

**demand in this country will continue to grow and producers are having a difficult time meeting even current needs.**

**“It is the classic ‘Catch 22’ situation. Natural gas usage is increasing because it is offered as the clean-burning, environmentally friendly fuel. Yet, environmental concerns prohibit producers from drilling in many of the most promising areas both on and offshore.**

**“Meanwhile, production from the mature areas that have been drilled for years continues to decline and becomes more expensive to replace. Although prices to consumers are at an all-time high, that extra money is not necessarily going to producers to meet the increasing drilling expenses. Part of it goes to middlemen marketers and investors who often allow the speculative commodities and futures markets to dictate price more than true market conditions,” Anthony explained.**

**Commissioner Jeff Cloud noted, “We finished 2003 with intent-to-drill applications at a 15-year high in Oklahoma. However, the number of rigs in Oklahoma actively exploring for oil and natural gas is only at about a 29-month high.”**

**Cloud explained, “The Oklahoma Corporation Commission faces the awesome responsibility of protecting the environment and providing a system for resolving issues and disputes involving producers, mineral owners, and surface owners. We also are responsible for ensuring the orderly and beneficial production of Oklahoma’s oil and natural gas resources. Our employees are going ‘above and beyond’ to meet the challenge. I deeply appreciate the Oil and Gas Division staff’s diligence and hard work. We must do everything possible to ensure this excellent service continues and we must provide a business climate that is favorable for increased investment in the critical energy sector.”**

**(more)**

**(Production, pg. 3)**

**The latest oil and gas industry numbers from the commission show the number of drilling applications rose to a 15-year high in 2003 with a total of 5,119.**

**However, the latest Commission data on Oklahoma oil production shows oil production decreased for the first nine months of 2003, totaling about 48.6 million barrels. That was down from about 50.1 million barrels in the same time period a year before.**

**Perhaps more telling is that the production slump came in spite of the fact that oil prices for the 2003 period were very high, averaging more than 27 dollars a barrel. Production for the time period was even less than for the same period in 1998, when Oklahoma crude prices dropped to 60 year lows (5 to 6 dollars per barrel), when adjusted for inflation.**

**September 2003 oil production totaled about 5.2 million barrels, an increase of approximately 110 thousand barrels from the August (revised) production of about 5.1 million barrels.**

**Natural gas production in Oklahoma during the first nine months of 2003 totaled about 1.13 trillion cubic feet. That is also a decrease from the same time period in 2002, when natural gas production totaled about 1.18 trillion cubic feet.**

**As was the case for oil, the drop in production comes in spite of a sharp increase in the price of natural gas. The average price for Oklahoma gas during the first nine months of 2003 was about \$5.00 per thousand cubic feet, up from \$2.69 for the same time period in 2002.**

**September 2003 gas production totaled slightly less than 112 billion cubic feet, a sharp decrease from the August 2003 (revised) production total of about 129 billion cubic feet.**

**-OCC-**

All OCC advisories and releases are available at [www.occ.state.ok.us](http://www.occ.state.ok.us)

**\*\*Please Note: All production numbers are subject to change, and should be used for trend purposes only.**

**EDITORS, PRODUCERS: ATTACHED IS A CHART SHOWING THE COUNTY-BY-COUNTY BREAKDOWN OF THE PRODUCTION NUMBERS.**

**ALSO ATTACHED IS AN EXCEL CHART SHOWING APPROVED INTENTS-TO-DRILL FROM 1944-2003.**

**FOR MORE STATISTICS ON OIL AND GAS PRODUCTION IN OKLAHOMA, CALL LARRY CLAXTON, MANAGER - STATISTICS/SURETY DEPARTMENT, OIL AND GAS DIVISION, OKLAHOMA CORPORATION COMMISSION (405) 521-2273.**