INTRODUCTION

The impact of fossil-fuel–derived energy on every aspect of American life, from the economy to politics and national security, is tremendous. The success of the oil industry in providing abundant cheap energy is one of the main reasons for the unprecedented prosperity enjoyed by the United States and the rest of the developed world. However, geological and political factors have gradually forced reliance on oil from unsettled areas of the world. We can no longer satisfy petroleum demand from domestic sources, not for lack of technology, nor because we have been cheated by Mother Nature, but because exploration and exploitation of our natural resources has continued for nearly one and a half centuries. For most of that time Oklahoma—first as a Territory and then as a State—has been one of the most rewarding areas to look for petroleum.

Oil and gas are formed by alteration of microscopic organisms that have been deposited with sediment that turns into sedimentary rock. Sediments and organic remains reach maximum thickness when they accumulate in large, gradually subsiding depressions called geologic basins (Fig. 1). With increasing temperature and pressure that result from increased burial depth, organic remains are converted through millions of years into oil and natural gas. These organic compounds consist dominantly of carbon and hydrogen, and so are called hydrocarbons. As oil and gas are less dense than the water in which the original sediment was deposited, where permeable rock makes it possible they migrate upward. Movement ends where blocked or sealed by impermeable rock. The seal is a major component of any hydrocarbon trap, and its extent helps define the size of the oil or gas field that develops.

Oklahoma’s prominent place in the oil industry is fortuitous, a result of encompassing the bulk of the hydrocarbon-rich Anadarko, Arkoma, and Ardmore geologic basins and their associated shelves and platforms. Figure 2 shows the approximate outline of these basins and adjacent areas, and
also the State’s major fields—those that have produced more than 100 million barrels of oil (MMBO). The sedimentary basins that have yielded the bulk of Oklahoma’s oil production are mostly Pennsylvanian in age, but oil and gas reservoirs across the State range from Cambrian to Cretaceous (Fig. 3).

**EARLY HISTORY**

Oil seeps were recognized in Oklahoma long before the arrival of European settlers, who mined some seeps for asphalt. The first subsurface oil was recovered by accident, in 1859, in a well drilled for salt near present-day Salina (in Mayes County); its small amount of oil was sold for use in lamps. The first intentional oil find came from a well drilled in 1889 in an area of seeps near Chelsea (Rogers County); the well produced a half barrel of oil per day, used as “dip oil” to treat cattle for ticks (Franks, 1980).

The first commercial paying well, the Nellie Johnstone No. 1, was drilled in 1896 near Bartlesville (Washington County). Completed in 1897 as the discovery well for the giant Bartlesville-Dewey Field, the well ushered in the oil era for Oklahoma Territory. Production there and in other areas rose rapidly thereafter, adding much impetus towards the granting of Statehood in 1907. In the 10 years between the first discovery well and Statehood, Oklahoma became the largest oil-producing entity in the world.

After the turn of the century, discoveries were made in rapid succession in areas that would eventually encompass many of the 26 major oil fields (Fig. 4). All but five of the majors were discovered before the end of World War II; the last of them, the Postle Field, was found in Texas County in 1958 (Northcutt, 1985). Although the 26 majors constitute only about 1% of the total number of fields, they account for 59% of the total oil produced (Lay, 2001).

Until overtaken by California in 1923, Oklahoma remained the leading producing state in the U.S. (Hinton, 2001). Peak annual production of 278 million barrels (762,000 bbls/day) was reached in 1927, with several intermediate highs and lows since then. The peaks and valleys result from changes in the number of wells drilled and completed as well as from the size of the fields being found.

The historical production figures cited in Figure 5 are from the Oklahoma Corporation Commission and are based on volumes on which taxes have been paid to the State (Claxton, 2001). These volumes include condensate, but this is estimated to represent only 3% of the liquid hydrocarbons produced. Totals are believed to be accurate, but allocation of production to specific fields and reservoirs is often difficult. State records carry cumulative production by field only through 1979, forcing cumulative field-production figures to come from the International Oil Scouts Association. Also, many fields have been combined into larger fields or trends; for example, the Sooner Trend encompasses more than 100 previously defined fields.

As can be seen from well-completion history (Fig. 6), Oklahoma has had three major drilling booms. The first occurred just after Statehood; it lasted through 1930, and was most active from 1913 through 1920. That spate of drilling brought Oklahoma into the club of major oil producers. The lull that followed lasted through most of WWII, and was followed by a second boom that reached its peak in the years 1953–1956. Then drilling gradually declined, reaching post-war lows in 1971–1973.
The first drilling boom was driven by the number and size of discoveries made early in the 20th century. The second resulted from increased demand for petroleum products during conversion to a peacetime economy. (Both were caused by world and economic events that had little long-term impact on oil price.) The third and most recent boom resulted from increased oil prices arising from political tension in the Middle East (Fig. 7); however, its root cause was a gradual shift of the world’s production capacity and reserves from consuming countries to less-developed areas represented by OPEC—the Organization of Petroleum Exporting Countries.

ANATOMY OF A DRILLING BOOM

The decline in Oklahoma’s oil production since 1967 (Fig. 5) mirrors that of the United States as a whole. By the late 1960s, exploration in most of the prospective petroleum provinces in the country—the North Slope of Alaska and the deeper-water Gulf of Mexico being prominent exceptions—had been underway for at least 50 years, and from an exploratory standpoint most of these provinces had matured. In any area, as the number of wells increases, understanding of the many factors affecting oil accumulation increases correspondingly. Eventually, nearly all significant reservoirs and their structural and stratigraphic trapping styles (called “geologic plays”) are identified. The play types are exploited through a combination of random (or trend) drilling and prospecting driven by science and technology. As the process continues, the mean pre-drilling prospect size, which is based on historic discovery sizes, becomes progressively smaller. The trend of diminishing prospect size is a natural outgrowth of increased well density, and occurs simply because it is more difficult to hide large fields in the progressively smaller areas yet to be drilled.

Most geologic plays reach a point at which the potential reward no longer justifies the risk and expense of large-scale exploration, and activity moves elsewhere. For Oklahoma as a whole, that point was reached in the late 1960s (Fig. 6). The
price of crude oil had remained nearly flat for decades (Fig. 7), and discovery sizes no longer justified widespread exploration. This conclusion is inferred from the overall completion history and discovery rates, as the State did not record new-field wildcats until 1980. In 1967 oil production began a long downhill slide only briefly interrupted by the drilling boom discussed below. During the late 1960s the State’s productive capacity was maintained by its older, larger, longer-lived fields. Here thousands of wells continued to produce, many in enhanced recovery projects involving water injection. Such larger fields take longer to drain, and lend themselves to recovery-enhancement techniques that usually continue for decades.

In that environment began the last major drilling boom in Oklahoma. In spite of weak drilling activity, oil production reached its second-highest peak in 1967, when about 231 MMB was produced (Claxton, 2001). A steep decline ensued between 1970 and 1975, averaging 6.1% per year (Fig. 5). Using the average number of oil completions from 1967 to 1974 (~1,250) as the pre-boom average: the drilling boom began slowly in 1975, peaked in 1981, and ended in 1987. (Figure 8 shows completions, which—because more than one oil reservoir may be stacked in a single well—only approximates actual drilling.) The jump in activity was caused not by the opening of a new geologic play, nor by a technological advance, but by a rapid increase in crude oil price beginning in 1974 (Fig. 7). From an economic standpoint the near doubling of Oklahoma crude prices—from $3.78 per barrel in 1973 to $7.18 in 1974—had the effect of doubling every oil well’s production rate, as well as the value of its reserves in the ground. In one year the rise in price halved the reserves necessary for a well to make money. In addition, as the years passed and the expectation of continuing price increases was factored into economic analyses, progressively smaller well recoveries became attractive.

The State has separated oil and condensate production since 1975, which allows these statistics to apply to oil alone: after a period of steep (>6%) declines, from 1975 through
1979 the annual decline in Oklahoma’s oil production averaged about 3.5%. Increased drilling during the boom inclined production from 1979 through 1984 (Fig. 9), but this 5-year rise was followed by a precipitous 6.6% annual decline from 1984 through 1990. In succeeding years the oil production curve flattened, until reaching the rather steady 3.1% average decline observed since 1993. By comparison, with large discoveries still being made in less mature areas, like the deep-water Gulf of Mexico, overall U.S. oil production for the same period (1993–2001) declined only 2.2%. Higher oil prices and the resultant increase in drilling for 2000 and 2001 have tended to flatten both the overall U.S. and Oklahoma production declines. However, with no significant new fields being added in Oklahoma, our long-term decline will probably remain significantly above the national rate.

On the Figure 9 graph, if we extend the line depicting the 3.1% decline since 1993 backwards through the boom years, it intersects the line for actual annual production in 1979. By that analysis: the area of the production curve above the artificial 3.1% decline curve (from 1979 through 1993) represents oil produced as a result of the increased drilling. This volume is 234 MMBO, and translates—with about 31,200 extra completions necessary for the increase—to 7,500 barrels per completion between 1979 and 1994. Although data are not available for determining the typical number of completions per well in Oklahoma, the average ultimate recovery for an oil well drilled during the boom is unlikely to be much more than 10,000 barrels.

Methods for calculating the volume of oil produced as a result of the drilling boom can vary, but probably not significantly from this analysis. In the six years after the end of the production boost (1993–1999) Oklahoma’s oil decline averaged 4.5%. Given that this decline is significantly greater than the 3.5% before the boom, we can argue that the bulk of the 234 MMBO found was accelerated production—oil that would have eventually been produced from existing wells.
This contention that insubstantial new reserves were discovered is supported by the average success rate seen during the boom years of 1975 through 1987. The proportion of producers (non-dry holes) in that period has been shown by the Oklahoma Corporation Commission (Claxton, 2001) to range between 65% and 75% (Fig. 10). True wildcat success rates are far less than 65%, and the dry-hole percentage indicates that most drilling and completion activity during the boom was developmental. For the discoveries that were made, their small size is confirmed by their short-term impact on the State’s production profile. Note the decreasing proportion of oil completions, relative to gas, that occurred after the drilling boom; it reflects both a percentage and an overall numeric reduction in oil-targeted drilling through time. The drilling boom nominally lasted through 1987. However, because of rapid declines and progressively less oil drilling, the divergence from the pre-boom production decline shrank dramatically after 1988, and was gone entirely by 1993—the year in which the positive effect of the drilling boom disappeared (Fig. 9).

From a Statewide perspective, except for the acceleration of tax revenues, another drilling boom has little long-term value to Oklahoma. It may be enjoyable as long as it lasts, but it would only hasten the end of meaningful oil production. Higher prices for oil would aid the State’s oil industry, certainly in the short term. However, if the increased income is not used to initiate investment in enhanced recovery projects, the party will be very short. But more on this later.

**WHERE DO WE STAND NOW?**

State tax records show that cumulative oil (and condensate) production from Oklahoma totals about 14.5 billion barrels. The State ranks fifth in crude oil produced and accounts for 3% of national production (Hinton, 2001). That’s about a quarter of the peak rate reached in 1927, and is roughly equal to that of 1913. Although the volume is less than in the past, at $25 per barrel 2001’s production was still worth $1.7 billion.

Apart from the boom years, Oklahoma’s oil production has, since 1967, undergone a generally continuous decline. The drilling boom in the late 1970s and early 1980s temporarily reversed the trend, but since the late 1980s the general decline has been firmly reestablished. Up-ticks in oil price and drilling in 2000 and 2001 have tended to level production, but, at this writing, 2002 seems likely to restore our long-term 3.1% decline. Because of the large number of wells in both the oil-producing and potentially oil-producing regions of the State, it is unlikely that the overall decline will change markedly as a result of new discoveries. Some sparsely drilled areas with oil potential do exist, and some may eventually prove economically viable. However, even taken together they offer no reasonable hope of markedly changing the trend.

In the early days, drilling activity rose and fell with the number and size of exploratory successes. Today, Oklahoma’s oil industry is mature, and oil production nationally is at 100% of capacity, so price is the key variable that affects activity. Because the U.S. consumes more than twice as much oil as it produces, price will remain beyond our control, as will other major factors affecting the health of the oil industry in the State. The bulk of the State’s oil comes from low-rate, stripper wells (<10 barrels per day), mostly in large fields that have been producing for decades. The maturity of the industry is highlighted by the average production rate for an oil well in Oklahoma—about 2.2 barrels per day. Compare that with the national average, which is about 11 barrels per day.

At the beginning of 2002, Oklahoma had about 84,000 active oil wells, producing about 183,000 barrels per day. Such low-rate wells are more sensitive to oil price than higher volume wells because the income generated is often not much
more than the operating expense. The wells continue in produc-
tion as long as maintenance is minimal and little more is re-
quired than simply collecting the oil. However, if mechan-
ic failure requires significant expense, or if the oil price falls below an economic threshold, the well will go idle. The
length of time between being shut-in and being plugged and
abandoned (sometimes just abandoned) depends on the en-
durance of the operator and how long the price remains un-
economic. Once a well is plugged, production from its drain-
age area is usually lost forever. Even if the oil price rises, the
prospect of another low-rate producer is likely to discourage
reentry or workover of an existing well, much less drilling a
new one.

Of approximately 100,000 wells producing in 1984—the
last peak year of oil production—fewer than half are still pro-
ducing (Claxton, 2001). This helps explain the steepness of the initial post-boom decline. It also points to the need to do
as much as possible to keep stripper wells producing. In 1992
the Oklahoma Legislature created the Commission on Mar-
ginally Producing Oil and Gas Wells for the express purpose
of helping operators manage marginally producing wells.
The intent was to help operators weather the inevitable price
dips, and keep the State production decline to a minimum.
In addition, the Oklahoma Geological Survey offers low-cost,
play-based workshops and a variety of other programs to aid
operators. The programs help identify practical techniques
and technology for finding new fields, as well as how to pro-
duce oil efficiently in existing fields.

WHAT’S LEFT?

The simplest way to markedly increase long-term oil pro-
duction is to discover large, long-lived fields. The size distri-
bution in any petroleum province is the same, with larger,

easier-to-find fields making up a disproportionate share of
total production and reserves. Oklahoma is no exception: its
26 major oil fields account for 59% of the oil produced. Each
of the next 137 fields (in order of size) has produced at least
10 MMB of oil. Together accounting for only 5% of the total
number of oil fields in the State, these 163 fields account for
over 83% of production (Fig. 11).

The mean discovery date for Oklahoma’s major fields
is 1925, and for those that have produced more than 10
MMBO, 1934 (Lay, 2001). The last field to be discovered with
recovery of more than 10 MMBO was the Wheatland Field
(in Oklahoma County), discovered in 1981 (Fig. 12). A hand-
ful of fields not on this list will eventually break the 10
MMBO hurdle, but none by much. In total approximately
3,100 fields with some oil component, many already aban-
doned, have been found thus far. In size they are strongly
skewed toward the small end of the spectrum, the fields with
less than 10 MMBO of recovery averaging only 800 MBO.

These facts have not been lost on the industry, and the
bulk of oil drilling continues to be directed towards infilling,
extending, and adding new reservoirs to existing fields. Some
areas may be under-explored, an example being the part of
the Ouachita Uplift in central Atoka County and southern
Pittsburg County (Campbell and Suneson, 1990). However,
these are all high-risk areas, and even the greatest optimist
would find it difficult to assign speculative reserves amount-
ing to as much as 1% of past production.

Figure 10. Oklahoma’s well-completion history (all wells). From Claxton (2001).

Figure 11. Oklahoma’s oil (and condensate) production by field
New-field wildcat numbers can be a measure of interest in exploration. In Oklahoma, fields are defined geographically, and to be declared a new-field wildcat a well must be located more than one mile from established production. Any well completed within a mile of production, whether producing from a different formation or from a disconnected reservoir compartment in the same formation, is defined as developmental. As nearly 500,000 wells have been drilled in the State, the feat of making a true discovery has become increasingly difficult. The Oklahoma Corporation Commission has kept data on the total number of wildcats drilled since 1980, shortly before the last drilling boom peaked (Fig. 13).

Although these data include both oil and gas drilling, they accurately mirror the precipitous decline in overall exploratory activity through the middle and late 1980s (Fig. 8). Because so many variables are involved, determination of remaining reserves is notoriously difficult. However, the situation in Oklahoma is somewhat more straightforward than in many other areas. Few new reservoirs are being added to the producing mix, and with 84,000 active wells scattered throughout 2,000 fields, the aggregate decline is well established. The primary source of uncertainty is, as always, the price of crude oil. A prolonged rise in price, as was seen in 2000 and 2001, can increase drilling and completions and thereby reduce the decline rate, at least in the short term. A prolonged fall in price can drop many wells beneath their economic threshold, causing large-scale abandonment and a corresponding increase in the rate of decline. For Oklahoma, changes in annual estimates of remaining reserves are based almost exclusively on accounting adjustments centered on new pricing assumptions, rather than on the addition of new reservoirs or fields.

In their last estimate at the beginning of 2000, the Energy Information Administration of the U.S. Department of Energy projected Oklahoma’s proved oil reserves at 610 MMBO (Hinton, 2001). (The estimate was based on a poll of the State’s thousands of operators.) Subtracting actual production through January 1, 2002, yields remaining reserves of 477 MMBO. Thus the EIA estimate leads to the conclusion that 97% of the State’s ultimate oil recovery has already been produced.

Reserve estimates are meant to quantify bankable production, so they must take into account any factor that may have a negative impact on the oil actually reaching the market. Assuming that long-term oil prices remain stable—an unlikely event—the State’s production decline should stay near the 3.1% rate that has prevailed for the last 9 years. If it does continue so, by 2010 the EIA reserve volume will have been produced. At this time the average well will be producing about 1.2 bbls per day, and Statewide production will still be more than 100,000 bbls per day. Economic production rates vary from area to area and well to well, but a large fraction of the State’s production already comes from wells making less than 1 bbl per day. Given current trends in drilling and plugging, if the average abandonment rate for an oil well in Oklahoma is assumed to be 1 bbl per day, remaining reserves at the beginning of 2002 should be about 790 MMB. If this were reduced to 0.5 bbl per day, 1,080 MMBO would remain. Under such assumptions the good news is that (short of a pricing catastrophe) the chances are excellent that Okla-
Homa will produce significantly more oil than the EIA now expects. The bad news is that the end is in sight.

The truth is that another price spike and drilling boom would bring only a short-lived respite to the long-term drop in Oklahoma’s oil production. Worse, it would probably bring on an even sharper decline in succeeding years because the vast bulk of the increase would likely be in accelerated production. The likelihood of making one or more oil discoveries that would significantly change the State’s long-term production curve has become vanishingly small. Therefore the only way to make a long-term, positive impact on the oil-production decline in Oklahoma is to enhance recovery in fields that have already been found.

Studies by the Oklahoma Geological Survey of fluvial-dominated deltaic reservoirs, from which a large fraction of the State’s oil has come, indicate a current average recovery factor of about 15% of the original oil in place. Even if average recovery is stressed to 25%, three times as much oil as has already been produced is still in the ground. Cumulative oil recovery stands at more than 14 BBO. Regardless of how it is calculated, the volume of oil still residing in Oklahoma reservoirs is not less than 42 BBO, and could be as much as 93 BBO, and all of it has been mapped.

Even a small increase in the overall recovery percentage would yield huge rewards. The only way to markedly enhance the State’s oil future is to systematically re-evaluate the means of increasing recovery in existing fields. The effort would be manpower intensive, requiring collaboration between engineers and geologists. Acquisition of data—pressure and production data especially—would take time and usually be incomplete. In spite of the State’s forced unitization rules, land acquisition would be a major problem, but diverse ownership contributed to the haphazard field development that has left so much oil in the ground.

Much of the secondary and enhanced recovery work done thus far has been piecemeal. Except in the largest fields there has been little coordination between operators and undoubtedly little detailed, field-wide reservoir simulation work. A map of the waterflood unit boundaries maintained in the NRIS database (those active since 1979) shows an irregular patchwork of secondary recovery projects that overlay roughly half of the oil-producing leases in Oklahoma. Based on field studies by the OGS, many waterflood units have been subdivided into smaller areas that are operated in isolation and at cross-purposes with the management of adjacent units.

A necessity for increased oil recovery is regional mapping to show in detail the depositional environments of reservoirs. Such maps help define actual and expected reservoir geometry, and they can lead to the identification of areas with the greatest potential for undrained reservoir compartments. Combined with regional porosity and permeability trends, the maps can be used to assign provisional recovery factors for reservoirs with similar characteristics. This can then be compared with actual production to set practical recovery goals. (Such recovery factors would still be minimum values because they cannot take into account future technical improvements in drilling, completion, or recovery.) When actual recovery factors are applied to the volumetric estimates of the original oil in place, we can determine a realistic incremental recovery target using proved techniques. Analysis will not only highlight the most efficient techniques, but also reveal a practicable course of action for various types of reservoirs.

Many factors affect the capacity of a reservoir to produce oil, and their relative importance varies from place to place. Primary factors include porosity, permeability, thickness, and geometry—the reservoir’s shape and connectivity. A reservoir classification scheme based on these four variables is adequate in identifying poorly drained areas and rank them by incremental oil recovery. The most attractive projects can be further evaluated based on other factors that affect recovery and economics. The additional factors include depth, well spacing, drilling and completion practice,
reservoir pressure, drive mechanism, oil gravity, and gas saturation. The ranking of those projects with the greatest potential reward could be further refined on the basis of non-geologic criteria such as data availability, well condition, and ownership.

Much detailed work is necessary to determine the economic feasibility of such projects, but as most of the State’s largest oil accumulations were discovered more than 70 years ago, and initial (often intermittent) waterflooding commenced 20–30 years after their discovery, there are undoubtedly many opportunities. Consider only the 163 fields that have each recovered more than 10 MMBO: every 1% of incremental recovery would add about 500 MMBO, or the equivalent of five major oil fields. With a series of long-lived, and potentially high-recovery projects, Oklahoma’s oil production could actually experience a modest increase. Although an increase might be brief, the effort would certainly extend the life of the industry and the State’s oil revenue for decades beyond current estimates.

We face no shortage of challenges associated with such an undertaking, but the potential rewards are great. Enhanced recovery is the only way that Oklahoma can add to its dwindling oil supply. Our biggest problem lies in forecasting the price of oil over the long term. That is especially true for projects that have substantial up-front costs and a long payout. However, once the initial investment is digested and production begins to respond, the economics for large enhanced-recovery projects usually become far more robust. A prudent strategy, in anticipation of the sustained oil price increase that must inevitably come, is to gather data and rank candidate fields now, while interest in such projects is relatively low.

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