

# High oil prices rekindle oil production in Mo.

May 14, 2008 1:39 AM ET



DEERFIELD, Mo. (AP) - Pumpjacks, the oil rigs that resemble those thirsty bird toys, are going up in Missouri for the first time in two decades, the latest region to revive a long-faded industry as crude nears \$130 a barrel.

The sky-high price of oil has turned extraction methods recently considered cost-prohibitive into cash cows.

Bright blue pumpjacks stand over a 10-acre site near the Missouri-Kansas border where MegaWest Energy Corp., a Canadian company, is attempting to draw heavy oil — as thick as molasses, and requiring better technology and extra effort to pull from the ground.

The domestic oil revival is taking place in smaller oil fields that require new technology, said Fred Lawrence, vice president of economics and international affairs at the Independent Petroleum Association of America.

"We've been producing oil in this country for parts of three centuries. So a lot of the easy oil is gone," Lawrence said.

The hunt for harder-to-get oil, however, is under way.

"The Baker-Hughes rig count for the week of April 25 showed 360 rigs drilling for oil versus 283 the same week a year ago," Lawrence said. "That gives you a sense of the reinvigoration of crude oil in the U.S."

Heavy oil production in Missouri ended in the 1980s when oil prices went into a long decline.

Oil could not be sold for the money it costs to produce in places like Missouri. But with light, sweet crude reaching a record \$126.98 a barrel Tuesday on the New York Mercantile Exchange, smaller oil companies like MegaWest are returning to abandoned reserves in Missouri, Kansas and Oklahoma.

"There's a fair amount of heavy oil in Missouri and elsewhere in the U.S. that has not been addressed since the late 1970s and early 1980s because of low crude prices," said George Stapleton, chief executive of MegaWest.

Oil and gas well permitting in Pennsylvania is booming, as large exploration companies from as far away as Houston and Calgary expand the horizons of traditional drilling grounds there.

The lure for those companies is Appalachia's relatively unexplored and deep veins of natural gas that are close to major cities like New York and Philadelphia.

There is also more money going into oilsands operations in Alberta, Canada, home to vast reserves of a tar-like bitumen that is extracted using mining techniques. Industry officials estimate the region will yield as much as 175 billion barrels of oil, making Canada second only to Saudi Arabia in crude oil reserves.

In North Dakota, rising crude prices have helped increase drilling for oil trapped in deep rock layers, part of the so-called Bakken Formation that also extends under Montana, Saskatchewan and Manitoba. To get the oil, companies have to drill expensive wells that reach for miles, fracturing the rock to release the oil trapped in microscopic pores.

MegaWest is using thermal technology to extract heavy oil from depths of more than 200 feet. It injects 400-degree steam deep into the ground to loosen the viscous oil and pressure it out through bore holes serviced by the pumpjacks.

Its 10-acre field is the first stage of a project that will produce up to 100,000 barrels of oil over the next two years, MegaWest says. Average production will be 220 barrels of oil per day. A barrel equals 42 gallons.

Stapleton said the oil will be sold to a refinery in nearby Coffeyville, Kan., at a price about 80 to 85 percent of the market price for benchmark West Texas light crude. Heavy oil sells for less because it's harder to refine than light crude.

MegaWest started injecting steam in March to "melt our way into the formation, so to speak," said Jim Long, operations manager at the site. He expects to start producing oil around late May.

MegaWest has oil rights on over 8,000 acres in Missouri's Vernon County, part of holdings totaling more than 110,000 acres in five states including Missouri, Kansas, Kentucky, Texas and Montana.

CEO George Stapleton says MegaWest can turn a profit as long as oil prices stay above \$40 to \$45 a barrel.

"Roughly half of every dollar above that we are able to capture as part of our net profit. At \$100 a barrel, our profit is about \$30 a barrel. That's attractive and that's why we're doing it," he said.

Vernon County sits on an estimated 1.8 billion barrels of heavy oil, Stapleton said — a trickle compared to the huge foreign reserves that feed the global oil market. The world's largest oil field, Saudi Arabia's 1,260-square mile Ghawar, has estimated remaining reserves of 70 billion barrels, according to the U.S. government's Energy Information Administration.

Total reserves in the lower 48 U.S. states, excluding Alaska and offshore fields, are about 17 billion barrels, the government agency estimates.

But every little bit helps in an era of tightening oil supplies, said Lawrence from the petroleum association.

"You have to look at these marginal wells in the U.S. as definitely making a difference given the fact that we're importing over 60 percent of the crude we consume," he said.

The U.S. uses an estimated 20 million barrels of oil a day. Stapleton from MegaWest said his Missouri fields will produce somewhere around 350 million barrels over a 20-year span, or the rough equivalent of 35 days of current U.S. imports.

It's not a panacea, but it helps to provide price stability and secure supply lines at home, he said.

"That 350 million barrels we produce, at \$100 a barrel, is \$35 billion that we don't send overseas," he said.

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