



High oil prices mean region's 'heavy' oil a viable commodity

By Melissa Dunson

DEERFIELD, Mo. — It's not Texas tea, but a healthy dose of Missouri molasses is drawing international attention to the farm fields of Vernon County. Jim Long's field a few miles from Deerfield doesn't bring to mind the spouting plumes of black gold associated with oil strikes. Instead, metal steam pipes snake around his property, and small, blue pump jacks slowly seesaw oil to the surface. Long's field is only one of many in the area demonstrating renewed interest in Vernon County's crude oil reserves.

Doug Shupe, Vernon County recorder of deeds, said he burned out a photocopier checking records for companies that filed 96 oil and gas leases during the last year. Shupe, who's been the county recorder since 1991, said he hasn't seen anything like this local oil rush since the 1980s.

"I used to be in the real estate auctioneer business and this happened in the late 60s and the 80s, but this is the first time in a long time," he said. The oil resurgence happened quietly over the last several years, according to Bonnie McCord, Vernon County presiding commissioner.

"There was a plant on the west side of the county years ago, and they had that running quite a few years," McCord said. "But I didn't know much about this recent interest until the recorder of deeds needed a new copier because his was worn out by people wanting to know who had oil and mineral rights."

But like many others in Vernon County, McCord said she had heard the stories of oil seeping up through the ground into wells and duck ponds since the 1920s.

Acres under lease

So far, MegaWest Energy Corp. in Canada is the only company drilling wells in Vernon County, but Shupe said at least two other companies — Colt Energy in Iola, Kan., and Audubon Oil and Gas in Henderson, Ky., — have filed oil and gas leases. Last month, MegaWest completed the acquisition of mineral rights for 8,300 undeveloped acres in Vernon County. Long, who owns a portion of the land where MegaWest is currently drilling, now works as the overseer of the company's Missouri and Kansas operations.

“There’s a lot of oil in this part of Vernon County and people have known it a long time, but the oil is like molasses and getting it up takes some work,” Long said. It takes a lot of steam to break up the heavy oil and bring it to the surface, so it costs more to produce than its thinner cousin in Texas and Oklahoma.

Long said oil companies start to get interested in mining heavy oil areas like Vernon County when crude oil rises above \$35 a barrel. With prices hovering between \$90 and \$100 a barrel right now, Long said companies’ interest is turning into action. Colt Energy has more than 60,000 acres of Vernon County under lease and Nick Powell, president of Colt, said the company will drill 30 to 60 test holes. If the price of oil stays up, Powell said he and other companies could be in Vernon County for as long as 20 years.

“There are differing reports as to how much oil is actually here, but it’s somewhere between several hundred million barrels, up to a billion barrels,” Powell said. Audubon officials did not return a phone call last week.

100,000 barrels

MegaWest’s current effort is expected to produce 100,000 barrels of oil over an 18- to 24-month period, or 220 to 400 barrels of oil a day. The first phase of the project is estimated to cost \$3.3 million, and Long said more projects will follow if the company successfully pulls oil out of the ground.

The oil will be sold to a local refinery, and Long expects to get 82 to 83 percent of the premium market price for the oil. If all goes as planned, Long said MegaWest will start a second project later this year in Vernon County.

MegaWest paid \$800,000 and gave 4.75 million restricted common shares of the company to owners of the land and/or the mineral rights.

Long also said the company’s project is creating construction jobs for local workers, and will create several full-time positions at the site when the wells are fully operational.

On top of that, Long said MegaWest is paying one-eighth of the oil profits from the land in royalties to the owners of the land and/or mineral rights.

“Anybody who comes in and doesn’t try to use as many local people as possible is just shooting themselves in the foot,” Long said.

Chetopa oil

MegaWest is also drilling for oil on 392 acres in Chetopa, Kan. The first load of oil from that site was shipped to the Coffeyville, Kan., refinery in June 2007. The project is expected to produce up to 300 barrels of oil a day.

The Chetopa project was originally started by Central Production Co. That company ran out of funds in 2005 prior to full startup. MegaWest bought the project for \$500,000 and 250,000 in restricted common shares.

Photos



Globe/Roger Nomer Scenes like this, with Henry Mankey tightening a pressure feed line, could become commonplace in Vernon County as interest revives in the region's heavy oil.