

Woodford Shale Play Hot In Oklahoma

By Del Torkelson

OKLAHOMA CITY—Heading into the Oklahoma Independent Petroleum Association's 2006 annual convention, Harold Hamm had suggested the jury was still out on whether the few wells drilled in Oklahoma's Woodford Shale would provide a return sufficient to justify more of the same.

A year later, as OIPA prepares for its 2007 annual convention, June 8-11 at the Four Seasons Resort & Club in Las Colinas, Tx., the OIPA chairman and Continental Resources chief executive officer says the Woodford Shale has passed the test and is developing into the state's first large resource play.

"It has gone from a couple of rigs running a year ago to as many as 40 rigs operating now," Hamm details. "It definitely is in full swing."

Even so, declares OIPA President Mike Terry, it is not too late for companies not yet involved to join the action. "There is definitely room to expand and grow. It is really still in its infancy," he assesses. "Newfield Exploration has taken the lead, but Devon, Chesapeake and others are beginning to do more and more leasing in that area. I have a feeling that

is going to be one of the most active spots in Oklahoma in the next several years."

Woodford Wells

Hamm estimates there are slightly less than a dozen players of magnitude at work in the Woodford Shale. Among the companies joining Newfield, Devon and Chesapeake are Antero Resources, XTO Energy and Continental Resources. "Our company has a nice position in there," he reports. "We are running four rigs."

Because the costs associated with drilling and completing a Woodford well remain relatively high, Terry says most of the play's participants waited on results from the earliest wells before planning their own drilling program.

"I think there were several large independents and a good group of medium to small companies that were standing back and waiting to see how successful the largest players were," he describes. "Gradually we are seeing more and more E&P companies go into that area. The critical question going forward remains what exactly the depletion rate is, but the initial production is handsome. If natural gas prices remain in the \$7-\$8 an Mcf range, the economics appear favorable."

The drilling and completion tech-

niques that drive the cost of Woodford wells are similar to those of the Barnett Shale in the Fort Worth Basin, Hamm says. "The breakthrough has been the use of horizontal drilling and the stimulation techniques," he explains. "It is very completion intense. It takes five or six massive horizontal frac jobs."

And while the Woodford underlies much of Oklahoma, Hamm estimates the useful section is much smaller. "It is specific to certain areas of the state," he reports. "According to our calculations, it covers 270 square miles."

Outside of that area, evidence suggests the Woodford Shale either is oil wet or too immature to be productive, Hamm elaborates. "The maturity of the rock has a lot to do with it, and whether it is gas productive," he says. "Gas will just go where oil will not. That makes all the difference."

And as Woodford wells increase in number, so too will the body of knowledge on how to drill them, Terry notes. "There are not too many secrets in the oil patch," he says. "Word travels fast, especially in areas of intense activity. Often companies partner to distribute the risk, but they also do so to make use of their collective technical expertise."



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While Woodford Shale wells have become the most prominent use for horizontal drilling in Oklahoma, Hamm says that that application also is being used in other parts of the state. "We are seeing more horizontal drilling," he assesses. "There are operators trying zones from the Cleveland to Tonkawa, and some different things being tried in western Oklahoma, some of which have been fairly successful."

Nevertheless, Hamm concedes that he does not discern an up-and-coming play in a stage similar to where the Woodford Shale stood in spring 2006. "We do not have another budding field like we did last year with the Woodford," he allows. "We think a few of them could be prospective. We have to watch and if they do come on, we will get excited. Otherwise, it is too early to tell."

Technical Support

Meanwhile, Hamm says, an industry-wide personnel shortage remains one

prominent obstacle to producers' ambitions. "Labor is still a very significant factor," Hamm describes.

Terry says a significant number of OIPA members agree with that assessment. "A shortage of people is probably at the top of the list of challenges," he says.

Even so, the oil and gas industry possesses some key attributes that should make it attractive to prospective employees, he continues, citing state income statistics. While Oklahoma's average salary is slightly greater than \$30,000, the typical oil field service salary starts above \$40,000, Terry details. Meanwhile, he says, engineering, geology and land professionals fresh from college can begin their careers making \$60,000-\$70,000.

"The opportunities are fantastic, but it is going to take some time," Terry holds. "In Oklahoma last year our industry brought in 5,000 new jobs, and it will probably do that again this year."

OIPA has taken steps to address oil and gas companies' personnel squeezes, targeting both the professional and blue-collar sector and partnering with the Oklahoma Energy Resources Board in efforts such as the oilfieldjobsok.com employment Web site for prospective workers that it has promoted in conjunction with media campaigns and job fairs. "We are doing a lot of proactive things to try to get young people interested in getting into the industry," Terry explains.

Hamm points to a collaboration that began this year with Oklahoma City's Metro Tech vocational and technical college to train students as technician assistants to geologists and engineers as the latest such effort.

"Most medium- and larger-sized companies have geotechnicians and engineering technicians that play an important role in assisting professionals in their everyday work," Terry elaborates. "Being effective at those jobs requires certain

OIPA Annual Meeting - Las Colinas, Tx.

Friday, June 8

6-10 p.m. Opening Events, Four Seasons Resort and Club, The Pavilion
Wildcaters and Sponsors Cookout, Texas Hold'em Poker Tournament, Golf Putting Contest
Wildcaters and Sponsors Only

Saturday, June 9

8 a.m.-4 p.m. Exhibitor Setup, Four Seasons Ballroom Foyer and Promenade
9 a.m.-4 p.m. Meeting Registration, Four Seasons Ballroom Promenade
9:30-11:30 a.m. Board of Directors Meeting, Amphitheater
Board Members Only
1-5:30 p.m. Wildcaters' Saturday Swing Golf Tournament, Cottonwood Valley Course
Wildcaters and Sponsors Only
6:30 p.m. Exhibitor Booths Open, Four Seasons Ballroom Foyer and Promenade
7-8 p.m. Welcome Reception, Four Seasons Ballroom
8-9 p.m. Oil Field Services Fundraising Auction
9-11 p.m. Optional Children's Activity: Pool Party, Four Seasons Spa Pool
Lifeguards On-Duty
9:30 p.m. Casino Party and Prize Auction, Four Seasons Ballroom

Sunday, June 10

7-8:30 a.m. Buffet Breakfast
7:30 a.m.-5 p.m. Meeting Registration, Four Seasons Ballroom Promenade
8 a.m.-2 p.m. Exhibits Open
8:30-11 a.m. OIPA General Session, Cottonwood Room
"Climate Change: The Gore-y Truth About Global Warming"
Federal Politics Overview, U.S. Representative Dan Boren, D-OK
Bankers Forum, "Hedging for the Future"
State Legislative Forum, Moderated By Bruce Stallworth, OIPA
10 a.m.-6 p.m. Optional Spouse Event: Makeovers by Chanel
By Appointment
11:30 a.m.-1 p.m. Keynote Luncheon
Speaker: Dallas Cowboys Owner Jerry Jones
Presentation of OIPA Awards
7-10 p.m. Cheeseburgers in Paradise Pool Party, Four Seasons Pool
Entertainment, 3 Pools on 3 Stools

Monday, June 11

7-8:30 a.m. Buffet Breakfast, Four Seasons Ballroom
8 a.m.-2 p.m. Exhibits Open
8:30-11 a.m. OIPA General Session, Four Seasons Ballroom
"Energy Market Analysis and Forecast for 2007 and Beyond," George Litell, Groppe Long & Litell
Pipeline Panel Discussion: "Critical Issues Facing the Independent Producer," Moderated by Jerry McLaughlin
"The Economic Outlook," Thomas Hoening, Federal Reserve Bank of Kansas City
"OERB PetroTechs: Trained by the Industry for the Industry," Mindy Stitt, OERB
9:15 a.m.-2:30 p.m. Optional Spouse Activity: Shopping at Neiman Marcus
12:30-5 p.m. OIPA Golf Classic, Tournament Players Course and Las Colinas Country Club
Box Lunches Provided
5-5:30 p.m. "19th Hole" Golf Awards, Pavilion
6-7 p.m. Sponsor Appreciation Reception, Four Seasons Ballroom Foyer and Promenade
7-9 p.m. Chairman's Banquet, Four Seasons Ballroom
9 p.m.-12:30 a.m. Chairman's Dance, Four Seasons Ballroom
9-11 p.m. Optional Children's Activity: Movie Night, Amphitheater

skills, especially in the use of software applications.”

Metro Tech had not previously offered the courses, nor did the school have instructors on staff to teach them, Hamm notes. “It has been made possible with support from the industry, which is basically training those folks through the Metro Tech curriculum. We see very good response, with full classes and peo-

ple on the waiting list.”

The program is tailored for individuals with no industry experience, as well as those already working for oil and gas companies, Terry points out. “Although it brings new people into the industry, it also reaches out to workers already employed by oil and gas companies,” Terry describes. “If certain employees would rather be a tech instead of the position

they hold at the time, they can go through this program, learn those skills, go back to their company and use them.”

OERB, which has spearheaded the industry’s side of the effort, is considering expanding the program, he adds. “I do not want to speak for the people at OERB, but I think they are very excited about this and are looking to maybe expanding into the Tulsa area,” Terry says. □

Producer-Favored Bills Move Forward

OKLAHOMA CITY—Although the ultimate assessment of any legislative session must be withheld until the final gavel, the Oklahoma Independent Petroleum Association had much to be encouraged about in mid-April, acknowledges Bruce Stallworth, the association’s senior vice president of governmental affairs.

Although HB 1485—a bill addressing the oil and gas industry’s concerns about ad valorem tax collections—that passed both the House and Senate lost half its two-pronged attack on ad valorem abuses, the bill that was headed for conference negotiations in mid-April nevertheless signaled genuine progress, he allows.

Perhaps more stunning was the success of civil justice reform legislation, which cleared both chambers of the legislature. That legislation, Stallworth notes, contained class action suit reforms

OIPA had sought for years.

Legislative Dynamics

The 2006 elections allowed Republicans to gain a bit of ground in the Sooner State legislature. While the GOP retained control over the House of Representatives, the party also picked up a pair of Senate seats, evening that chamber’s breakdown to 24 from each party and paving the way to a power-sharing pact. Under that arrangement, Senators Mike Morgan, D-Stillwater, and Glenn Coffee, R-Oklahoma City, serve as co-presidents pro tempore, and each committee has a chairman from each party.

“It has been something to behold,” OIPA Chairman Harold Hamm reflects. “Senators Coffee and Morgan have done a good job leading the state forward. It has been a situation of give and take, and

I think both are to be commended. They have tried to work for the best interests of the state.”

“The Senate has functioned better than most anticipated,” Stallworth assesses. “There has been a real spirit of cooperation among co-chairmen. We have seen that on the Energy Committee between Senators Brian Bingman, R-Sapulpa, and Jay Paul Gumm, D-Durant. Their willingness to work together has not necessarily been a surprise, but it has been more cooperative than in recent sessions.”

While the split Senate control would be novel enough for any year, the state’s newly effective term limits also brought an inordinate number of new faces into the 2007 Oklahoma Legislature. “We are looking at a very young group, and that has changed the dynamics considerably,” OIPA President Mike Terry reflects. “I am optimistic about the new legislators. I am impressed with their energy and willingness to learn. They are a bright group that is anxious to help Oklahoma.”

However, not for nothing are new members known as freshmen. “There are so many new officeholders to educate,” he continues. “It takes new members time to learn how things work. They have to meet with different groups to find out who is credible. Certainly OIPA has worked hard for its reputation as a credible association that does not play games.”

Nevertheless, Stallworth recounts, a number of new House members were understandably perplexed in the lead up to a vote on HB 1485. “In that environment, particularly with so many new legislators receiving all kinds of pressure, it was easy to claim confusion,” he describes.

The main point of confusion centered on the fiscal impact HB 1485 would have on counties’ ad valorem tax revenues if certain pieces of oil field equipment were expressly declared exempt from ad valorem taxation, Terry explains. “It is about

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