

# The Impact of the Oil and Natural Gas Industry in Oklahoma

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The oil and natural gas industry has played a vital role in the growth and prosperity of Oklahoma. To really understand the impact this industry has had on our state we must look at its history and timelines. In 1897 the first commercial oil rig in Oklahoma, the Nellie Johnstone No.1, gushed oil into the sky. That started the oil and natural gas industry in Oklahoma and this helped propel Oklahoma into statehood in 1907. From 1900 thru 1935 exactly 8,804,000,000 barrels of crude oil were pumped out of the Oklahoma soil. Twenty-seven of the thirty-five years, Oklahoma proved to be the number one state in the nation for crude oil production until California produced more oil in 1923. Not all years since the discovery of oil and natural gas were good. Like any industry, peaks and valleys occurred, mainly due to wells not being completed, the size of the fields being drilled, and outside influences. The height of the peak was in 1982, quickly followed by the bust that occurred in 1983 due to the surplus in the world's oil reserves. Throughout these years of prosperity, as well as years of hardship, oil and natural gas have made us who we are today through population and economic growth, technological advances and humanitarian contributions.

A "boomtown" is an area where the economy and population grows rapidly. The definition originated from the California Gold Rush; however, the term can be used appropriately when discussing the discovery of oil and natural gas in Oklahoma. In 1890 the population of Oklahoma was 258,657. Just ten years later, only three years after oil was discovered, the population had more than doubled to 790,391. Throughout the years, the population continued to increase, but the rate of growth varied similar to the fluctuation in oil production. None was more evident than the decrease in population growth rate due to the oil bust in 1983. In recent years with the production of natural gas, we are once again seeing the population growth rate increase.

Just as the population changed with similar changes in oil production, so did Oklahoma's economy. Between 1910 and 1930 jobs related to oil and gas grew from 2% to 5% as more oil fields were established. Prior to this, Oklahoma's economy was mainly driven by farming. Unfortunately, with more oil production contributing to this economy, the more the rest of the world's control over oil prices created instability. But even with this instability, times were good.

During the 1970s and 1980s, the oil and gas production allowed companies to pay well above the average of other state wages. Specifically, between 1975 and 1982, oil and gas companies tripled their payroll for wage and salary employees. During the height of the boom, one in twelve employed in the state were in the oil business and

Oklahoma's unemployment decreased to 3.6%. Due to oil discoveries, Oklahoma had one of the fastest growing economies in the nation. At one point in time, Tulsa even became known as the "Oil Capital of the World".

Other indirect benefits of oil and natural gas were the state revenues from the taxation of this industry. In the ten years between 1972 and 1982, these revenues grew to over \$72 million each year. Oklahoma turned this revenue into new highways, state offices, and schools. The state was also able to raise teachers' salaries and hire police officers all the while keeping personal taxes low. Up until then, oil and gas had proven to be two of Oklahoma's best natural resources.

Then 1983 happened. With the rest of the world realizing how profitable oil was, each country with these resources wanted their share. This excess of oil reserves caused the price to plummet. This drop in price was the beginning of Oklahoma's oil bust. In the four years between 1982 and 1986, oil related jobs dropped by 50%. An indirect effect of the bust was the loss of state revenue and the increase of taxes. Not all was lost however. While local companies suffered, companies with a national base continued to do well. This also proved to be a wake-up call for our state leaders who promoted the economy's expansion into other industries. By 1989 Oklahoma's economy had begun to recover and a peak was about to occur in the state's production of natural gas.

With any industry, there is always a desire to do things bigger and better. Due to Bartlesville's wealth of oil fields, it was chosen in 1918 for the creation of a lab and tasked to find more efficient ways to produce oil and natural gas. The facility included an experimental oil refinery and other mini-plants. Among some of the studies were methods to stop water pollution of the oil wells and also better ways of storage once the oil was out of the ground. The ultimate goal of the researchers was to be able to squeeze the last ounce of marketable product out of the crude oil. This was a one of a kind lab and was the birthplace of petroleum technology. The lab was even hired by the Environmental Protection Agency (EPA) to breakdown the composition of "smog". Even though this building was the first of its kind, it played a vital role in not only Oklahoma's research but also the world's research in petroleum technology.

Throughout the history of oil in Oklahoma, it has made many people quite wealthy. Several of these individuals understood their good fortune, gave back to their community, and created a culture for all of us to follow. William G. Skelly, who incorporated the Skelly Oil Company in 1919, was one of these individuals. In 1927, he led the purchase of 390 acres of land that would later become the Tulsa International Airport. This helped Tulsa connect with the rest of the world. Throughout his years, Mr. Skelly also contributed highly to the University of Tulsa.

Another prominent oil businessman was Thomas Waite Phillips. He lived in a mansion that he later donated to the city of Tulsa to become the Philbrook Museum of Art. He also donated his favorite ranch in New Mexico to the Boy Scouts of America.

More recently, T. Boone Pickens has shared his good fortune with his community. Mr. Pickens has contributed over \$400 million to Oklahoma State University. \$265 million went to athletics while the remainder went to academics, mainly to the School of Geology. With the tragedy of Hurricane Katrina, Mr. Pickens and his employees donated \$7 million to the relief effort. He has donated nearly a half a billion dollars to charities during his career. These three gentlemen are only a small example of how wealth generated by oil has been used to help others.

If it were not for oil, Oklahoma would not have prospered and succeeded into the state we know today. Its contributions to our population, economy, technology, and culture go without question. As advances in technology continue, so will Oklahoma's success in the oil and natural gas industry.

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