

Independents increase oil, gas drilling

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Independent oil and gas companies are forging ahead with aggressive drilling plans but are counting on lower, more stable prices in the future to calculate the potential payoffs and secure capital.

Drilling is on the rise throughout the oil patch because of \$30-per-barrel oil and natural gas prices above \$4 per thousand cubic feet.

A year ago, prices were less than half that.

Despite the surge, producers said they are counting on slightly lower but stable prices as they calculate whether potential drilling ventures can be profitable.



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Producers said stability is essential to sustain enough drilling to reverse declining production that makes the country more dependent on foreign oil.

Price volatility that has plagued the industry complicates exploration planning, said John Nikkel, president of Tulsa-based Unit Corp.

"We have to concentrate on what we think will be an average price," Nikkel said. "We're drilling wells we're going to be producing for 10 to 20 years."

Unit plans to spend \$26 million to drill 93 wells this year in Oklahoma and on the Texas Gulf Coast, compared with \$13 million for 51 wells in 1999.

Future price projections can vary by the company, but some producers said they contemplate oil in the low \$20s in the near future.

"The current prices that we've enjoyed on oil are in the \$30-a-barrel range, but we certainly don't run our economic forecasts on that price," said Kent Samuel, chief financial officer at Tulsa-based Lariat Petroleum.

OPEC agreements to rein in production have pushed up oil prices. Natural gas prices are getting a boost by increased demand as more power plants use the fuel to generate electricity.

In its latest outlook, investment firm Dain Rauscher Wessels projects futures prices for West Texas Intermediate in the low to mid \$20s next year. Natural gas could be \$3.70