The History of Oil
Pre-Modern Oil Use

- Substance known for thousands of years
- Found in oil pits, sands, seeps, springs, and tar pits
- Early uses for street paving, medicine, water proofing, lighting, etc.
The First Oil Wells

- 1840s-1850s: Processes developed for refining kerosene from crude oil
- 1848: First modern well dug near Baku
- 1854: Wells dug in Poland
- 1850s-1860s: 90% of world oil production from Azerbaijani region
First Oil Wells in the U.S.

- Presence of oil well-known in northwestern Pennsylvania
- Investors become interested in possibility of selling oil commercially
- ‘Colonel’ Edwin Drake hired to drill test wells
- 1859: Drake strikes oil near Titusville, PA
  - find was an unremarkable hole, producing only about 10 barrels/day
Birth of a Boom

- Drake’s find leads to Pennsylvania ‘oil-rush’
- Pennsylvania becomes responsible for half of world’s oil production until 1901 finds in Texas
‘Spindletop’

• At turn of century, oil use still limited to lighting and lubrication

• Oil prospectors begin searching new sources

• January, 1901: One such prospector, Anthony Lucas, strikes oil drilling on ‘Spindletop Hill’, about 10 miles south of Beaumont, Texas

• Then largest gusher ever- at an initial rate of 100,000 barrels/day- more than all other wells in the U.S. combined!
Effects of ‘Spindletop’

- Symbolic importance—people begin to realize the true potential of oil
- Launches the Texas oil industry
- Birth place of oil-giants Gulf Oil, Amoco, and Humble Oil Company
U.S. Dominance of Oil Industry

• By 1910, significant fields were being developed in Iran, Sumatra, Venezuela, Peru, and Mexico

• Nevertheless, the U.S. remained the world’s foremost producer

• Production of petroleum outside the U.S. passed that within the U.S. in the mid-1950s
Other Major Timeline Events

- 1938: Discovery of Saudi Arabian reserves
- 1945: FDR meets Ibn Saud
- 1968: Kuwait, Libya, and Saudi Arabia form OPEC
- 1973: OPEC embargo leads to energy crisis
- 1979: Second Oil crisis following Iranian Revolution
- 1990: Persian Gulf War
Technological Innovations

- 1896: First off-shore wells
- 1900: ‘Mudding’
- 1947: First off-shore well built ‘out of sight’ of coast
Evolution of the Price of Oil

- Nominal
- Real (in 2006 Dollars)

1861-1944 US Average
1945-1985 Arabian Light posted at Ras Tanura
1986-2006 Brent Spot
Source: Energy Information Administration
Sources

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• http://www.sjgs.com/history.html#pennsylvania
• http://www.spe.org/spe/jsp/basic/0,,1104_1714_1003922,00.html