

OIL & GAS INDUSTRY

Alabama's oil and gas industry has enjoyed a long and remarkable history. As early as 1808, American Indians in the Tennessee Valley in north-central Alabama were selling oil from asphaltic rocks for medicinal purposes. The first wells drilled for oil in the southeastern U.S. were drilled in Lawrence County in 1865, just six years after the first oil well was drilled in the U.S. The first commercially marketed natural gas production in the southeastern U.S. occurred in the early 1900s near Huntsville. In 1944, oil was discovered near Gilbertown in Choctaw County. This discovery led to the creation of the State Oil and Gas Board of Alabama. The discovery of Alabama's giant Citronelle Field in Mobile County in 1955 focused national attention on the State's oil and gas potential. World class natural gas reserves were first discovered in Alabama's offshore waters in the late 1970s. Alabama became a world leader in the development of coalbed methane gas as an energy resource in the 1980s. The Alabama Oil and Gas Board established in 1983 the first comprehensive set of rules and regulations in the United States governing coalbed methane operations.

The growth of the petroleum industry in Alabama is further reflected in the fact that in 1980 the State was ranked 16th nationally in the production of natural gas and 18th in liquid hydrocarbons, whereas now the State is ranked 10th nationally in the production of natural gas and 15th in the production of liquid hydrocarbons. The annual gas production from Alabama State waters has ranged between 150 and 200 billion cubic feet or approximately 50% of the State's total gas production. Production of coalbed methane ranges between 116 and 120 billion cubic feet annually or 35% of the total State production.

Exploration and production have dramatically increased since 1980. Between 1945 and 1980, the Board issued a total of 3,040 drilling permits and established 84 oil and gas fields. In the next 25 years, approximately 11,000 wells were permitted and 286 additional fields were established in the State. Similarly, the number of producing wells increased from 1,000 in 1980 to nearly 6,000 in 2005.

The oil and gas industry provides major economic benefits to Alabama and its citizens. Over \$2.4 billion worth of oil and gas are produced annually in Alabama. The State receives direct benefits of approximately \$500 million annually in the form of lease bonuses, royalties, trust-fund investment income, and severance taxes.