

Oil and Gas Scene



Fall 2013

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It is Football Season Again

by David Smith, Vice President

Just as we have the political football being kicked around again in Washington, DC, over ObamaCare, raising the debt ceiling, and shutting down the non-essential parts of the federal government, so we have the gasoline prices being kicked around at the gas pump across the country. Motorists are asking why we see such ups and downs in the price of gasoline. One day last month in Tulsa, Oklahoma, we saw an 18 cent per gallon increase in the price overnight. Talk about sticker shock!

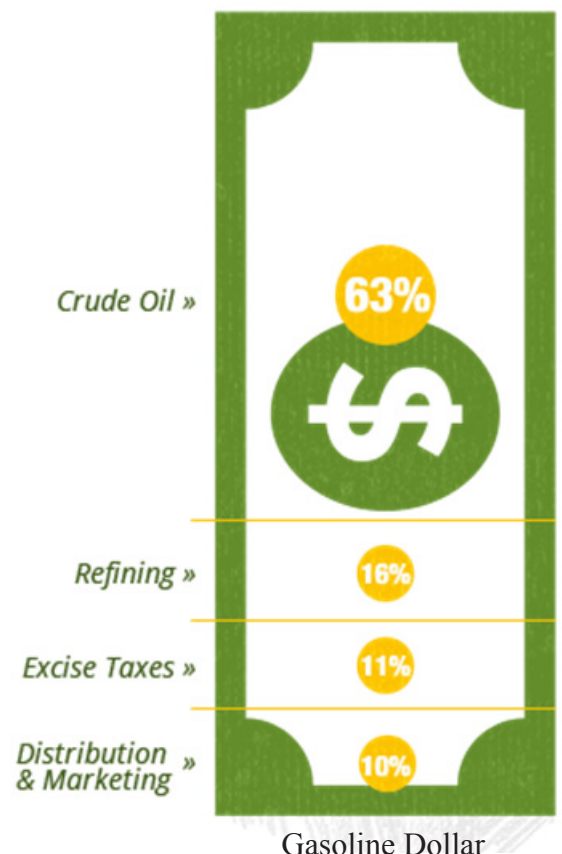
It was just mid-September that the American Automobile Association (AAA) was telling us that we had reached an unprecedented 1,000 days over \$3.00 per gallon for regular unleaded gasoline in the United States. They also said it was likely to be over \$3.00 for at least another 1,000 days and perhaps indefinitely. Since that time, prices have dropped from \$3.40 to \$2.99 per gallon in less than a month here in our area.

The ideal playbook or set of events that points to lower gasoline prices includes:

- 1) Mild weather
- 2) Stable oil prices
- 3) Strong refinery output
- 4) Increase in oil production
- 5) Absence of major hurricanes
- 6) Limited conflicts in Middle East
- 7) Positive global economic news
- 8) Switch to cheaper winter blend

Fortunately, all of these events are occurring in the marketplace. It is like the perfect storm in reverse. We may have an early Christmas present waiting for us every time we go to the gas station in the coming weeks. In a recent AAA

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It is Football Season Again

(continued from front)

article, the spokesman said prices may drop an additional 25 to 30 cents by year end. A decline of 30 cents a gallon would save consumers an average of about \$4.36 per week or \$174.72 per year, according to a recent study by the University of Michigan's Transportation Research Institute.

The institute also determined that the average fuel economy of all light-duty vehicles is 21.5 miles per gallon and the average US driver will travel 12,492 miles a year, or about 240 miles per week. With the gasoline prices potentially being well under \$3.00 per gallon in most of the country, drivers may be hitting the road for the holidays and pushing the average annual mileage up significantly over the coming months.

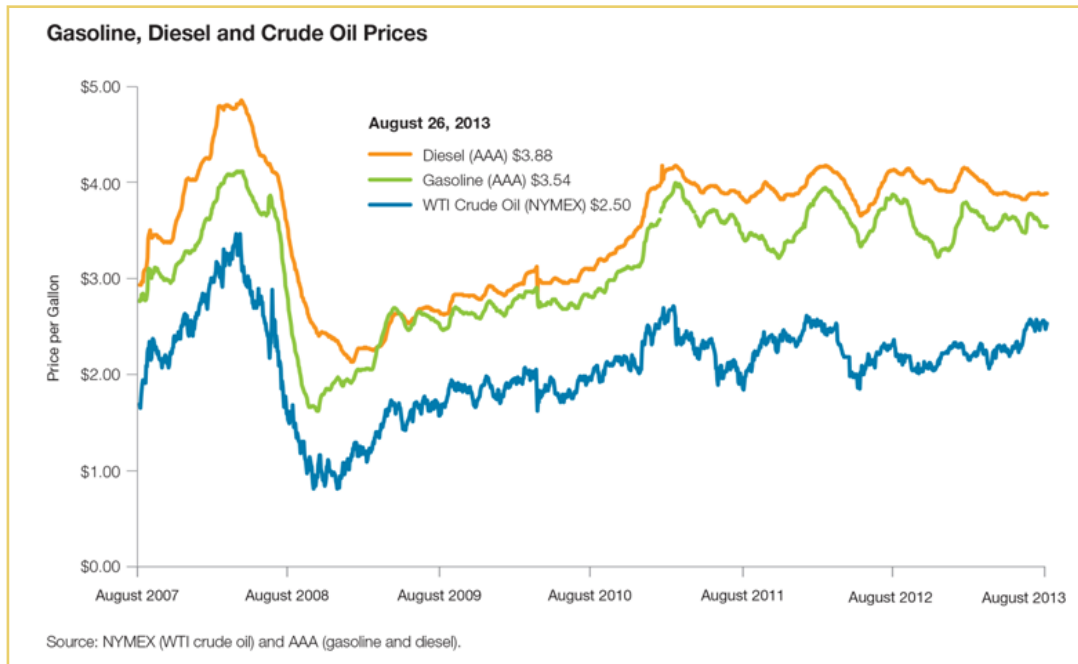
If prices drop another 30 cents, it will certainly deflate the gasoline price football for a few weeks which will be a real touchdown for most American drivers. Enjoy the game!



Drilling Activity

The United States drilling rig count one year ago was 1,848. Today that count is 1,767. That is 81 less rigs drilling today, a 4% decrease. Following is a breakdown by state according to Baker Hughes the week of September 27, 2013.

State	Count
Arkansas	13
California	35
Colorado	68
Illinois	6
Indiana	1
Kansas	27
Kentucky	0
Louisiana	111
Mississippi	14
Montana	13
New Mexico	74
New York	0
North Dakota	168
Oklahoma	170
Pennsylvania	51
Texas	838
Utah	30
West Virginia	36
Wyoming	49
Other	63
Total	1,767



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