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Oil rush strikes Oklahoma-Kansas border

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An oil rush is occurring along the Kansas-Oklahoma border, where residents are seeing fierce bidding wars and receiving some of the highest prices in recent history for the oil lease rights for their properties, according to an AP report.

Much of the recent activity is occurring in an area spanning 160 miles from east to west and 100 miles from north to south along the Kansas-Oklahoma border known as the horizontal Mississippian oil play. Some of the lease buyers work for major oil companies and others are independents hoping to flip their leases to the oil companies, The Hutchinson News reported Friday.

"There's definitely an oil-leasing boom, but there's not many new wells," said Dick Schremmer, president of Bear Petroleum and chairman of the Kansas Independent Oil and Gas Association. "They're leasing all the ground they can get hold of."

County register of deeds offices, where the paperwork for such transactions is completed, are being overwhelmed by the rush for oil leases.

In Barber County, registrar Susan Hubbell says her office is recording 400 documents a day, compared with the usual 400 a week.

"It's really put a burden on all the courthouses," said Harper County Register of Deeds Rhonda Berry.

Pratt attorney Gordon Stull said it's the biggest boom he's seen in the more than 35 years he has been practicing law.

He said that just two or three years ago, oil leases sold for $10 to $15 an acre, or $50 in exceptional cases, with a one-eighth royalty. Now the top of the market is getting $1,000 to $1,200 an acre and royalties ranging from three -sixteenths to one-fifth.

Stull and Eric Gates, of Anthony, recently sold oil leases on 3,200 acres owned by several people, drawing bids from three oil companies and a near top-of-the-market price. Another deal they put together brought a price worth more than the land's value, Gates said.

"When you say wow, there's a million-dollar check and that's more than the ground was worth two years ago, then that's significant," Gates said. "That's the kind of money you'll pass along to the grandkids, hopefully, not including if we get any oil off the stupid thing."

Stull said increased leasing activity is occurring from central Kansas to the western border and northwest Kansas. But the best prices are being paid for land in Comanche, Barber, Harper and Sumner counties along the Oklahoma border.

Kevin White, senior vice president of SandRidge Energy, said the land rush along the border has been driven by the high price of oil and horizontal drilling technology.

Many oil producers abandoned the Mississippian formation in the 1980s and 1990s when the price of oil dropped to $20 a barrel. But with oil now consistently over $80 a barrel and sometimes higher, oil producers are betting on a more lucrative rate of return, especially with horizontal drilling, White said.

With horizontal drilling, drills go down to the formation and then turn and drill across the formation for several thousand feet, increasing the reserves the well can access, he said.

SandRidge and Chesapeake Energy, both based in Oklahoma City, are placing big bets on horizontal drilling in the Mississippian formation.

White said that SandRidge has about 1 million acres in the Mississippian formation, about 40 percent of them in Kansas. SandRidge's 2010 annual report said the company has identified 3,400 potential locations for horizontal wells in the formation.

Chesapeake's 2011 first-quarter report says it has 1.1 million acres under lease in the formation. It has already drilled 53 operated wells but believes the lease holdings can support up to 6,000 more wells. The company cannot comment on its future plans in the area, a company spokeswoman said.

Gates said some small Kansas companies that already owned leases have sold out to larger companies, such as Shell Oil.

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