

# UTAH'S ECONOMY

A monthly report produced for COMMERCE REAL ESTATE SOLUTIONS by Jim Wood, Bureau of Economic and Business Research, University of Utah



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# OIL BOOM IN THE BASIN

The discovery of oil in Utah dates back to 1850 when Captain Howard Stansbury found evidence of oil while surveying the north shore of the Great Salt Lake. Over the next 100 years there were many other discoveries of minor oil seeps, along with wildcat drilling, from Green River (1891), to

Mexican Hat (1909), Moab (1925), and north end of Redwood Road (1926), but no major discoveries were made until 1948. Equity Oil Company of Utah struck oil in 1948 in the Uintah Basin (Duchesne and Uintah Counties) in the area now known as the Greater Altamont/Bluebell field.

Oil production in Utah peaked in 1985 at 41 million barrels followed by an 18 year decline down to 13 million barrels in 2003, *Figure 1*. Since that low point, production has increased for 10 straight years to 35 million barrels in 2013 with an expected 40 million barrels in 2014. Utah currently ranks as the 11th largest oil producing state with 4,300 producing wells. Most of the oil produced in the Uintah Basin is refined at one of the five refineries located in Salt Lake and Davis Counties; Big West Oil Refinery, Chevron Refinery, Tesoro Refinery, Holly Frontier Refinery and Silver Eagle Refinery. These five refineries have a refining capacity of 179,200 barrels/day.

While oil has been produced in 13 Utah counties, 96 percent of all production in Utah has been in four counties: San Juan, Duchesne, Uintah and Summit, *Table 1*. The two Uintah Basin counties combined have produced 688 million barrels of oil.

The current oil boom in the Uintah Basin is driven primarily by price. Over the last six years, with the exception of a few months

**TABLE 1 - CUMULATIVE OIL PRODUCTION BY COUNTY (000)**

San Juan	578,038
Duchesne	390,343
Uintah	297,837
Summit	181,792
Garfield	28,559
Sevier	20,027
Grand	10,894
Emery	726
Carbon	615
Daggett	367
Sanpete	71
Washington	5
Box Elder	3
State	1,509,281

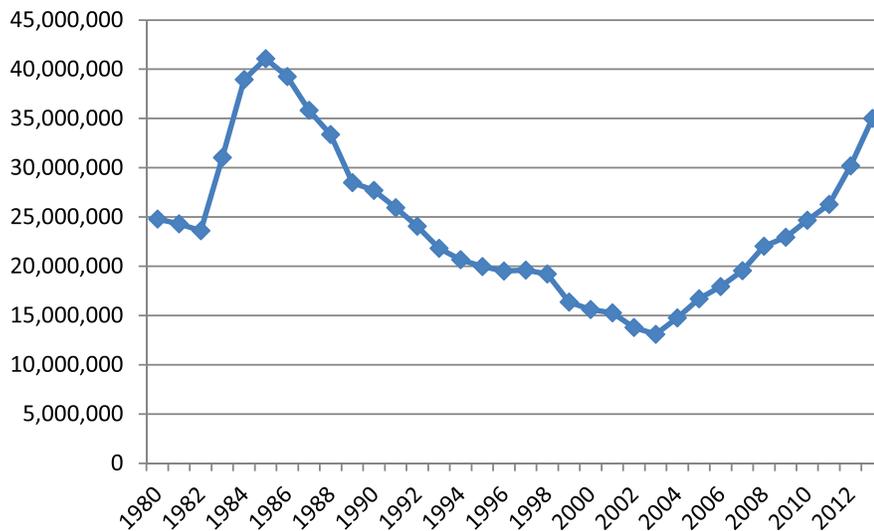
Source: Utah Division of Oil, Gas and Mining

**TABLE 2 - OIL PRODUCTION IN UTAH BY COUNTY – 2013 (000)**

Duchesne	16,540.4
Uintah	10,499.2
San Juan	4,571.9
Sevier	1,885.9
Grand	1,094.1
Summit	217.9
Garfield	152.6
Carbon	38.1
Emery	1.6
Daggett	0.4
Total	35,002.2

Source: Utah Division of Oil, Gas and Mining

**FIGURE 1 - OIL PRODUCTION IN UTAH**



in 2009 oil prices have consistently been above \$75/barrel (West Texas Intermediate price). In 2014 the price has ranged from \$89/barrel to \$104/barrel. In addition to high prices, technology, improved fracking procedures, horizontal and directional drilling and new technologies all have improved the production of oil in the Uintah Basin. Typically oil wells in the Uintah Basin are relatively expensive therefore production is very price sensitive. Wells in the Altamont/Bluebell field are 12,000 to 14,000 feet deep.

During the recent boom Duchesne County has been far and away the leading producer of oil. Since 2008 nearly half of all the oil production in the state has been in Duchesne County. In 2013 wells in Duchesne County produced 16.5 million barrels of oil almost 60 percent more than Uintah County, the second ranked county, *Table 2*. It should be noted that natural gas production has not participated in the energy boom in Utah. The value of natural gas production has increased only 33 percent in 10 years compared to a 500 percent increase in the value of oil production.

**TABLE 3 - OIL AND GAS EMPLOYMENT IN DUCHEсне AND UINTAH COUNTIES**

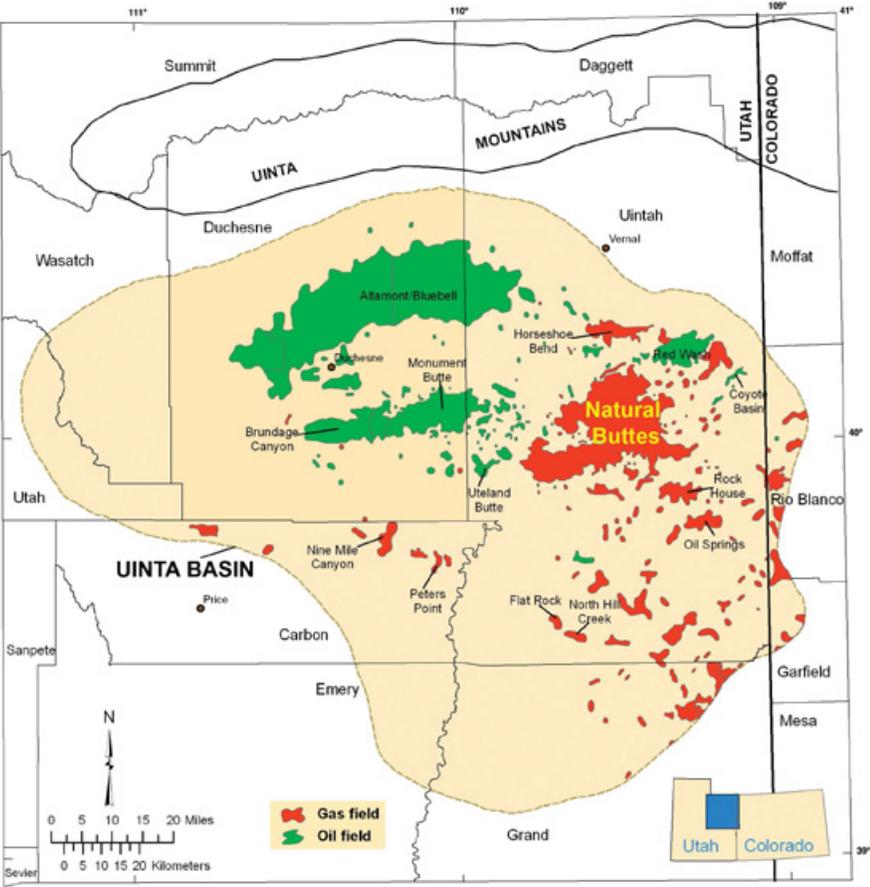
2001	633	1,688	2,321
2002	616	1,611	2,227
2003	451	1,845	2,296
2004	534	2,092	2,626
2005	657	2,519	3,176
2006	981	3,251	4,232
2007	1,252	3,526	4,778
2008	1,623	3,731	5,354
2009	1,425	2,637	4,062
2010	1,510	2,627	4,137
2011	1,766	3,089	4,855
2012	2,194	3,187	5,381
2013	2,265	3,057	5,322

Source: Utah Department of Workforce Services.

Employment growth in oil and gas production has pushed down unemployment rates in Duchesne County to 2.9 percent and 3.0 percent in Uintah County. Since 2001 oil and gas employment in the Uintah Basin has increased from around 2,300 to 5,300, an average annual compound growth rate of 7.8 percent, Table 3. Workers in the industry not only benefit from rapid growth and low unemployment rates but also from high wages. The average annual wage for oil and gas workers in Duchesne County is \$73,140 and \$78,672 in Uintah County. Of course these high wages have pulled up the average wage rate in the two counties. The average wage rate in Uintah County of \$47,556 ranks first among all Utah counties, Duchesne County ranks second with an average wage rate of \$46,344. Salt Lake County is ranked third with an average wage rate of \$46,212.

The growth in gross taxable sales in Duchesne and Uintah Counties has been spectacular. In 10 years sales have increased from \$641.7 million to \$2.3 billion, an increase of nearly 260 percent. Over the same period, gross taxable sales statewide have increased by 46 percent.

And finally, what has the oil boom meant for population growth in the Uintah Basin? Since 2010 the population of Uintah County has increased from 32,425 to 35,550, a 9.6 percent increase and in Duchesne County it has increased from 18,625 to 20,308 a 9.1 percent increase. The population growth rate of these two counties is about double the 4.6 percent growth rate for the state.





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