

Company aims to recover untapped reserves from wells drilled years ago near Cody

Marathon Oil plans 25 more wells in northern Wyo

By RUFFIN PREVOST - The Billings Gazette | Posted: Wednesday, March 10, 2010

CODY -- Nearly a century after oil was discovered in Oregon Basin, companies are still working to find new reserves there, and to find new ways to recover untapped oil from wells drilled decades ago.

Marathon Oil is expanding its operations there after two years of not drilling any new wells. "Many of the wells we operate here have produced for nearly 100 years," said Bob Whisonant, Rocky Mountain oil operations manager for Marathon Oil in Cody.

While most of the easily reached oil in Oregon Basin has been found since it was discovered in 1912, Marathon plans to drill six new wells there this year, Whisonant said Monday during a Cody Club luncheon.

The company will add about a dozen new workers this year at its Cody offices in the Park County Complex and expects to drill 25 new wells across the Big Horn Basin, including in Grass Creek, Spring Creek and around Byron and Garland.

Though oil prices are far from their peak before the recession, they remain high enough that the company makes a good return on its efforts in the region, even in Oregon Basin, just east of Cody.

The company was predicting a very different 2010 marketplace in 2003, when it began scaling back operations in Cody.

With roughly 75 employees in its 116,000 square-foot headquarters in the late 1990s, Marathon had only about 25 workers there by 2003 and sold the building to Park County for \$4 million.

Oil prices have rebounded sharply since then, and, with 46 employees in what has been renamed the Park County Complex, Marathon is looking to lease more space in the building it once owned.

Forward Cody, the Wyoming Community Foundation, Sleeping Giant ski area and other tenants were notified last week that their leases would not be renewed to help make more space available for Marathon and other growing companies.

Still, Marathon remains happy with the decision to sell the building, Whisonant said.

The company is Park County's largest taxpayer and accounted last year for 34 percent of the county's total assessed valuation.

This year's expansion comes after two years without any new wells in the area, as Marathon shifted resources to North Dakota and other regions, he said.

Rising demand and better prices for Oregon Basin asphaltic crude, used in highway construction, has also helped make local operations more profitable.

Locally produced oil had fetched up to 30 percent less than benchmark light sweet crude, "but recently that has narrowed, and part of that is due to the fact that refineries are now set up to better handle our kind of crude," Whisonant said.

The company continues to study enhanced recovery techniques, such as pumping steam or carbon dioxide into old wells to help force tough-to-reach oil to the surface.

But whether those expensive measures will be used here depend on how high oil prices climb and how cheaply the techniques can be implemented, he said.

The Big Horn Basin also may hold significant untapped, unconventional oil reserves in shale formations that have been historically difficult and expensive to exploit. Horizontal and deep-well drilling techniques employed in the Bakken Formation in North Dakota and Montana could yield good results here, Whisonant said.

He said that Marathon is working on a companywide program to improve worker safety, an effort that has nearly eliminated employee injuries in recent years.

Marathon also is studying how to re-inject more of its produced water, as state regulators debate new purity standards for water pumped to the surface as part of oil and gas operations.

Whisonant said he has heard from many farmers and ranchers who say they don't want to see regulatory changes that would cut back on water produced from Marathon's Oregon Basin operations, which some use for irrigating and livestock watering.