

Rex Buchanan: Good afternoon. I'm Rex Buchanan, the former director of the Kansas Geological Survey. Today is January 24, 2024. We're here to interview Roger McCoy for the Kansas Oral History Project. Our videographer is former Representative Dave Heinemann. We thank Mr. McCoy for hosting this interview at the McCoy Petroleum office in Wichita, Kansas.

Roger McCoy is a native Kansan who grew up on a farm near Spivey, Kansas, in Kingman County. He graduated from Attica High School in the mid-1950s and took his first job in the oil industry, driving a tank truck during the summer before he started at Wichita State University. Roger graduated from WSU with a bachelor's degree in geology in 1959.

Roger's entire career has been in the oil industry. Immediately after graduating from college, he took a job as a staff geologist for Musgrove Petroleum Corporation, working in Kansas, Nebraska, and Oklahoma. In 1962, he began working as an independent consulting geologist, which he continued doing for over a decade until he founded McCoy Petroleum in 1970. While pursuing his career from 1959 to '61, Roger served in the Kansas Air National Guard, leaving the service at the rank of First Lieutenant Fuels Officer.

This interview is part of the Kansas Oral History Project series, examining the development of public policy at the nexus of energy and the environment during the late 20th and 21st centuries. In these interviews, we explore those policies through the eyes of experts, executives, administrators, legislators, environmentalists, and others. The Kansas Oral History Project is a nonprofit corporation created to collect and preserve oral histories of Kansans who were involved in shaping and implementing public policy. Recordings and transcripts of those oral history interviews are accessible online at [ksoralhistory.org](http://ksoralhistory.org) and through the Kansas Oral History Society and the State Library of Kansas.

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So, with that, Roger, I appreciate you doing this. One of the things that's real hard to miss with you is what a broad range of jobs you have done in the oil business. You've done a bunch of things. How did you get started down that road?

**Roger McCoy:** [It started] when I was driving the [oil field] water truck. Of course, at that time, after I got out of high school, I thought I'd be going to Kansas State [University (KSU)] and probably taking agriculture. I was fascinated with all of the drilling that was going on in the Spivey-Grabs area, down into Barber County, clear down into Oklahoma in the Osage band down there. ["Osage band" refers to the [Osagean stage](#), one of four subdivisions of Mississippian-age limestone formations.]

While I hauled water to several different drilling rigs at that time, there were a lot of other rigs [in that area]. There were probably twenty-five or thirty rigs running at that time in that area. The geologist on a well that Sohio was drilling south of Medicine Lodge [KS], along the Gyp Hill Road, was a geologist by the name of George McCaleb. I got to talking to him about what he

was doing. He told me he was making \$75 a day sitting out there in that little trailer house [at the rig]. I thought, "Man, there's not that much money in the whole world."

So, he told me a little bit about what he did. He let me look through his microscope and all that. I thought, "This is really fascinating." He asked me what my plans were, and I said, "Well, I'm planning to go to Kansas State and study agriculture." He said, "Well, if you're interested in geology, you could probably get a job while you're going to school in Wichita." I said, "Well, that would even be better."

So, he encouraged me to look into it. I did, and I enrolled in [geology at] Wichita State then, which at that time was the Municipal University of Wichita.

**RB: I was going to stay in our introduction, it was referred to as Wichita State, but I'm pretty sure that wasn't the name.**

**RM:** No, it was the Municipal University of Wichita at that time.

**RB: So, that period that you're talking about in the fifties is kind of the peak time for oil production in the state, really one of the peak times of exploration. Things must have been really going gung-ho back in that time.**

**RM:** Well, at that time, my world was that little strip fairly close to home through Kingman, Harper, and Barber counties. The majority of the leases in that area [at that time] were the major [oil] companies. Now the major companies were making a lot of farmouts<sup>1</sup> to independent companies like Mull and Pickrell, companies like that. They drilled a lot of wells down in that area. There were a lot of big rigs down there that came up out of Oklahoma. One of the rigs that I was hauling water to was owned by Harry Bass Drilling Company out of Fort Worth. That was the Bass family rig. They were drilling for Magnolia at that time.

**RB: That's interesting. I grew up in the late fifties, early sixties, and sort of came along at the tail end of that. But even then, there was still a lot of drilling going on in the state. Every time you would drive some place at night, you'd always look out and see drilling rigs somewhere. It was just part of the landscape. That's sort of how I envision that time in the fifties like that.**

**RM:** Yes, it depends on where you were in Kansas, but most places, you could see a lot of rigs for a long way. From our farm, which was about three miles north of Spivey, during the time that I was in high school, they were drilling south of Spivey. We could see five or six rigs running just from the lights from those at night.

**RB: So you went to Wichita, we'll call it Wichita State, and you graduated with a degree in geology. You were working then during that time?**

**RM:** I was very fortunate to get the job with Musgrove Petroleum. It was really like having a four-year apprenticeship. They had like eight rigs running at that time, and they were drilling on

the Central Kansas Uplift and a lot in southwest Kansas. They also had a rig running in Oklahoma. They were drilling for Panhandle Eastern and others in southwest Kansas.

So, the summer between my freshman and sophomore year, they sent me to the field to roughneck on one of their rigs. It was out in the Elkhart area [of southwest Kansas]. We drilled one well in Texas County, Oklahoma, and we drilled several wells in the Greenwood [gas] field. So, I got some pretty good—I don't know if "experience" is the right word or not, but I saw a lot and learned a lot.

**RB: But experience as a roughneck? Not sitting wells then?**

**RM:** Oh, no, that was just as a roughneck. Another thing, it was working with the geologists. [Musgrove] had like five geologists on staff at that time. The geologists liked to teach the young guys something.

**RB: Sure.**

**RM:** I was eager to learn. It was a great learning environment. Also, during that time the FPC [[Federal Power Commission](#)] had control of all of the [interstate] gas wells. [Musgrove] was drilling some gas wells that [required hearings before the Kansas Corporation Commission [(KCC, Corporation Commission)]. That was when I was introduced to the Corporation Commission. [At the KCC] hearings, they'd have to have exhibits. I was actually hired not only just as an errand boy, but also as a draftsman. So, I was drafting the posters and exhibits and maps and such that they would use at the hearings. So, I'd get to sit through the hearings at that time.

The attorneys [for Musgrove] at that time were Bob Martin and, Bill Schell, another one in that firm, and George Colins, who was one of the real pioneers in the oil business, legal part of it, a lot of experience just working with these people.

Musgrove was also drilling in Michigan at that time. They were drilling the Niagaran Reef up there.

**RB: So, when did you sort of begin the transition from those kinds of roughneck/drafting duties to a full-fledged geologist sitting on wells.**

**RM:** Actually, not the sitting on the wells until I had the degree [in geology]. But I went out with the geologists [drilling wells during] on summer vacations—I say "summer vacations"—any time there was a break in school, I'd go out with the geologists. They almost always had a geologist out on a well. So, I'd go out with them. So, I got a lot of experience just doing that at the time.

I wasn't the only one at Wichita State at that time that was going through the same thing. We talked about Bob Walters there earlier, Walters Drilling. Don Beauchamp was there. He was a contemporary, and he was working for them as a geo-tech I guess is what we'd call them now. A

number of us that got jobs when we graduated, we got jobs because we had been working as a geo-tech. The ones that didn't went to work for Boeing, [or in another field].

**RB: So, it was almost like you had an internship, and then you moved from an internship—**

**RM:** Exactly.

**RB: I'm trying to figure out the way to ask this question. I can't quite put my finger on it. Maybe you can help me with the answer. What was that like at that time? I just have this vision of—the oil and gas business was really active. I mean, it was just going to town. How did that feel? I can't think of a better way to articulate this.**

**RM:** Well, for a farm boy, it was a big deal.

**RB: I bet. But how so? Was it exciting?**

**RM:** It was exciting, yes.

**RB: In terms of money, you were making or the places you were going?**

**RM:** Not the money. I was working for \$1.25 an hour, which that was—it certainly helped. My first job as a full-fledged geologist was for \$450 a month.

**RB: But in terms of sort of the excitement around the amount of work going on and all the wells that were being drilled, and some of them I assume were pretty good wells back in those days.**

**RM:** Yes.

**RB: That all must have been pretty exciting.**

**RM:** It was very exciting. It still is.

**RB: We'll get closer to present in a second. So, in the sixties, you're really working for another company.**

**RM:** Yes.

**RB: And I assume just piling up more experience mostly in Kansas in that process?**

**RM:** The first wells I watched were in Kansas, Kingman County, Barber County, and the Forest City Basin. Musgrove was developing the John Creek Pool, an extension to the south of the John Creek Pool in Morris County. That pool was discovered based on surface geology, and there was surface [work] that showed a little [structural] closure to the south of the John Creek Pool. Earl Knighton had brought Musgrove the prospect, and they drilled four or five, about six wells in

there. They extended the field to the south. The first wells that I went out on were up there in the Forest City Basin.

**RB: Really. So, a pretty different environment than southwestern Kansas or south-central Kansas, whatever you want to call it.**

**RM:** Yes. Then Musgrove had taken a deal. This was after the Yaggy Pool discovery up there.

**RB: Reno County?**

**RM:** No, the Geary-Riley [County] area up there.

**RB: Oh, yes.**

**RM:** Continental Oil Company had a big block [of leases] up in Gage County, Nebraska, across the line from Kansas up there on the Salina Basin side of the Nemaha Ridge.

**RB: The Humboldt?**

**RM:** They were looking for a pinch-out trap<sup>2</sup> of the Hunton up there. Musgrove took that farmout from [Continental], and they set me up there to watch that well. There was a close dry hole] that had been drilled on Nemaha Ridge, but it hit granite at 900 feet [so most of the potential pay zones were gone.].

**RB: Pretty shallow.**

**RM:** That didn't do any good.

**RB: Right.**

**RM:** So, we went down into Washington County, Kansas, to find a well that had a full section of Hunton in there, and that was like twenty miles away from where we were drilling up there.

One of the partners didn't want a young geologist with limited experience out there watching that. Mr. Musgrove said, "Well, do you know anyone that has experience up there?" There wasn't anyone that had experience up there. So, I ended up watching three wells. They were all dry. We didn't hit the pinch-out. The first one had like 200 feet of Hunton in it, and we didn't have any shows.

**RB: So, you were getting kind of a variety of experiences.**

**RM:** Yes.

**RB: Then during the sixties in effect is what's going on.**

**RM:** Yes.

**RB:** So, what provoked you to want to go out on your own then?

**RM:** I got laid off.

**RB:** I guess it was provoked, but not by you.

**RM:** [Musgrove] really didn't need another geologist when they hired me when I got out of school. But they went ahead and hired me to give me some experience. So, I was laid off and put out on my own, but I had watched a lot of wells for them already at that time. I thought I had enough ideas that I could go ahead and sell some deals and keep an override and get the well setting on it. And I was fortunate to be able to do some of that.

**RB:** So, what in the world did you focus on when you first started doing it?

**RM:** More of the Kingman, Harper, Barber County area.

**RB:** The world that you're from.

**RM:** Yes. And the beautiful part of that was that people were drilling in the arch on seismic<sup>3</sup>. Seismic really didn't do much good in the strat play through the Kingman, Harper, Barber [counties] area in there. So, a little guy had about as good a chance of finding something as the big guys did there. I was fortunate to be able to sell some deals and get some work.

**RB:** A couple things about that. By the time I'd come along, everybody talks about Kansas as being just independents, and the big companies are all gone. At that time you're talking about, are they still active at that point?

**RM:** Yes. The big companies, most of them all had either division or district offices here in Wichita—Gulf, Mobil—even though Mobil at that time was Magnolia—Cities Service. Through the period of time that I was in school and doing my other work, I met a lot of the people. I went to the KGS [Kansas Geological Society] meetings and all that and met a lot of the geologists with the major companies.

When the major companies started leaving during—really the late sixties, early seventies, they started leaving, and they started making farmouts and really opened up the world for the independents at that time.

**RB:** I tend to associate kind of the last vestige of those big companies with Hugoton and natural gas in southwestern Kansas.

**RM:** But that was because they had held-by-production acreage<sup>4</sup> out there. That was another era that the majors stayed out there because of their held-by-production acreage. The deep rights are another story.

**RB: And before we go to that, just to back up, you said you'd basically sort of come to the part of the world, back home to the part of the world you were from. Were you putting leases together yourself? Did you have somebody doing that for you?**

**RM:** Some of them I bought myself, but that really was not my area of expertise. At that time, you could buy most leases for a dollar an acre, a ten-year term.

**RB: Ten-year?**

**RM:** And a 1/8<sup>th</sup> landowner royalty. Now you had to find some place that wasn't already leased, of course, but the majors started dropping their acreage, so there was quite a bit of acreage that came open.

**RB: This is kind of tangential, but was there any advantage to being local when you went in to try to get those kind of leases?**

**RM:** There certainly was down there. I used a local lease broker. Strong's Inc. had bought acreage for a lot of the majors and for a lot of people. I knew their people. So, I had them buy acreage for me. I paid them a commission on it.

**RB: Let's go back to southwestern Kansas. When did you start being active in that part of the world? Does that come quite a bit later?**

**RM:** That came later. That came with the deep rights legislation<sup>5</sup>.

**RB: Let's talk about that a little bit. Just to sort of give you some background, one of the issues that comes up over and over again is we have these conversations about energy in Kansas is the role of federal government and how when federal government makes policy changes, the impact that it has on everybody, but particularly energy production people. So, talk to me a little bit about that change.**

**RM:** Actually, we can go back to about [19]82 or [19]83, something like that. We had been drilling in the Spivey-Grabs area, the Kingman, Harper, Barber [counties] area. We were just kind of corner shooting. We'd find a dry hole that had some good shows, and we'd think we could get to a better spot. We were drilling those types of deals.

The price of oil—I'll back up a little bit further. My oldest son, Kevin, graduated as a geologist from Wichita State. He went two years to KU, and then he came back so he could work for me while he was in school. He graduated from Wichita State, and we were continuing to work in that area. We had spread out into Stafford [County] and Pratt County, that area up there. Kevin had worked a lot of proposals in that area or had worked a lot of geology in that area.

When the price of oil dropped in 1986 the—here, again, I may be messed up in my time, but in the early eighties there—the economics of where we were drilling in southern Kansas just didn't

work. So, I told him, fresh out of school and such, "We needed to concentrate on an area where, if we found something, it was good." We were looking for 100 barrels-per day wells, not 20 barrels per-day.

We looked around for places to go, and you look at Pleasant Prairie and the deep production under the Hugoton [natural gas field]. It was good stuff. So, I said, "Let's work the Hugoton area. We can't get any new leases, but I think we can get farmouts." I had dealt some with Mobil and Gulf and some of the other majors in south-central Kansas. So, I knew some of their land men and knew how to talk their language anyway.

We did not drill a single well in [19]86. We had been drilling ten to twenty wells a year until that time. We spent all of our time just basically mapping the shallow beds out there, trying to find deep structure. We didn't have any geophysical data [to help confirm our maps]. We were just looking for the deep structures from the shallow control.

And he or we came up with ten prospects in the deep Hugoton. Of those ten, eight of them were on Mobil acreage. Of course, Mobil had a tremendous amount of acreage out there. So, I had worked some with Mobil. Actually, the first well that McCoy Petroleum drilled was on a Mobil lease that I bought, which was next to our old farm.

I called [Mobil] for a farmout because the deep rights legislation was going on at this time, and the majors were getting afraid that they were going to lose their deep rights if they didn't go ahead and do some exploration on it. So, I called, and he said, "Well, you're a little too late. We've already farmed that out to a company called Western Gulf." He said, "They have to drill a number of wells in there. They're behind on drilling what they need to drill on it." He said, "Why don't you just call them and see if you can get a farmout of the farmout?" He said, "We know you, and we can deal with you."

So, we called them. They had sold an interest in [the Mobil farmout] to a company out of San Francisco. They got Mobil's seismic along with it. It was mile-line seismic that they had done in order to hold the acreage out there to prove that they were doing exploration on it. It takes a long time to digest all that seismic [data], starting off from scratch. They were having a hard time coming up with locations. So, I said, "We have some [locations] out there that we think are drillable right now." They said, "We're going to do this. We're not interested in [help]."

Well, a month went by, and we called them again. They said, "Tell us about the locations that you want to drill out there," and I said, "We're drilling off of the shallow structure, but we think they're good prospects." They said, "Well, why don't you come out to California and talk to us?"

We went out to San Francisco, met with them, and we took a chance and took our maps with us. We showed them our maps. They said, "Well, do you think you could get this drilled?" I said, "Yes, we can get it drilled within the time frame that you have to do it." They said, "Do you have it sold?" I said, "No, we don't have it sold yet. We won't have any trouble."



They turned around and took an interest with us in their own deal. We hit three discoveries on our first four wildcats out there.

**RB: These are oil wells.**

**RM:** The three were oil, yes. We had a St. Louis well and two Morrow oil wells. [St. Louis and Morrow are oil and gas producing formations.]

**RB: Do you then start doing a fair amount of drilling for natural gas later on as part of this process of working out there?**

**RM:** We didn't really target natural gas under the deep unit [Hugoton]. But we found a huge gas well out there later on on one of them. We weren't really drilling for gas, but we found it. It had a 40-foot pay zone in the Morrow, and we had an 11 million drill stem test on it. The open flow on the well was 184 million. We put it online, selling out of both the tubing and the annulus at a rate of, over 10 million a day. It sold 3 billion cubic feet of gas in a relatively short period.

**RB: And this is in this period where now you're starting to look at natural gas deregulation. So, prices are changing. Drilling patterns are changing. The whole world is changing out there.**

**RM:** Actually, that was during the—when FERC [Federal Energy Regulatory Commission] took over, and we had the various tiers [of prices], and that was a deep discovery. So, we got the high price of gas on the well.

**RB: So, you got basically the new price as opposed to the old price.**

**RM:** Yes. All of that was deep. So, we didn't have that 104 price, or whatever they called it, basically the price that had been paid for the old wells.

**RB: Is that really then where your focus is for quite a while, southwestern Kansas?**

**RM:** Yes. We ended up getting the farmout directly from Mobil. We renegotiated it, and it was a ten-year deal as long as we kept meeting certain criteria. We had some good discoveries out there. Later on, we went ahead and worked with Berexco. They had deals with Amoco and UPRC and several other companies that they were getting farmouts from. We formed a joint venture, and together we found—we drilled over 400 wells, deep wells out there during that ten-year period.

**RB: So, a ten-year period. What years are we talking about? From mid-eighties to mid-nineties?**

**RM:** The late [19]80s and the early [19]90s. Middle [19]90s.

**RB: That's a lot of wells. Are you always contracting out your drilling, or did you own rigs yourself?**

**RM:** We didn't own rigs ourselves. We had Sweetman Drilling who had done our drilling in south-central Kansas. He moved his rig out there. He had two rigs. He did our drilling out there. Berexco had their own rigs, Beredco Drilling Company. They drilled some of our wells. Our deal with them, they drilled on farmouts that they received, and we drilled on farmouts that we received. It's one of those deals out there—when you have a little success, it's a lot easier to work deals with other people.

**RB: I want to talk about some policy things, but before we do—then you hit a period in the nineties, I don't know, early 2000s maybe, 3-D seismic comes along, horizontal drilling comes along. The world kind of changes again pretty dramatically. Obviously, you were engaged in that world.**

**RM:** Yes.

**RB: When did you start using horizontal wells?**

**RM:** On the horizontal, we have drilled two horizontal wells ourselves. We actually promoted—I say “promoted”—we sold a deal in Harper County about five years before the horizontal play started down there.

**RB: Before it took off.**

**RM:** We sold a deal to Abraxas to drill a horizontal well in the Spergen-Warsaw band through there. We had drilled some successful gas wells in the Spergen-Warsaw. You had to kind of take what you got because if you fracked those wells, you went down into the Osage and got a lot of water.

**RB: Water. Let me ask you something about that. You obviously were real active in that Harper, Barber County area. When this big Mississippi lime thing blows up, how engaged were you in that, and what did you think of it?**

**RM:** I thought they were crazy when they started out because they had to handle so much water.

**RB: Exactly.**

**RM:** They built the infrastructure to be able to handle the water and make it work. We had—I'll back up a little bit. In [19]72, we had leased over 15,000 acres almost in a solid block in Harper County for \$1 an acre 10-year leases and such. We drilled a number of gas wells, just small little pools that we found.

One of these was the Wharton Pool—what did they call that? I think it was Wharton. We got a well, completed it for 5 million gas, just top setting in the Warsaw pay zone, staying out of the

water. That well and the south off-set to it ultimately made—the first one made a billion and a half, and second well made just short of a billion.

Later on, when Sandridge started doing the horizontal, our wells were pretty well depleted at that time, and Sandridge came to us. They wanted to buy our wells and drill a horizontal on our leases. I looked it up yesterday. They drilled a well across the same leases, it's a mile-long horizontal across that same acreage that had made over 2 billion cubic feet of gas. That horizontal well has made 44,000 barrels of oil and 1.2 billion gas additionally. It's still selling about a half million gas a day. And we had another little pool to the east of that. Sandridge came in and drilled a mile-and-a-half horizontal lateral on it. It has made just short of 3 billion cubic feet of gas and 135,000 barrels of oil.

So those wells were very successful. They've got a lot of them down there that weren't successful, but some of the stuff was good if they could handle the water. They gave them the big fracks, and they did get down into the Osage, and they had to handle the water to make it work.

**RB: And then they created seismic problems that I got to deal with.**

**RM:** Exactly.

**RB: But by then the world—in terms of leasing rates, just go completely crazy.**

**RM:** It affected the whole state.

**RB: Yes, up even like Colby. I mean, it was nuts, wasn't it?**

**RM:** Yes. We'd gone from the \$1 an acre lease to \$5 to \$10 an acre and 3 to 5-year terms on things. They came in and they were paying \$300 to \$1,000 an acre for stuff down there. It made it where you couldn't play that country. The problem is, they thought that whole Spergen-Warsaw band was going to be good all the way up into Ness County and through there. They paid that kind of money for leases way up there. We're still fighting that.

**RB: That even brought temporarily one of the majors back into the state for just a little while, not very long, but for a little while. And then it just all kind of did what you probably figured it was going to do, right?**

**RM:** Right. The horizontals work, if you've got the right situation. I said we had drilled two of them ourselves. They are in Meade County, and it's in the Chester Lime. We had drilled some Chester Lime oil wells in Meade County. It was a gas solution-type reservoir. We didn't make any water or very little water.

We drilled our first one, kind of like Sandridge, we drilled, we went next to some wells that had already made over 100,00 barrels of oil. The new horizontal well has also made about 110,000 barrels of oil now. It's still making about 18 barrels a day. It makes very little water. So, our

operating costs are low on it, but the cost to drilling the horizontals with the cost of casing and the frack jobs are very high, so they have to make a lot of oil to be commercial.

**RB: I know in that period, you would look at some of the costs on those horizontal wells and then water disposal, and you'd put them together and just scratch your head and think, "What do they know that we don't know?" because it doesn't make any sense. Well, a lot of times, it didn't make any sense.**

**RM:** Yes. The way they made it work in southern Kansas is having the saltwater disposal infrastructure.

**RB: They had some pipelines for big disposal wells, yes. So, again, I'm having trouble formulating this question, but when you look at horizontal drilling and 3-D seismic, and you go on a rig today and look at it compared to what it must have looked like in the fifties, how does that—**

**RM:** Well, it's hard for us to drill a structural prospect without having 3-D on it now. Some areas, it works a lot better than others, but we've done a lot of 3-D.

**RB: But just walking in there and seeing kids running joy sticks. It just must look a little different than when you started out, doesn't it?**

**RM:** Yes, much different. The seismic at that time when I started out was just all single point, and you got the reflectors and you took your red pencil, and you started marking through it and correlating that way and then calculating the time on it. Now with the software that we have, it's beautiful.

**RB: It's pretty incredible.**

**RM:** It really is.

**RB: Let's talk about policy stuff a little bit because I know you've been involved at various levels in that and obviously have an interest. A couple things that you deal with, let's start with, one of the big lessons, and you put this together for us real well, just dealing with the price fluctuations in the state. Every time you think the prices are going to go up and stay up, they figure out a way not to.**

**RM:** That's why it's such a cyclical business. The problem is, the sine curves don't match. Every time the price goes up, then the price of casing goes up, the price of leases go up, everything else goes up. Then if we hit a low spot, that price does not fall at the same rate, which it can't. I'm not blaming them. They've got their costs coming into it.

If a company has a good base of old paid-for production, you can survive. You just shut down spending the money and just maintain what you have, and that's what we've done over the years.

**RB: You've seen some pretty incredible lows in this process in terms of prices.**

**RM:** Yes.

**RB: I wouldn't have guessed, whatever it was in the mid-eighties that you see oil go back—or in the nineties—go back to under \$10 a barrel.**

**RM:** When we drilled our first well in Spivey, the price of oil was \$3.00 a barrel, but we didn't get \$3.00 a barrel. There was a trucking charge on top of that. It was around \$2.75 or something that we would net. And gas was selling for 12 to 14 cents a thousand cubic feet.

We were fortunate in [19]75, after we had drilled a few wells and after we had purchased some leases that had the old contracts on it, and most of those old contracts were expiring about that time. A lot of them were made during the—they were twenty-year contracts made during the fifties. So, in [19]75, they started expiring, and we were negotiating new contracts.

That's an interesting story in itself because the KP&L contract in the whole Spivey-Grabs area there was the big area, and KP&L was the big purchaser. It had gone up to either 14 or 15 cents a thousand at that time. That was during a period of time when almost everyone thought we were going to run out of gas.

**RB: Right.**

**RM:** And the Wichita industries, especially Boeing, Beech, Cessna, were worried about what they were going to do for gas supply. So, they started Wichita Industrial Gas Company [WIGC] to go ahead and seek out some gas. The closest gas to them of any sizable reserves was the Spivey-Grabs field.

They came in and started making offers to purchase our gas that had been dedicated to KP&L, and they said they could get pipeline in there to do it from Wichita. They were offering us a \$1.80 per MMBTU going from 15 cents to \$1.80. And that 15 cents, that was per MCF, not per BTU, in the WIGC contract was for 1,000 BTU. So, we at least got some increase on it. Maybe it was for 1,200 BTU. I forget now. At any rate, that gave the impetus for KP&L to have to go ahead and be competitive on it. We got \$1.50 out of them with some escalation clauses in there.

I was talking about this stuff that we'd drilled earlier in the 1970s in the Spergen-Warsaw band in Harper [County]. We signed a contract with Peoples Natural Gas for 35 cents per MMBTU down there, which was at that time the highest price that was being paid in Kansas, to my knowledge anyway. But also, we were able to negotiate a "most favored nations" clause and a "just and reasonable" clause in there, which basically said if anybody else gets paid that for a like-type contract, we get the same thing. So, we got similar clauses in the KP&L contract, which was fine and dandy until the Kansas Natural Gas Price Protection Act [K.S.A. 55-1401, *et seq.*], which voided that.

**RB: And eventually those power companies, and we've talked about this in other interviews, eventually those power companies have to go away from natural gas because everybody's decided, "We're running out of natural gas." So, they all shift to coal in effect, and that market completely changes.**

**What is the regulatory environment like in Kansas? How would you characterize it? I know that's not a real specific question.**

**RM:** Well, the regulatory from the State Corporation Commission, I'd classify it very good. During my lifetime anyway, it's been a very—they're very cooperative. I don't mean that like they're rolling over for us because they're not, but they have people that understand the industry. They do their job, and they, compared to other states, Kansas regulatory has been very good.

**RB: Let's compare them to other states because you guys have worked in various other states in this process. What are the pluses and minuses or however you want to answer that question? But you know what I mean.**

**RM:** Well, as an example, Colorado is terrible. You can't even think about drilling in Colorado now.

**RB: Just because of resistance to fossil fuel in general? Is that you think the source of that?**

**RM:** Yes. It's just not a good situation there. And we've drilled in Texas and Oklahoma. Both of them are okay. I mean, it's different for us because it's not the same procedure. But they're all relatively good. They do their job. They're doing what they were set out to do.

**RB: Let me ask you about Kansas severance tax. You were president of KIOGA from [19]84 to [19]86. The severance tax predates that just a little bit.**

**RM:** Not very much.

**RB: Not very much. So, you must have been out there active in the business. Do you have any thoughts about that?**

**RM:** Well, our big problem with the severance tax wasn't the fact that we were going to be paying the severance tax. We have the ad valorem tax, too, which takes into account the cost of production, where the well is making a lot of water, various factors go into that. The ad valorem tax is probably a pretty fair tax. We paid the taxes here on this month's billing, and generally the ad valorem taxes run about one month's production. So pretty much a twelfth of whatever we make, I'm talking about net, goes to the state on that or bills to the county.

The severance tax, of course, goes to the state. It's an added-on tax. That's just on top. That was our main problem. They kept saying, "Other states have severance tax." They have the severance tax, but most of them don't have an ad valorem tax based on production. You're paying property tax on the [equipment value].

**RB: The value.**

**RM:** The surface equipment and all of that. So that was our main problem with it. It's still a problem.

**RB: But it has sort of gotten refined over time in terms of what kind of wells it's applied to. It's not quite as—**

**RM:** Not quite as onerous as it used to be.

**RB: As it started, as when it started out because I don't think anybody wanted to discourage production. To a certain extent, when it first started out, it kind of did.**

**RM:** The selling on it was the big guys are going to pay that, and they'll pass it on. Here again, they're talking about the big guys in the Hugoton field, mostly owned by the majors. Yes, they could pass that on a lot better than we could. We had no way to pass it on.

**RB: They could absorb it easier than you could. Then it doesn't take too long before they're gone anyway.**

**RM:** Right.

**RB: Let me ask you sort of another broad question, but I think you're probably in a good position to answer it. What does that future look like? Some of these changes, they seem to come along, they're like horizontal drill, and it just changes everything. I don't know very many people that saw that coming.**

**RM:** Right.

**RB: Or the impact of it, particularly in terms of natural gas.**

**RM:** Right.

**RB: I don't know that very many people would have—I didn't know anybody that really predicted that. So, if you know stuff like that, you're obviously smarter than everybody else. But you see where I'm getting at. In ten, twenty, thirty years from now, what will the Kansas oil business look like? What will McCoy look like?**

**RM:** Probably like eastern Kansas looks now.

**RB: You think so?**

**RM:** It's getting hard to find places to drill. The 3-D [seismic technology] has been, I mean, it was very successful on going into the old areas and especially on the Central Kansas Uplift

where you could find little, small closures that had been passed up, but a big part of that's been explored using 3-D now. And northwest Kansas, it's been fairly successful up there.

**RB: You all were active in some of that activity, which that turned into a big deal in an area that I don't think most people saw that coming.**

**RM:** You could find that first well with the 3-D, but it's awful hard. Most of those pools don't cover a big area. The big pools where you could go in and just keep drilling, develop the wells, it's pretty tough. A lot of the problems with some of that out there is you get that first well, which if you stopped right there, you're okay. But you drill about three or four dry holes around it, and you haven't made any money.

**RB: Statistically, you always know that you're going to find, if there's something big out there, you find it, and then you just get smaller and smaller over time. Is that how you think this is going to look?**

**RM:** Well, most of the big [stratigraphic] fields I think have been found in Kansas. That's where you usually get your big development, and the big structures have been identified. We're looking at smaller and smaller. Again, it all comes down to the price we're getting for the product. \$100 oil, you can drill a lot of things that you can't drill at \$50.

**RB: Especially if you think prices are going to stay up there for quite a while.**

**RM:** Yes. And we're optimists. We keep thinking it's all going to get better.

**RB: And sometimes it does. I know it's sort of gone up and down here a little bit lately, but it hasn't crashed the way it did a few years ago. 2015 was maybe the last time we saw that dramatic drop.**

**RM:** Right.

**RB: So, any thoughts about environmental regulation that you've dealt with over the years? That world obviously has changed a lot, too.**

**RM:** Most of the environmental regulation as far as Kansas anyway, it's been all justified, I think. I don't have any problem with most of what's going on there.

**RB: It hasn't provided any particular challenges that—**

**RM:** Well, the prairie chickens have.

**RB: Yes, that's one that comes up from time to time fairly recently. But in general, you feel like in terms of the environmental side the industry in Kansas has been able to accommodate?**



**RM:** I think the regulations have been pretty fair on that and for a reason. Most of the companies are very compliant with all of that.

**RB:** Have you ever looked back in surprise at—you went from being a farm kid in a fairly reasonably sized company—I'm not sure what question I'm asking. That must feel kind of gratifying to look back a little bit.

**RM:** It's very gratifying. The people in the business, when I was doing the consulting geology, I did a lot of well sitting. I sat for a lot of different companies. At that time, most of my well site work was in western Kansas. Those wells at that time, the geologist would be out there anywhere from a week to two weeks on the well.

Well, you meet a lot of people during that time. With different companies, you meet their production engineers, their field men, and all of that. I keep going back to an old field man for Barbara Oil Company in Barber County. Barbara Oil Company discovered the Medicine Lodge Field in 1926. There was no other production down there before that discovery.

**RB:** Anywhere close.

**RM:** That was the first production in Barber County, and that field is still producing. These were big, big gas wells. In fact, KP&L laid line to them to pick up that gas for two or three cents or that, I think it was, which they had to get pay back for laying all that line.

But their production man, when I was watching wells for them during the sixties, was a guy by the name of Punch Bowman, and he had worked on that first well down there in the twenties. He was an old man, but he was still doing work for them and just sitting there—you have a lot of time sitting in the trailer house or in the doghouse and just listening to these guys talk and talking about all of his experiences with it and everything.

This kind of repeated itself with the production for all the different companies. I kind of found out how they did things and the different philosophies, and the same way with the geologists. I watched a lot of wells where major companies had farmed out the land. With those, you had to deal with the major company geologists, and I learned an awful lot from them, just dealing with them.

**RB:** If you go back to 1926, you're talking about almost 100 years of sort of history that you've watched in one way or another over time.

**RM:** Right. In fact, when I was with Musgrove, they had a prospect in Greenwood County that was based on surface geology. There was an old division geologist for a Gulf Oil Company, [who was] retired. I forget how old he was at the time. He had to be in his eighties. But he had done surface work all over Kansas, and they hired him to go out and verify the surface work on the Greenwood County prospect.

I went with him just as his rod man. I wasn't really doing anything other than that. He had the old plane table and alidade out there and was able to verify the structure. But just working with these guys like this was great. He had been in World War I and had on his wool pants—

**RB: The pants that flare out, that jodhpur thing?**

**RM:** He had the leather chaps on because we were walking in the tall grass over there. It was just a pleasure to work with some of these old people like that. And now I am one.

**RB: Well, it's better than not being one.**

**RM:** That's right.

**RB: Anything else I ought to ask before we finish up? I get a kick out of listening to those kind of stories because you don't hear them as often.**

**RM:** We were talking about the majors leaving. The majors leaving left a lot of—there were several steps in this. The independent producers would take farmouts from them, for one thing. But another was they started selling production, and that's one thing that benefited—my company was able to buy production from the major companies. I'm not taking big credit for that because the price appreciation—if you bought it when the price was \$10 and the price went to \$20, you were a lot smarter than when it went the other way.

**RB: So, you were going through all of that transition as those folks in effect—I remember when I first started to survey in [19]78, all those places still had offices out in southwestern Kansas. And then slowly over time, they'd just go away.**

**RM:** Yes.

**RB: Well, thank you for the chance to visit here today. This was a good way to spend a winter afternoon, it seems like to me.**

**RM:** Yes.

**RB: Thank you very much, Roger.**

**RM:** Thank you.

[End of File]

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<sup>1</sup> In the oil and gas industry a 'farmout' is the assignment of all or part of the interest in a lease to a third party for development.

<sup>2</sup> "Pinch-out trap" is a term used in petroleum geology to describe a structure within which oil is trapped due to the thinning of a rock layer that creates a void, a trap. Petroleum moving through a porous rock layer is trapped

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where the layer narrows to be essentially non-existent, or pinches out, between impermeable rock layers above and underneath the resulting void.

<sup>3</sup> The analysis of seismic waves is used in oil and gas exploration. Using specialized equipment, seismic waves are sent into the Earth. As the waves bounce back to the surface, they are analyzed to obtain information about deep structures and traps where oil and gas may be located.

<sup>4</sup> “Held-by-production” is a provision in an oil or gas lease whereby the lessee may continue to drill on the leased property as long as it is producing a minimum amount of oil or gas even after the primary term of the lease has ended.

<sup>5</sup> K.S.A. 55-223 to 55-229, L. 1983, ch. 181. The Kansas “Deep Horizons Act” was enacted to encourage exploration and development of gas and oil production in the deep areas of the Hugoton reservoir in southwest Kansas. Proponents of the legislation sought to redress the perceived imbalance between the lessee-lessors relationship, as related to the lessee’s obligation to prudently explore and develop a gas or oil lease.