

Executive Summary

Drilling expenditures in 2009 decreased for the first time since 2000 as the oil and gas industry spent less annually drilling and equipping wells in the U. S.

According to the **2009 Joint Association Survey on Drilling Costs (JAS)**, the industry spent 42 percent less in 2009 to drill and equip wells in the U. S. than it did in 2008¹. Total drilling expenditures were estimated to be \$171.4 billion in 2009, compared to \$295.2 billion during the previous year. Additionally, the number of wells and total footage decreased 39.2 and 36 percent respectively.

In 2009 exploratory well expenditures of \$ 19.3 billion decreased 47.6 percent from the previous year's \$36.8 billion. Exploratory oil well spending decreased 49.2 percent in 2009 to \$4.96 billion from \$9.8 billion in 2008 while 2009's exploratory gas expenditures of \$ 5.2 billion were down 47.9 percent from 2008's \$10 billion.

Development well expenditures were estimated at \$152.2 billion in 2009 compared with 2008's \$258.2 billion, a 41.1 percent decrease. Spending decreased 34.3 percent to \$60.3 billion for development oil wells in 2009, compared to \$91.9 billion in 2008. Development gas spending at \$80.4 billion was down 45.1 percent over last year's \$146.5 billion.

Although oil and gas exploration was down in 2009, for the twenty-second year in a row the industry spent more drilling for natural gas than oil. In 2009, gas expenditures accounted for 50 percent — down slightly from last year's 53 percent — of the total drilling expenditures, ahead of oil's 38.2 percent — up from last year's 34.5 percent — and dry's 11.8 percent — down from last year's 12.7 percent.

| Total Wells, Footage Drilled & Estimated Drilling Expenditures: 2009 | | | |
|---|-----------------|--------------------|-------------------------|
| Type of Well | Number of Wells | Total Footage | Total Cost ¹ |
| Horizontal | 6,570 | 66,244,765 | 60,076,532 |
| Coalbed-Methane Gas | 1,893 | 3,591,457 | 1,372,813 |
| Vertical | 22,074 | 133,722,691 | 76,211,582 |
| Total U.S. Wells (Table 6) | 30,537 | 203,558,913 | 137,660,927 |
| Sidetrack | 1,386 | 6,656,011 | 18,562,535 |
| Total Reported JAS Wells | 31,923 | 210,214,924 | 156,223,462 |
| QWCR Estimated Difference ² | 3,093 | 9,163,076 | 15,136,396 |
| Total Estimated 2009 Drilling Expenditures | 35,016 | 219,378,000 | 171,359,858 |

¹in thousands of dollars
²Number of Wells and Total Footage are the 2009 estimates published in the *Quarterly Well Completion Report, First Quarter 2011*.
Adjusted Total Cost = (QWCR Estimated Wells x JAS Cost)/JAS Reported Wells

| Total Wells, Footage Drilled & Estimated Drilling Expenditures: 2009 vs. 2008* | | | | | | | | | | | | |
|---|-----------|-----------|--------|-----------|-----------|--------|-----------|-----------|--------|-----------|-----------|--------|
| | Oil Wells | | | Gas Wells | | | Dry Holes | | | Total | | |
| | 2008 | 2009 | %Δ | 2008 | 2009 | %Δ | 2008 | 2009 | %Δ | 2008 | 2009 | %Δ |
| Number of Wells | 22,039 | 14,480 | -34.3% | 29,602 | 16,572 | -44.0% | 5,918 | 3,964 | -33.0% | 57,559 | 35,016 | -39.2% |
| Total Footage (000) | 120,455 | 80,115 | -33.5% | 192,108 | 119,122 | -38.0% | 30,422 | 20,141 | -33.8% | 342,985 | 219,378 | -36.0% |
| Total Cost (million \$) | 101,902 | 65,383 | -35.8% | 156,411 | 85,691 | -45.2% | 37,468 | 20,221 | -46.0% | 295,220 | 171,360 | -42.0% |
| Average Depth (feet) | 5,466 | 5,533 | 1.2% | 6,490 | 7,188 | 10.8% | 5,141 | 5,081 | -1.2% | 5,959 | 6,265 | 5.1% |
| Average Cost/Well (\$) | 4,623,728 | 4,515,432 | -2% | 5,283,788 | 5,170,830 | -2.1% | 6,331,245 | 5,101,117 | -19.4% | 5,128,998 | 4,893,759 | -4.6% |
| Median Cost/Well (\$)** | 1,885,000 | 1,441,000 | -23.6% | 3,408,000 | 2,740,000 | -19.6% | 1,225,000 | 934,000 | -23.8% | 2,272,000 | 1,855,000 | -18.4% |
| Average Cost/Foot (\$) | 846 | 816 | -3.5% | 814 | 719 | -11.6% | 1,232 | 1,004 | -18.5% | 861 | 781 | -9.3% |

Note: Totals may not agree with the sum of individual items due to rounding
*Includes sidetrack wells
** Median Cost/Well is as published in the 2008 JAS. Does not include sidetrack wells

¹ The 2008 numbers have been adjusted to incorporate estimated number of wells data that have since been revised. Each issue of API's Quarterly Well Completion Report adjusts the estimates for all quarters, not just the current quarter. Thus the 2008 numbers in this publication may differ from those published in the 2008 JAS.