

## Topic Page: [Petroleum industry and trade](#)

Summary Article: **oil industry**

From *The Columbia Encyclopedia*

the business of discovering oil (petroleum), extracting it from the ground, refining it into a variety of products, and distributing it to the public. The development of the oil industry in the 19th and 20th cent. provided a source of energy that now supplies about two fifths of the world's energy needs as well as a raw material that chemical and petroleum industries refine into a number of essential chemicals and industrial products.

### **Early History**

Petroleum seeping out of underground reservoirs has been collected and used for light throughout recorded history. In the 4th cent. A.D. the Chinese drilled for oil and natural gas, but in the 1850s, oil was still being recovered by skimming it off the tops of ponds. As whale oil became less abundant, producers looked for new ways to extract oil. Edwin Drake dug the first modern oil well in Titusville, Pa, hitting oil at 69.5 ft (21.2 m), touching off an oil rush in the area. (Most modern wells go down over 4,700 ft (1,432 m).) In 1861 the first oil refinery was set up.

### **Development of the Modern Industry**

During the late 19th cent., many of the modern oil companies were created: John D. Rockefeller invested in a Cleveland oil refinery during the Civil War and in 1870 created Standard Oil, which refined about 95% of the United States' oil in 1880. In 1911, Standard Oil was declared an illegal monopoly and split into 34 companies, including Esso (renamed Exxon in 1972), Mobil, Chevron, Atlantic Richfield (later ARCO), and Amoco. Texaco (founded in 1902), Shell (1907), and British Petroleum (1909) were also established in this period. As the auto industry vastly increased the demand for gasoline refined from oil, oil companies expanded their search for new reserves. In the 1930s oil companies began exploiting a huge E Texas oil field that would eventually produce 4 billion barrels of oil. Chevron, Texaco, Exxon, and Mobil expanded their reserves by purchasing the rights to the extensive Saudi Arabian oil fields for only \$50,000. In 1946 oil replaced coal as the world's most popular energy source.

### **Late-Twentieth-Century and Early-Twenty-First-Century Developments**

In 1960 the Organization of Petroleum Exporting Countries (OPEC) was formed. Over the next decade, OPEC required that the major oil companies provide them with a larger percentage of the profits from their fields. After the oil embargo in 1973, OPEC boosted prices to \$35 a barrel in 1981. The resulting energy crisis forced many developing countries to pay more for energy, negatively affecting Third World debt; industrialized countries implemented new measures to conserve and develop new sources of energy. Some new oil fields in Alaska and the North Sea were developed, boosting the world's oil reserves from 645.8 billion barrels in 1978 to 1,052.9 billion barrels in 1998.

With an abundant supply, oil prices dropped and stayed low through the 1990s, until 1999 when OPEC announced that it would cut production in order to increase oil prices worldwide. With the help of non-OPEC oil-producing nations, the organization was subsequently generally able to maintain prices between \$20 and \$30 a barrel, but world events, demand, and speculation have driven prices significantly higher, and in mid-2008 oil approached \$150 before falling to nearly a third of that. Prices typically ranged between \$80 and \$110 a barrel from 2010 to mid-2014, when they began to fall; after rebounding some in mid-2015, prices then slid to below \$30 a barrel in early 2016. The utilization of

hydraulic fracturing (often combined with horizontal drilling), to open up the exploitation of shale oil fields and to revive production in depleted fields, has contributed to increases in oil production in the United States, which has led to a corresponding drop in oil imports there.

Economies dependent on oil production remain subject to the gyrations of the market. The collapse of oil prices in the mid-1980s ruined many independent refiners and helped produce a recession in such states as Texas; it also hurt Mexico, Venezuela, and other oil-producing nations. In contrast, the rise in oil prices from 1999 to 2008 was responsible for economic growth in Russia, Venezuela, and other oil producers, but those nations once again found their economies and government spending threatened when prices plummeted in late 2008. Improved recovery methods combined with higher prices that justify more expensive extraction costs have rejuvenated production in some older oil fields, increased the estimates of reserves in existing fields, and made feasible the exploitation of deposits once considered uneconomical.

Many oil-producing nations in the Middle East and Latin America have set up their own refining operations since the 1970s, and state-owned oil companies in OPEC countries are now among the world's largest. Many large oil companies have diversified into chemicals, and oil prices are increasingly set on commodity trading exchanges such as the New York Mercantile Exchange. Beginning in the late 1990s, the industry saw increased consolidation as already large oil companies merged with each other, including Exxon (the largest U.S. oil company) with Mobil (the second largest; forming ExxonMobil), Chevron with Texaco and Unocal as Chevron, British Petroleum with Amoco and ARCO as BP, and Conoco with Phillips Petroleum as ConocoPhillips.

## **Bibliography**

See Sampson, A. , *The Seven Sisters* (1975);

Yergin, D. , *The Prize* (1991).

### **APA**

### **Chicago**

### **Harvard**

### **MLA**

---

oil industry. (2018). In P. Lagasse, & Columbia University, *The Columbia encyclopedia* (8th ed.). New York, NY: Columbia University Press. Retrieved from [https://search.credoreference.com/content/topic/oil\\_industry](https://search.credoreference.com/content/topic/oil_industry)

---



*The Columbia Encyclopedia*, © Columbia University Press 2018



*The Columbia Encyclopedia*, © Columbia University Press 2018

## APA

oil industry. (2018). In P. Lagasse, & Columbia University, *The Columbia encyclopedia* (8th ed.). New York, NY: Columbia University Press. Retrieved from [https://search.credoreference.com/content/topic/oil\\_industry](https://search.credoreference.com/content/topic/oil_industry)

## Chicago

"oil industry." In *The Columbia Encyclopedia*, by Paul Lagasse, and Columbia University. 8th ed. Columbia University Press, 2018. [https://search.credoreference.com/content/topic/oil\\_industry](https://search.credoreference.com/content/topic/oil_industry)

## Harvard

oil industry. (2018). In P. Lagasse & Columbia University, *The Columbia encyclopedia*. (8th ed.). [Online]. New York: Columbia University Press. Available from: [https://search.credoreference.com/content/topic/oil\\_industry](https://search.credoreference.com/content/topic/oil_industry) [Accessed 17 October 2019].

## MLA

"oil industry." *The Columbia Encyclopedia*, Paul Lagasse, and Columbia University, Columbia University Press, 8th edition, 2018. *Credo Reference*, [https://search.credoreference.com/content/topic/oil\\_industry](https://search.credoreference.com/content/topic/oil_industry). Accessed 17 Oct. 2019.