

Section

2

The Growth of the Oil Industry

Main Ideas

1. After Spindletop, oil fields quickly sprung up in many regions of Texas.
2. New business ideas such as horizontal and vertical integration changed the oil industry.

Why It Matters Today

The oil industry was important to the Texas economy in the early 1900s. Use current events sources to learn about the oil industry today.

Key Terms

- wildcatters
- natural gas
- vertical integration
- horizontal integration

The Story Continues

The Spindletop strike brought thousands of people to the Beaumont area, lured by the dream of huge profits. Soon it seemed as if everyone owned an oil company. In Beaumont a newspaper reporter saw two men looking at a map. The next day he learned that the newcomers had formed the What-Not Oil Company. This new company was just one of the hundreds that appeared in Beaumont in 1901.



TEKS: 1B, 7A, 7B, 8A, 8B, 9A, 9B, 10A, 10B, 13B, 13C, 20D, 21B, 21C, 22A, 22D

myNotebook

Use the annotation tools in your eBook to take notes on the growth of the oil industry in Texas.



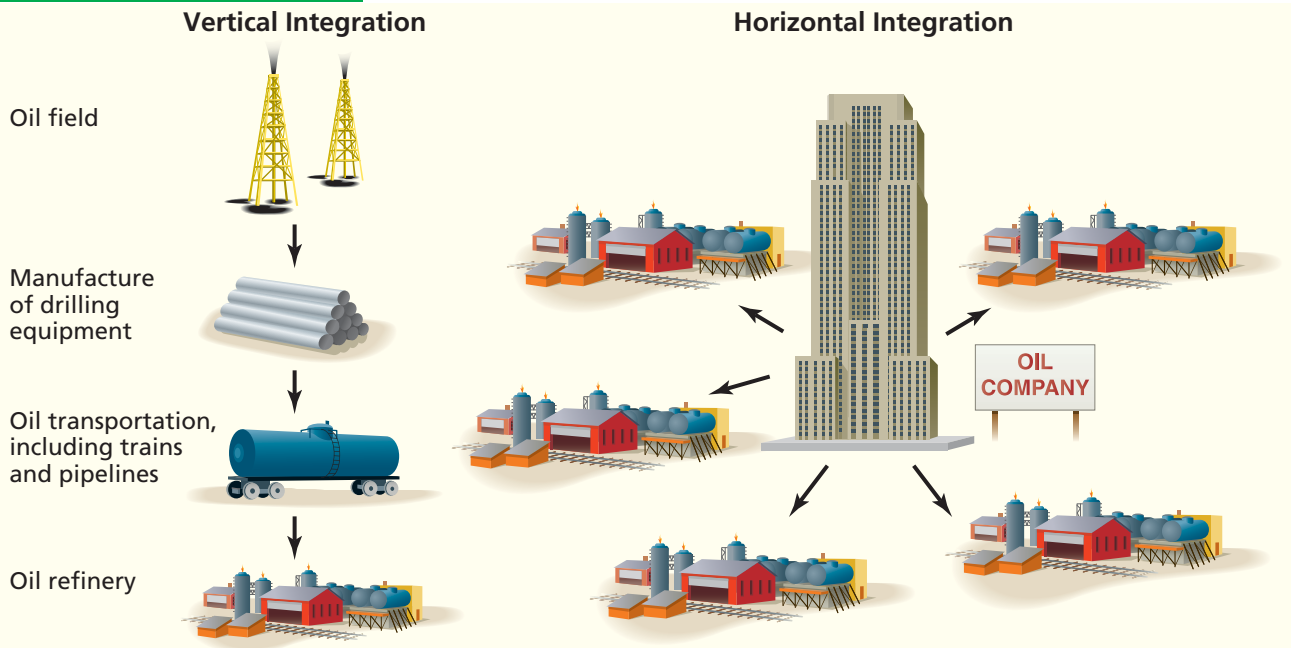
Wildcatters and New Oil Fields

Some of these companies were owned by **wildcatters**—independent oil operators who searched for new fields. These entrepreneurs saved and borrowed money to invest in the oil business. In hopes of finding oil fields, wildcatters competed with one another to find salt domes in the Gulf Coast Plain. They found salt domes some 20 miles outside Beaumont at Sour Lake. Drilling began there in 1893, but the first big strike did not occur until 1902. That year a gusher produced as many as 50,000 barrels a day. By 1903 there were some 150 wells at Sour Lake. Overdrilling soon led to a drop in underground pressure, making further oil drilling difficult. By the end of 1903, more than half of the wells at Sour Lake were abandoned. Other Gulf Coast oil fields faced a similar drop in oil production when they were overpumped.

Oil production extended beyond the Gulf Coast to North Texas. In 1903 North Texas rancher W. T. Waggoner struck oil. He later complained that he was only drilling for water. “I wanted water, and they

Vertical and Horizontal Integration

Many corporations used horizontal and vertical integration to increase their business. Some large oil companies owned smaller companies that made products for each step of the oil-production process. Oil companies also bought many refineries or oil fields.



Visualizing History

1. Economics How do you think these business practices would affect a company's profits?

2. Connecting to Today How do you think these practices affect local markets and businesses in Texas today?



VIDEO

Oil in Texas

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got me oil. I was mad, mad clean through.” This Electra oil field made Waggoner a wealthy man, however. Other major North Texas oil fields included Wichita Falls and Burkburnett. In 1919 the Burkburnett field produced some 31.6 million barrels of oil.

After their success in North Texas, oil companies began drilling in the Panhandle. The first successful strike there took place in 1921. Six years later, Panhandle oil fields produced some 39 million barrels of oil in a single year. Oil was also discovered in the Permian Basin region of West Texas in 1921. During the 1920s several large oil fields were discovered in the area, including the Yates, Hobbs, and Big Lake oil fields. South and Central Texas were also the sites of oil production. However, these regions never produced the amount of oil that made other parts of the state famous. An oil strike deep in the heart of East Texas gave the oil industry its greatest surprise. Geologists had claimed that there was very little oil in East Texas north of the Gulf Coast. But a wildcatter’s 1930 strike proved them wrong—the East Texas oil field turned out to be one of the largest in the world.

Reading Check Sequencing Identify in order where and when oil was discovered in the major regions of Texas.

★ Oil Business Is Big Business

Texas oil fields produced more than just oil. **Natural gas**—a gas that can be used as a fuel—was also abundant. However, there was no way to get it to market safely in the early years of the oil industry. As a result, gas coming out of oil wells was allowed to burn. In the 1890s scientists invented a leakproof pipeline that could safely move natural gas about 100 miles. The first Texas gas pipeline stretched 19 miles between the Petrolia oil field and Wichita Falls. Further advances in pipeline technology during the 1920s and 1930s expanded the distance gas could be shipped. This new pipeline technology opened the market for Texas natural gas.

As more oil and gas fields were discovered, the Texas oil industry grew into a big business. In 1915, Texans sold more than 13 million dollars' worth of oil. Some Texas oil companies began to use a business strategy called **vertical integration**—owning the businesses involved in each step of a manufacturing process. For example, the Texas Company began by purchasing and transporting oil from Spindletop. As its profits grew, the company expanded into oil drilling, production, and refining. The company also bought items it needed for its business, such as barges and railroad tanker cars. By streamlining the processes of drilling, transporting, and refining oil, the Texas Company was able to develop into a huge corporation.

Most large oil companies also practiced **horizontal integration**—owning many business in a particular field. The larger oil corporations would run many refineries, sharing supplies and resources to make their businesses more efficient.

Reading Check Drawing Inferences and Conclusions How did oil companies expand to control a large part of the oil industry?

CONNECTING TO

ECONOMICS

Wildcatters

Motivated by the potential profits, wildcatters bought land, hired oil workers, and drilled wells. Wildcatters worked hard, hoping that their investments would pay off. However, wildcatting was risky and expensive. Many wildcatters went bankrupt after drilling a few wells. While most wildcatters did not strike oil, some became wealthy. Pattillo Higgins could be considered one of the earliest successful wildcatters. **How did the free enterprise system, particularly the desire for profit, motivate wildcatters in Texas?**



Section 2 Review



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ONLINE QUIZ

1. Define and explain:

- wildcatters
- natural gas
- vertical integration
- horizontal integration

2. Locate on a Texas map:

- Wichita Falls
- Permian Basin

3. Sequencing

Copy the graphic organizer below. Use it to trace the discovery of oil in the various regions of Texas.

Region	When oil was discovered
Gulf Coast	
North Texas	
Panhandle	
Permian Basin	
East Texas	

4. Finding the Main Idea

- What role did wildcatters play in the oil boom?
- Explain how new business strategies affected the oil industry.

5. Writing and Critical Thinking

myWriteSmart

Evaluating Imagine that you are a wildcatter traveling from region to region in 1919. Create a journal entry describing what businesses in the oil-production process you would want to own. Consider the following:

- the steps of oil production
- getting oil to market