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DANIEL YERGIN

AUTHOR OF SHATTERED PEACE

The First Boom

Indeed, all the other elements—refining, experience with kerosene, and the right kind of lamp—were in place when Drake proved, through drilling, the final requirement for a new industry, the availability of supply. And with that, man was suddenly given the ability to push back the night. Yet that was only the beginning. For Drake's discovery would, in due course, bequeath mobility and power to the world's population, play a central role in the rise and fall of nations and empires, and become a major element in the transformation of human society. But all that, of course, was still to come.

What followed immediately was like a gold rush. The flats in the narrow valley of Oil Creek were quickly leased, and by November of 1860, fifteen months after Drake's discovery, about seventy-five wells were producing, with many more dry holes scarring the earth. Titusville "is now the rendezvous of strangers eager for speculation," a writer had already observed by 1860. "They barter prices in claims and shares; buy and sell sites, and report the depth, show, or yield of wells, etc. etc. Those who leave today tell others of the well they saw yielding 50 barrels of pure oil a day. . . . The story sends more back tomorrow. . . . Never was a hive of bees in time of swarming more astir, or making a greater buzz."

Down at the bottom of Oil Creek, where it flowed into the Allegheny River, a small town called Cornplanter, named after a Seneca Indian chief, was renamed Oil City and became the major center, along with Titusville, for the area now known as the Oil Regions. Refineries to turn the crude into kerosene were cheap to build, and by 1860, at least fifteen were operating in the Oil Regions, with another five in Pittsburgh. A coal-oil refiner visited the oil fields in 1860 to see the competition for himself. "If this business succeeds," he said, "mine is ru-

ined." He was right; by the end of 1860, the coal-oil refiners either were out of business or had moved quickly to turn themselves into crude-oil refiners.

Yet all the wells thus far were modest producers and had to be pumped. That changed in April 1861, when drillers struck the first flowing well, which gushed at the astonishing rate of three thousand barrels per day. When the oil from that well shot into the air, something ignited the escaping gases, setting off a great explosion and creating a wall of fire that killed nineteen people and blazed on for three days. Though temporarily lost in the thunderous news of the week before—that the South had fired on Fort Sumter, the opening shots of the Civil War—the explosion announced to the world that ample supplies for the new industry would be available.

Production in western Pennsylvania rose rapidly—from about 450,000 barrels in 1860 to 3 million barrels in 1862. The market could not develop quickly enough to match the swelling volume of oil. Prices, which had been \$10 a barrel in January 1861, fell to 50 cents by June and, by the end of 1861, were down to 10 cents. Many producers were ruined. But those cheap prices gave Pennsylvania oil a quick and decisive victory in the marketplace, swiftly capturing consumers and driving out coal-oils and other illuminants. Demand soon caught up with available supply, however, and by the end of 1862 prices rose to \$4 a barrel and then, by September 1863, to as high as \$7.25 a barrel. Despite the wild fluctuation of prices, the stories of instant wealth continued to draw the throngs to the Oil Regions. In less than two years one memorable well generated \$15,000 of profit for every dollar invested.⁹

The Civil War hardly disrupted the frantic boom in the Oil Regions; on the contrary, it actually gave a major stimulus to the development of the business. For the war cut off the shipment of turpentine from the South, creating an acute shortage of camphene, the cheap illuminating oil derived from turpentine. Kerosene made from Pennsylvania oil quickly filled the gap, developing markets in the North much more quickly than might otherwise have been the case. The war had an even more significant impact. When the South seceded, the North no longer benefited from the foreign revenues from cotton, one of America's major exports. The rapid growth of oil exports to Europe helped compensate for that loss and provided a significant new source of foreign earnings.

The end of the war, with all its turbulence and dislocations, released thousands and thousands of veterans who poured into the Oil Regions to start their lives again and seek their fortunes in a new speculative boom that was fueled by the incentive of prices, which rose as high as \$13.75 a barrel. The effects of the frenzy were felt up and down the East Coast, as hundreds of new oil companies were floated. Office space for those new companies ran short in the financial district of New York, and shares were sold so rapidly that one new company disposed of its entire issue in just four hours. A British banker was amazed by the "hundreds of thousands of provident working men, who prefer the profits of petroleum to the small rates of interest afforded by savings banks." Washington, D.C., was no more immune to the craze than New York. Congressman James Garfield, who became a substantial investor in oil lands—and, later, President of the United States—reported to an oil-lease salesman that he had discussed oil with a number of other members of Congress, "who are in

the business, for you must know the fever has assailed Congress in no mild form.”¹⁰

Nothing revealed the feverish pitch of speculation better than the strange story of the town of Pithole, on Pithole Creek, some fifteen miles from Titusville. A first well was struck in the dense forest land there in January 1865; by June, there were four flowing wells, producing two thousand barrels per day—one third of the total output of the Oil Regions—and people fought their way in on the roads already clogged with the barrel-laden wagons. “The whole place,” said one visitor, “smells like a corps of soldiers when they have the diarrhoea.” The land speculation seemed to know no bounds. One farm that had been virtually worthless a few months earlier was sold for \$1.3 million in July 1865, and then resold for two million dollars in September. In that same month, production around Pithole Creek reached six thousand barrels per day—two-thirds of all the production in the Oil Regions. And, by that same September, what had once been an unidentifiable spot in the wilderness had become a town of fifteen thousand people. The *New York Herald* reported that the principal businesses of Pithole were “liquor and leases”; and *The Nation* added, “It is safe to assert that there is more vile liquor drunk in this town than in any of its size in the world.” Yet Pithole was already on the road to respectability, with two banks, two telegraph offices, a newspaper, a waterworks, a fire company, scores of boarding houses and businesses, more than fifty hotels—at least three of which were up to elegant metropolitan standards—and a post office that handled more than five thousand letters a day.

But then, a couple of months later, the oil production abruptly gave out—just as quickly as it had begun. To the people of Pithole, this was a calamity, like a biblical plague, and by January 1866, only a year from the first discovery, thousands had fled the town for new hopes and opportunities. The town that had sprung up overnight from the wilderness was totally deserted. Fires ravaged the buildings, and the wooden skeletons that were left were torn down to be used for building again elsewhere or burned as kindling by the farmers in the surrounding hills. Pithole returned to silence and to the wilderness. A parcel of land in Pithole that sold for \$2 million in 1865 was auctioned for \$4.37 in 1878.

Even as Pithole died, the speculative boom was exploding elsewhere and engulfing neighboring areas. Production in the Oil Regions jumped to 3.6 million barrels in 1866. The enthusiasm for oil seemed to know no limits, and it became not only a source of illumination and lubrication, but also part of the popular culture. Americans danced to the “American Petroleum Polka” and the “Oil Fever Gallop,” and they sang such songs as “Famous Oil Firms” and “Oil on the Brain.”