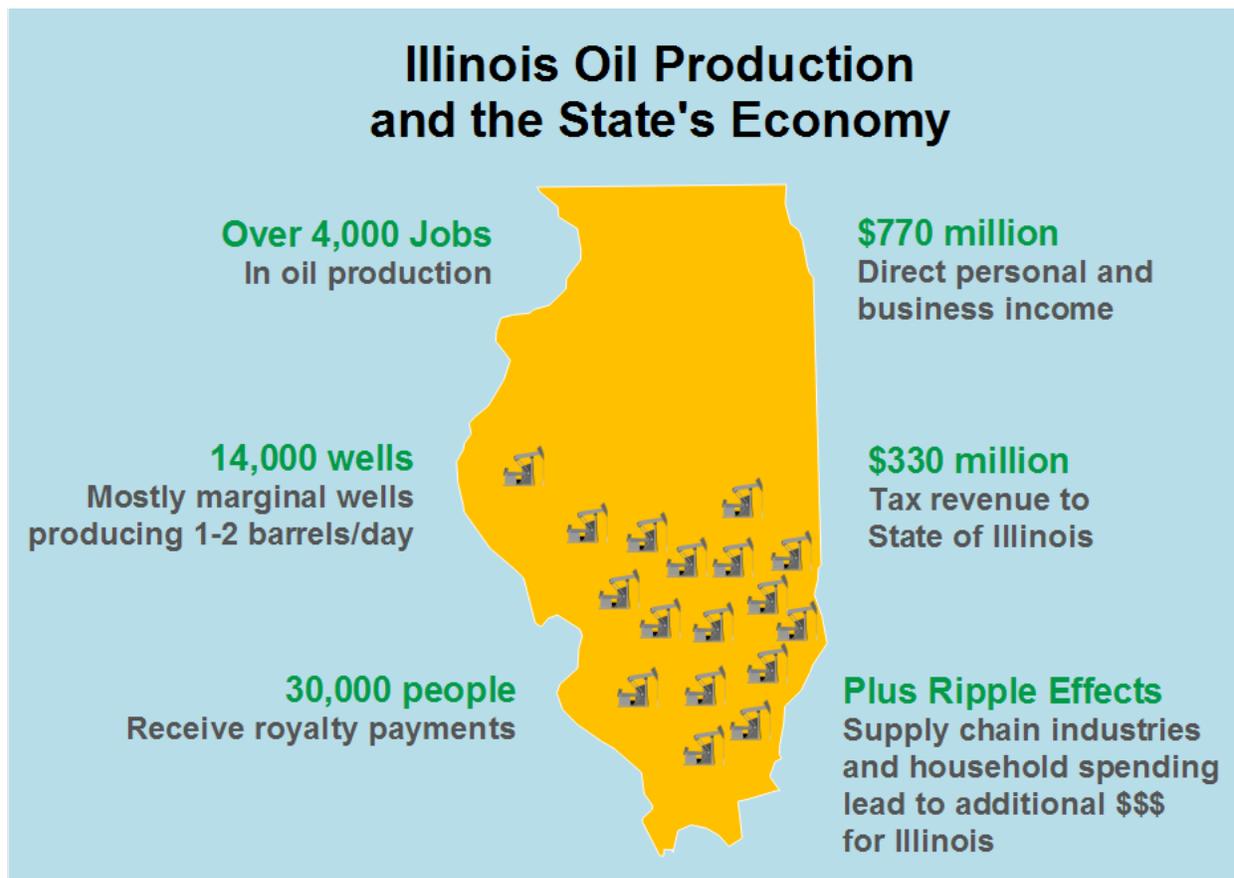


The Illinois Oil Production Industry And the State's Economy

Big Picture

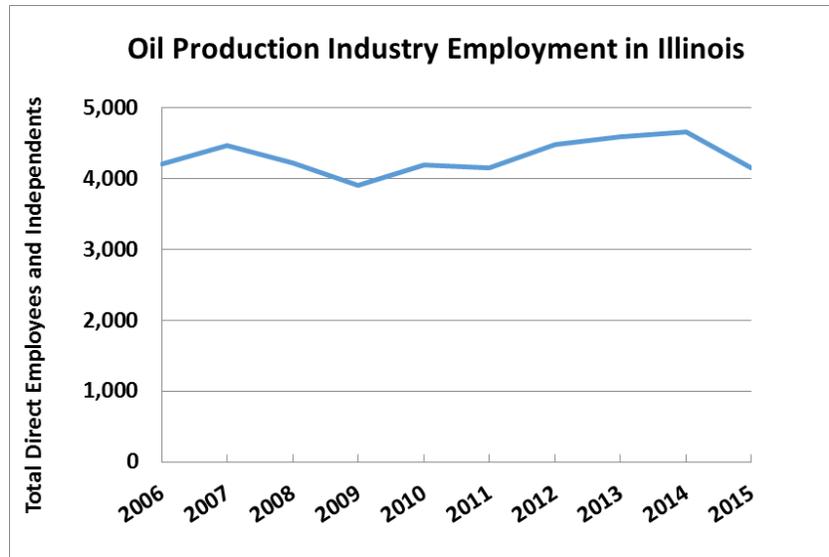
Oil production in Illinois has been a significant contributor to the Illinois economy since the early 1900s. Although oil production has declined since the 1940s to 1960s era, production in Illinois has remained steady at an average of over 9 million barrels a year for the past 20 years. This reliable industry has generated steady employment, income and revenue for the State of Illinois through many recessions including the recent national economic downturn of 2007-2010.

Most of the employment in the oil production industry is centered in the southern portion of Illinois, an area that has been slower to recover since the national economic downturn.



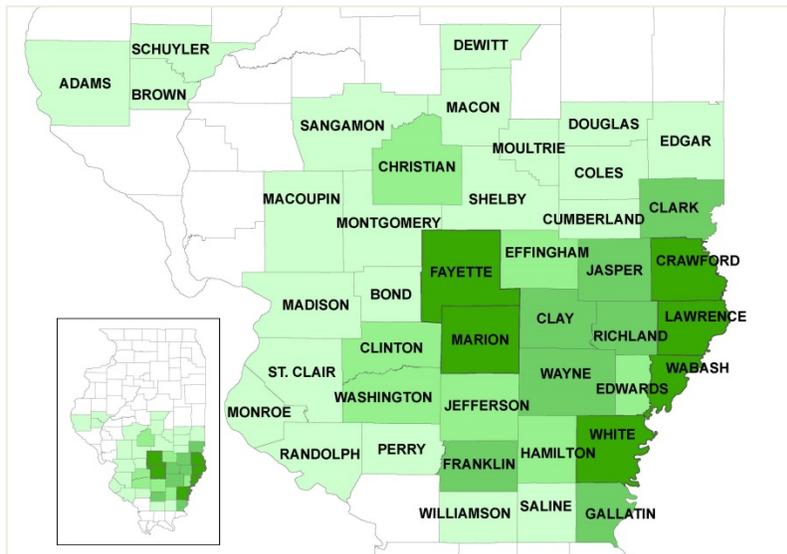
Important and Dedicated Work Force

Total average employment has consistently been between approximately 4,000 and 4,600 workers engaged directly in the oil production industry in Illinois over the past decade. Even in 2015, as oil prices were continuing to decline, total direct employment remained above 4,000. Employment is evenly split between mostly small businesses and independent contractors.



In many downstate counties, oil production is a major contributor to local employment. In Lawrence County, for instance, oil production employment accounts for a crucial 12% of employment in the county. Other counties with high proportions of oil production employment are shown in the adjacent table.

Map of Illinois Counties with Oil Production

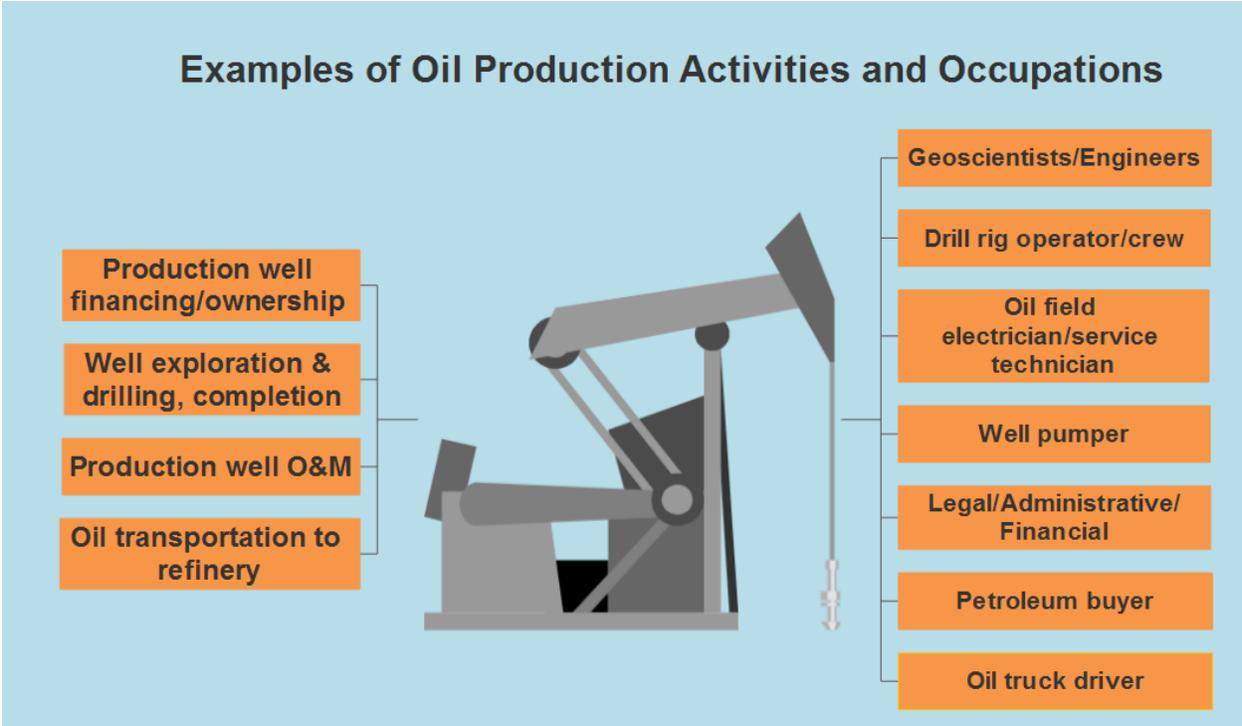


Share of Total County Employment (2015)	
Lawrence	12%
Wabash	8%
White	7%
Fayette	5%
Wayne	5%
Jasper	5%
Crawford	4%
Richland	4%
Clay	3%
Gallatin	3%

High Quality Jobs with Good Income

The industry provides a good living and is an important source of income to Illinois residents. Workers and managers engaged in oil production are relatively highly paid. Field employees are a skilled group, consisting of occupations such as pulling unit operators, roustabouts, pumpers, and crew members. Field employees in oil and gas production earn an average of over \$18 an hour in wages. Earnings of petroleum engineers and technicians have displayed some volatility -as is characteristic of engineering occupations nationally- but have been favorable. The relatively higher employee income from oil production contributes to the economy in several indirect ways such as income tax contributions and consumer spending of earned income. Examples of activities and types of occupations involved in oil production are shown in the figure below.

Average Hourly Wage in Illinois for Selected Oil Production Occupations (2016)	
Occupation	Per Hour
Geoscientists	\$ 41.28
First-line supervisors/managers	\$ 38.21
Geological and petroleum technicians	\$ 29.67
Rotary drill operators	\$ 22.54
Derrick operators	\$ 18.21
Service unit operators	\$ 16.44
Roustabouts, oil and gas	\$ 16.78



Royalty Income

Royalty payments to leaseholders and residents owning mineral rights continue to provide economic value and income in Illinois. The number of people receiving royalty payments from oil produced in Illinois is estimated to be over 30,000. Royalty income from conventional oil production will continue to be an important source of income to leaseholders.

During the 2010 to 2012 period, developers began seeking leases that could be used for oil and gas (high volume non-conventional) fracking plays. Expenditures for leases related to possible future high volume non-conventional fracking activity exceeded \$300 million but have since ceased. Whether there will be future leasing activity and whether there will be further development of shale gas resources using high volume fracking in Illinois remains uncertain due to current regulatory language that has been adopted regarding fracking.

Government Revenue in a Time of Need

Total direct revenue to the State of Illinois from oil production is made up of income taxes from businesses and workers, plus taxes levied on the amount of oil produced. ***The total direct revenue received by the State of Illinois is approximately \$330 million annually from workers, businesses and production taxes on the Illinois oil production industry.***

Illinois was the 16th largest oil producing state in the United States for the most recent reporting year 2015. This was a slight decline in rank from earlier years due to increased oil production through fracking activity in other states. Illinois does have a large amount of frackable reserves, but these have not been used up to this point.

The Biggest of All Effects: Multiplier Effects on State Income

The spending and re-spending of income received by workers and businesses in oil production lead to further increases in state income. Estimated values of these indirect or multiplier effects vary depending on the economic model used and are subject to change over time. Nonetheless, all of the available economic models lead to the conclusion that the multiplier effects are truly substantial. Further, the handling of oil once it leaves the well, such as transportation and refining, act to increase incomes far beyond the counties where direct oil production takes place.

Results from a 2009 study estimate that direct jobs in Illinois oil production account for 4,200 jobs with effects on income of approximately \$770 million.

An additional 2,400 indirect jobs in Illinois occur in industries that support the oil production industry. Beyond this, even further job impacts and income are created through the re-spending of income earned by the workers and businesses in the oil production and supply chain industries.

REFERENCES

Two studies of the oil production Industry in Illinois were completed by RCF Economic & Financial Consulting, Inc., one was released in 2009 and other the in 2016. An economic impact analysis was performed as part of the 2009 study but was not repeated during the 2016 study as employment remained at approximately the same levels. Direct employment figures were gathered from the County Business Patterns and Non-employer Statistics surveys produced by the U.S. Census Bureau. Information on activities and occupations was obtained from industry interviews. Wage information was obtained from the U.S. Bureau of Labor Statistics Occupational Employment Statistics survey. For additional details or to obtain copies of the reports used in this document, please contact the Illinois Oil and Gas Association at 618-242-2857 or RCF Economic & Financial Consulting, Inc. at 312-431-1540 (info@rcfecon.com).