

Custer County Historical Society Monthly Program

Lois Wells – Program Director

Rachel Nepper -- Recorder

“The Search for Black Gold”

Mr. David Schnute – April 2, 2016

Following the 15-minute refreshment period, Lois introduced David Schnute from Hot Springs, who as a boy, had heard about an oil boom in Fall River County. He decided to investigate through newspaper articles of the time. The first article was in 1929 about “Red Canyon flows with oil”. Interest spread and “spudding” began – spud or spudding defined as when a drill rig is brought in and drilling is started. Wyoming had oil wells so why not South Dakota and Black Hills Petroleum was organized in 1929 with 100,000 shares at 25 cents a share. First drilled was the Baker Dome Field (along the Custer County line) and 15,000 acres were leased. It was felt that it was favorable to discover oil in paying quantities. A certificate now showed that shares were at a dollar a share. There was a big celebration with food being served for the visitors that showed for the erecting of the 74 foot rig that went up in June of 1929. Another company, Dillon Oil Development Company, started placing ads for shares. Local people were investing. Hot Springs had an oil exchange by January of 1930. Oil was struck and shares went up to \$1.10 and \$1.25 per share. In April of 1930 the decision was made to “shoot” the oil sands of the Baker Dome rig and nitroglycerine was dropped; after getting 17.5 barrels of oil in 15 hours, it went to water and thereby the well was ruined. An established oil company, Pacific American Oil Company came to the area now. But by the late 1930 oil drilling disappeared from being mentioned in the Hot Springs Star. In the 1950’s Baker Dome had wells drilled and did produce a little with a small refinery along Fall River Road. It was enough to produce diesel fuel to power the lights in Hot Springs. Mr. Schnute believed this was not a fake strike in the twenties but that the oil was just not there in paying quantities and then funding ran out during the depression. His grandfather was president of Dillon Oil Co. and went on to do other jobs later. He felt small investors should not have gotten into oil speculation. Mr. Schnute had many slides and articles shown during his informative talk.

