

More Optimism For A Recovery Of The Oil And Gas Industry

Even though the oil and gas industry remains in a tough economic climate, some leading companies believe that better days are ahead. One of those companies is the world's largest oilfield service company, Schlumberger. Just last week, Schlumberger said it sees recovery in many regions of the world.

"The only place where we don't see any signs of recovery at this stage is in Asia", Chief Executive Paal Kibsgaard said. Schlumberger said it expects "solid growth" in 2017 in the Middle East, Russia, and North America.

In Texas, some economic signs of stability were insufficient to halt the decline in the Texas Petro Index (TPI), a composite index of economic indicators in Texas. The TPI declined for the 22nd consecutive month to 149.0, two-thirds of its value in September 2015.

"I was hoping the TPI was going to post its first monthly increase in September," economist Karr Ingham, the author of TPI, said. "But the upstream recovery remains a slow process."

Ingham said that absent a rapid expansion of demand that would help absorb the current crude oil oversupply, any solution to market imbalance must come from the supply side of the ledger. With OPEC members and Russia apparently unable to agree on a plan to curtail oil output, U.S. production needs to continue declining to provide upside support to crude oil prices, he said.

"The response of upstream investment to current prices and cost structures will set the stage for a sustained recovery at some point in the future," Ingham said. "We may want the recovery to be faster, but that probably isn't the best outcome right now."

Ingham said that crude oil production in Texas totaled an estimated 92.6 million barrels, 9.6 percent less than in September 2015.

Texas produced an estimated 663.8 billion cubic feet (bcf) of natural gas in September, a year-over-year monthly decline of about 8.2 percent.

The Baker Hughes count of active drilling rigs in Texas averaged 244, 33.5 percent fewer units than in September 2015 when an average of 367 rigs were working. Drilling activity in Texas peaked in September 2008 at a monthly average of 946 rigs before falling to a trough of 329 in June 2009. In the most recent economic expansion, which began in December 2009, the statewide average monthly rig count peaked at 932 in May and June 2012.

The Texas Railroad Commission issued in September 746 original drilling permits compared to 906 in September 2015, a decline of 17.7 percent. From January to September, the RRC has issued 5,576 drilling permits a decrease of 34.9 percent from the same period last year.

Employment in the upstream oil and gas industry is down 16 percent compared to September 2015. An estimated 203,525 Texans remained employed.

There are signs that a recovery is on the way, but some obstacles remain.