

Oil And Gas Industry Still Hurting, But Some Optimism Noted

Even though there are a few positive signs for the recovery of the oil and gas economy, the bleeding continues.

For 21 consecutive months – every month since November 2014 - the Texas Petro Index has declined all the way from a high of 313.5 to the current low of 150.5.

On the positive side, natural gas and crude oil prices have stabilized since the beginning of 2016, the drilling rig count has increased slightly, and employment had ceased declining.

“These are important milestones,” economist Karr Ingham, author of the Texas Petro Index, said. “They certainly do not suggest a return to the activity levels the state was enjoying in advance of the downturn, but they do suggest the industry is no longer hemorrhaging in terms of price, the rig count, and jobs. First things first!”

Natural gas prices closed at \$3.09 thousand cubic feet (Mcf) on Oct. 4, and crude oil almost broke the \$50 barrier at \$49.83.

Drilling rig activity has been increasing since May in response to higher oil prices, although Ingham expects rig-count growth to stall in the near future absent another oil-price increase.

Employment in the upstream oil and gas industry in Texas increased by 800 jobs in August compared to the updated July employment estimate, marking the first addition to upstream oil and gas employment in Texas since December 2014. Preliminary July employment data suggested a 100-job increase compared to June, but that increase was wiped out when the Texas Workforce Commission revised the June number. June and July estimates were revised to show 203,325 people employed in the upstream oil and gas industry.

Estimated crude oil production in Texas totaled nearly 96.3 million barrels, 9 percent less than in August 2015. With oil prices in August averaging \$41.49/bbl, the value of Texas-produced crude oil totaled nearly \$4.0 billion, 4.9 percent less than in August 2015.

Texas natural gas output surpassed an estimate 700.1 billion cubic feet, a year-over-year monthly decline of about 6 percent. With natural gas prices in August averaging \$2.69/Mcf, the value of Texas-produced gas declined 7.7 percent to about \$1.88 billion.

The Baker Hughes count of active drilling rigs in Texas averaged 231, 40 percent fewer units than in August 2015 when an average of 385 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 number of original drilling permits issued was 660, 23.6 percent fewer than the 864 permits issued in August 2015. The number of permits issued this year through August, 4,830, is down 34.8 percent compared to the first eight months of 2015.