By: Alex Mills **June 30, 2016**

Oil, Gas Industry Attitudes Become More Positive

Apparently, attitudes in the oil and gas industry are changing.

The Dallas Fed released its Energy Survey recently that measures the sentiment among energy firms and found that the pessimism measured in the first quarter of 2016 has turned to optimism during the second quarter.

The feds business activity index during the first quarter was a dismal -42.1, but turned to a positive 13.8 during the second quarter.

"The majority of respondents reported business activity was stable from first-quarter levels, while nearly a third reported activity expanded," the fed stated in a news release.

The findings of the fed survey mirror a similar report of the Texas Petro Index (TPI), which also was released last week.

Exploration and production: The fed reported oil and natural gas production fell again in the second quarter. TPI has crude oil production in Texas at an estimated 103.7 million barrels, 5.1 percent less than in May 2015.

Support services: The fed noted that declines in equipment use largely abated in the second quarter, with the equipment utilization index rising more than 50 points to come in just below zero, at -1.2, which suggests demand for oil and gas support services has improved but remains depressed overall.

TPI shows the Texas drilling rig count down near historic lows (182 average in May), but there has been an increase in recent weeks 194. The number of original drilling permits issued in May was 606, 33.8 percent fewer than the 916 permits issued in May 2015.

Labor market: The fed said indicators suggested cuts to jobs, hours, and compensation continued this quarter, but they less widespread. The employment index moved up to -19.7, with 11 percent of firms noting net hiring and 31 percent noting net layoffs.

TPI said the number of jobs trimmed from upstream oil and gas company payrolls in Texas surpassed 100,000, according to the TPI's estimate, declining to 205,100, from a peak of about 306,020 in December 2014.

Capital spending declines also moderated in the second quarter, particularly among services firms. The aggregate capital expenditures index came in at -9.3, up markedly from -46.6 last quarter when nearly 60 percent of firms reported trimmed spending. This quarter that share was cut in half to roughly 30 percent.

What about the future? The fed survey found that nearly half of producers surveyed have an improved opinion regarding oil and natural gas prices.

TPI economist Karr Ingham had a similar view. "Dramatically lower demand for drilling, oilfield services, and even labor appear to have driven down costs enough that some operators calculate they can develop some properties profitably with oil prices at current levels," Ingham said. "But there still is a lot of work to do to bring global oil supply and demand into line with one another."

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