

Recovery On The Horizon As Oil And Gas Employment Rises

There are some small signs of recovery emerging in the oil and gas industry. For the first time in 19 months, upstream oil and gas employment ticked up slightly in July. The layoff trend, which began in early 2015, has begun to reverse—albeit slowly.

Though industry employment is only one marker used to measure the health of the industry, it's a significant one. The Texas Petro Index (TPI) showed current upstream oil and gas employment at an estimated 203,425 Texans in July of 2016. That number is up by 100 from the previous month.

“The reversal of the employment-loss trend is an encouraging sign that the deep contraction in the Texas upstream oil and gas economy is in the process of coming to an end,” said Karr Ingham, the economist who created and maintains the TPI. “However, a reversal of the TPI, itself—which has not yet occurred—will truly pinpoint the end of the cycle of decline.”

Among other TPI indicators in July, the number of original drilling permits issued was 631—35.5 percent fewer than the 979 permits issued in July 2015; the number of permits issued this year through July is 4,170—down 36.3 percent compared to the first seven months of 2015; the posted price for crude oil averaged \$41.55 per barrel (\$/bbl), staying above \$40/bbl after a four-month-long rally that lifted prices to \$45.19/bbl in June from \$28.07/bbl in February.

But the positive trends were more than offset by the completion of fewer wells, and continuing declines of both crude oil and natural gas production.

“As long as the TPI continues to decline, the upstream oil and gas industry in Texas will not begin to transition to an expansionary mode,” Ingham said. “However, it appears the rebound of posted oil prices in Texas has turned the rig count around and stopped the decline of industry job losses.”

For reference, the Texas Petro Index, which is a composite index based upon a comprehensive group of upstream economic indicators, is 152.2 this July—37.5 percent less than in July 2015.

Before the current economic downturn, the TPI peaked at a record 313.5 in November 2014, which marked the zenith of an economic expansion that began in December 2009, when the TPI stood at 187.4.

Production continues to decline. Texas crude oil production totaled an estimated 98.7 million barrels, 7.8 percent less than in July 2015. Texas natural gas production was more than 708.9 billion cubic feet, a year-over-year monthly decline of about 5.2 percent.

The total value of Texas-produced crude oil totaled about \$4.1 billion, 20 percent less than in July 2015. The total value of Texas-produced natural gas declined 9.3 percent to nearly \$1.9 billion.

According to Baker Hughes, Texas added four rigs this week, raising the statewide total to 241. The Permian Basin has topped the 200-rig mark for the first time since the week ending Jan. 15, the Eagle Ford Shale in South Texas was up three to 38, and the Barnett Shale in North Texas dropped by one rig, bringing its total to three.

Midland County continued to lead the nation in rig count after adding one, bringing its total to 37 rigs this week.