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As prices plunge, has Texas' oil boom gone bust?

Gas prices continue to fall, and while it may be good for your wallet, it may not be good for the economy. KHOU

Jason Whitely and Jacqueline Crea, WFAA & KHOU 7:36 a.m. CST January 6, 2015



Oil wells and drilling rigs define the state, but does the plunging price of oil mean Texas has gone from boom to bust? (Photo: KHOU)

HOUSTON — Oil wells and drilling rigs define the state, but does the plunging price of oil mean Texas has gone from boom to bust?

"We're not going to know if this is a bust unless it lasts an extended period of time," said Andrew Lipow, president of Lipow Oil Associates Consulting Firm in Houston. "The jury is out on whether that's going to happen."

He predicts Texas will start to see slower job growth, more layoffs in the energy industry, and lower sales tax revenue from the falling price of petroleum.

"But it's not only the oil companies," Lipow explained. "We have the trickle-down effect to the companies that provide hotel and worker accommodations, to the companies that are providing restaurant and food services to those workers out in the oil fields."

Applications for drilling permits dropped by one-quarter, more than 400 in December 2014 compared to the year before, according to the Texas Railroad Commission. In December 2013, the state received 2,060 applications for drilling permits compared to 1,629 last month.

Until now, the levels had been fairly consistent, the Railroad Commission reported.

"There have been recent media reports indicating a significant drop in the number of drilling permits issued by the Railroad Commission," said Ramona Nye, spokeswoman for the agency that oversees oil and gas regulation. "Drilling permit numbers surged in the spring of this year at the same time the Commission experienced a server issue (RRC servers are operated by a third party vendor contracted by DIR) which resulted in a backlog in permit applications."

Lawmakers return to Austin on January 13 for the next legislative session, and might have less money from the Rainy Day Fund to dedicate to projects like transportation.

Still, David Martineau, exploration manager of Dallas' Pitts Oil Company and the past chairman of the Texas Independent Producers & Royalty Owners Association, said unlike Houston, Midland and San Antonio, it's doubtful that North Texas will feel a pinch.

The Barnett Shale on the west side of the metropolitan area has mostly natural gas. Plus, Martineau said, cheaper gasoline means people have more money to spend on other items.

"Has that helped the economy? In a way, yes," he explained. "If they have more money to spend then they're going to go out and buy more clothes. They're going to buy more computers and they're going to enjoy life more."

Oil producers are already cutting capital expenditures, and some have announced layoffs, Lipow said.

Last month, the Dallas Federal Reserve said plunging oil prices could cost Texas 125,000 jobs in 2015.

But, an economist noted that the state is much more diversified than it was during the last big bust in the 1980s.

"If you look at how many jobs have been created in Texas, it's been very close to or over 300,000 jobs every year for the last several years," said Michael Plante, a senior research economist with the Dallas Federal Reserve. "It's going to be slow job growth for sure, but given the pace we've seen, I'd expect Texas to continue adding jobs."

The rise and fall of petroleum prices is nerve-racking, but it's simply a cycle that Texas has weathered before and emerged even stronger, Martineau said.