GREATER HOUSTON **PARTNERSHIP**

UPDATE

ENERGY

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Energy Update — The outlook for the energy industry improved in ’17. Though oil prices slumped a bit mid-summer, they never fell below $42 per barrel. The rig count remained above 900 through the second half of the year. The industry drilled more wells in ’17 than ’16. Production continued to expand. And although E&P companies continued to lay off workers, oil field services and engineering firms added to their payrolls.

West Texas Intermediate, the U.S. benchmark for light sweet crude, opened ’17 at $52.36 per barrel on January 3. In June and July, WTI slipped into the mid-$40s. But as U.S. growth continued, global economies expanded, crude inventories were being drawn down, and OPEC signaled it would extend its production cuts into ’17, crude prices rebounded. WTI finished the year at $60.46 per barrel.

ENERGY INDUSTRY SUMMARY

	Peak	Trough	Recent
WTI, $/barrel, spot price	$107.95 *Jun ’14*	$26.19 *Feb ’16*	$60.46 *Dec ’17*
U.S. Rig Count	1,931 *Sep ’14*	404 *May ’16*	937 *Jan ’18*
Permits U.S. Onshore	74,512 *CY ’14*	27,602 *CY ’16*	44,156 *CY ’17*
U.S. Production Mil. barrels/day	9.6 *CY ’70*	5.0 *CY ’08*	9.3 *CY ’17*
Local Energy Employment*	301,700 *Dec ’14*	220,100 *Jan ’17*	229,100 *Dec ’17*

* Includes exploration and production, oil field services, machinery manufacturing, fabricated metal products, and engineering services.
Sources: U.S. Energy Information Administration, Baker Hughes, S&P Global Platts, Texas Workforce Commission

The North American rig count opened ’17 at 665. Rising oil prices and the expectation that OPEC members would abide by their November ’16 agreement to cut production boosted the count to 958 by mid-July. (Drilling activity always lags price signals.) Drilling activity adjusted to market signals and the year finished with 928 active rigs.

The industry continues to find ways to boost output without boosting employment. EIA’s latest Drilling Productivity Report shows that in December, initial production per rig working in the Eagle Ford has nearly doubled and in the Permian and Bakken has nearly tripled since December ’14.
EIA estimates U.S. crude production averaged 9.3 million barrels per day (b/d) in ’17, up from 8.8 million in ’16. EIA projects U.S. output to average 10.6 million b/d in ’18, surpassing the previous peak of 9.6 million set in ’70. Bar-ring a substantial drop in prices, production should continue to grow. EIA forecasts output to average 11.2 million b/d in ’19.

’18 has started strong, with 975 rigs working in the second week of February. RigData reports 3,872 U.S. onshore drilling permits were issued in January, up from 2,537 the same month last year. WTI briefly traded above $66 per barrel in late January before being caught up in the volatility on Wall Street. As of this writing, crude traded just below $60. EIA forecasts WTI to average $58.28 this year.

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