The number of oil and gas wells drilled in Texas is forecast to grow significantly in 2017 as the market emerges from an extended slump. While the US oil and gas industry as a whole is expected to see strong recovery in 2017 and 2018, the best prospects in the US will remain in Texas, where increased drilling will be supported by:

- recovery in oil prices to above $50 per barrel
- reduction in breakeven prices resulting from improved well productivity, more efficient drilling techniques, and low oilfield services prices
- increase in activity in the Permian Basin, the most economically viable drilling location in the US

Technological advances have increased initial production rates

Unconventional drilling techniques have increased initial production (IP) rates and larger estimated ultimate recoveries (EUR) while reducing drilling times and overall costs to drill and complete a well. Unconventional drilling in 2017 is faster and cheaper, with longer laterals, more complicated fractures, and higher proppant densities than was the case at the onset of the oil price crash in 2014.

Lower service costs have also benefited drillers as oilfield service companies have lowered prices in order to remain competitive in the low oil price environment. While this current deflation is not sustainable, it has allowed a short term window for operators to proceed with drilling that otherwise would be uneconomical.

Permian Basin emerging as the most profitable oil & gas play in US

The Permian Basin has experienced an influx of investment in the past year, including significant midstream infrastructure expansion and nearly $30 billion in land acquisitions. The Permian's superior well economics result from a combination of factors, primarily its unique stratigraphy, which is characterized by multiple stacked layers of oil-bearing rock.

Outside of the Permian Basin and Eagle Ford Shale, low oil and gas prices have significantly reduced drilling, particularly of gas wells and, more generally, horizontal wells. The Barnett Shale, one of the original shale gas plays, has declined to almost zero horizontal drilling activity, while the Haynesville Shale has sustained a modest level of drilling. These plays do not possess the same favorable geological characteristics and infrastructure that make the Permian Basin and Eagle Ford Shale profitable.

Study coverage

This Freedonia study analyzes the Texas oil and gas drilling outlook. It presents historical data (2015 and 2016) plus forecasts (2017 and 2018) by play (Permian Basin, Eagle Ford Shale, Barnett Shale, and Haynesville Shale) in wells drilled, footage, and active rigs. Historical data is presented for drilling permits. In addition, data is analyzed by well trajectory, resource, and sub-basin, where applicable. The study also evaluates drilling rates, drilling costs, land acquisitions, and infrastructure.
Texas Oil & Gas Drilling Overview

Historical data plus forecasts for 2017 & 2018

Upstream Activity

Drilling in Texas is expected to grow over 46% from 2016 to 2017, with a strong recovery taking hold across many parts of the state as oil prices above $50 per barrel provide sufficient incentive to drill. Texas currently has the most favorable oil and gas economics of any state in the US, allowing exploration and development to occur despite low oil and gas prices. The following characteristics provide operators with profitable breakeven prices in Texas oilfields:

- favorable geological characteristics, both in terms of the structure (i.e., the Permian Basin having stacked layers of oil strata) and the size of recoverable reserves
- established and expanding infrastructure
- proximity to refineries and export locations on the Gulf Coast

Additionally, independent of the region’s characteristics, operators are able to invest in drilling in Texas because of recent technological advances and reduced drilling services costs. Unconventional wells are now being drilled at faster rates with longer laterals, more complicated fractures, and multiple laterals, allowing higher levels of production. Drilling service costs have fallen in response to the decrease in drilling activity after oil and gas prices fell in 2014.

Going forward, overall drilling activity is expected to track the oil price recovery, increasing robustly in 2017 but then decelerating in 2018. Drilling activity could further decelerate if the economics change significantly, as a result of the following:

- further oil price collapse brought about by economic weakness or sudden overproduction
- failure by OPEC to limit production

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Related Studies

Midstream Oil & Gas Equipment
Demand for equipment used in midstream oil and gas applications in the US is expected to decline to $10.5 billion in 2019 as low oil and gas prices limit production growth and US midstream infrastructure becomes better adapted to the recent shifts in domestic energy production. This study analyzes the $12.3 billion US market for equipment used in the midstream oil and gas infrastructure, with forecasts for 2019 and 2024 by product, application, market, and US region. The study also evaluates company market share and profiles industry participants. #3376.............. February 2016 ............... $5400

Oilfield Chemicals
US demand for oilfield chemicals will rise 5.8 percent annually to $10.3 billion in 2019. Stimulation chemicals and drilling fluid additives will remain the largest and fastest growing types, but will slow considerably from the rapid pace of the 2009-2014 period. Key trends include a shift toward slickwater fracturing fluids and high-performance drilling muds. This study analyzes the $7.8 billion US oilfield chemical industry, with forecasts for 2019 and 2024 by type, application and material. The study also evaluates company market share and profiles industry players. #3352............. November 2015 .............. $5300

Proppants in North America
Demand for proppants in North America is forecast to increase 7.6 percent annually through 2019 to 162 billion pounds, valued at $8.2 billion. Growth will slow from previously rapid gains as oil and gas prices remain subdued, with future demand driven by increases in proppant loadings in unconventional well completions. This study analyzes the 112.2 billion pound proppant industry in the United States and Canada, with forecasts for 2019 and 2024 by type and regional market. The study also evaluates company market share and profiles industry players. #3302............. September 2015 .............. $5300

Drilling Products & Services
US demand for oil and gas drilling products and services is forecast to increase to $71 billion in 2019, reflecting average annual gains of 3.0 percent. Services will remain the dominant segment while fluids will grow the fastest. The Eastern and Western US will be the fastest growing regional markets. This study analyzes the $60.8 billion US drilling product and service industry, with forecasts for 2019 and 2024 by product and service for four regional markets and 17 state markets. The study also evaluates company market share and profiles industry players. #3286.................June 2015............... $5300

Freedonia’s methods

• Establishing consistent economic & market forecasts
• Using input/output ratios, flow charts & other economic methods to quantify data
• Employing in-house analysts who meet stringent quality standards
• Interviewing key industry participants, experts & end users
• Researching a proprietary database that includes trade publications, government reports & corporate literature

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The Freedonia Group is a leading international industry market research company that provides its clients with information and analysis needed to make informed strategic decisions for their businesses. Studies help clients identify business opportunities, develop strategies, make investment decisions and evaluate opportunities and threats. Freedonia research is designed to deliver unbiased views and reliable outlooks to assist clients in making the right decisions. Freedonia capitalizes on the resources of its proprietary in-house research team of experienced economists, professional analysts, industry researchers and editorial groups. Freedonia covers a diverse group of industries throughout the United States and other world markets. Industries analyzed by Freedonia include:

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