INDUSTRY MARKET RESEARCH FOR BUSINESS LEADERS, STRATEGISTS, DECISION MAKERS

Texas Oil & Gas Drilling Outlook

Industry Study with Forecasts for 2017 & 2018

Study #3508 | April 2017 | $2500

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.

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TEXAS OIL & GAS DRILLING OVERVIEW

Upstream Activity

Drilling in Texas is expected to a strong recovery taking hold a above $50 per barrel provide ex has the most favorable oil an n t allowing exploration and dev o prices. The following charac h breakeven prices in Texas oil

- 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 (

Additionally, independent of the region's characteristics, oper are able to invest in drilling in Texas because of recent techno advances and reduced drilling services costs. Unconventiona now being drilled at faster rates with longer laterals, more co fractures, and multiple laterals, allowing higher levels of proc Drilling service costs have fallen in response to the decrease i activity after oil and gas prices fell in 2014.

Going forward, overall drilling activity is expected to track th recovery, increasing robustly in 2017 but then decelerating in Drilling activity could further decelerate if the economics cha cantly, as a result of the following:

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

Table 3-1 | Permian Basin Upstream Drilling Activity, 2015 - 2018

Item	2015	2016	2017	2018	% Compound Annual Growth 15-16	16-17	17-18
Wells Drilled							
Average Total Depth (000 ft)							
Footage Drilled (mil)							
Active Drilling Rigs							

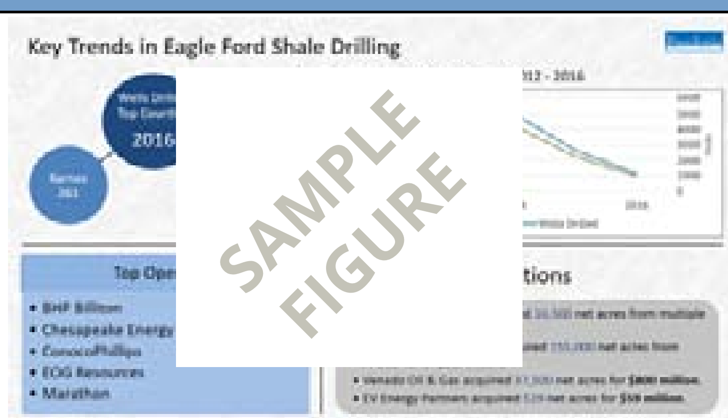
Source: The Freedonia Group

Table 5-2 | Other Areas: Upstream Drilling Activity, 2015 - 2018

Item	2015	2016	2017	2018	% Compound Annual Growth 15-16	16-17	17-18
Wells Drilled							
Barnett							
Haynesville							
Other Counties							
Average Total Depth (000 ft)							
Footage Drilled (mil)							
Barnett							
Haynesville							
Other Counties							
Active Drilling Rigs							
Barnett							
Haynesville							
Other Counties							

Source: The Freedonia Group

Figure 4-1 | Eagle Ford Shale: Key Trends



Source: The Freedonia Group

This study can help you:

- Determine your market & sales potential
- Learn more about industry competitors
- Assess new products & technologies
- Identify firms to merge with or acquire
- Complement your research & planning
- Gather data for presentations
- Confirm your own internal data
- Make better business decisions

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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

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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

About The Freedonia Group

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