

Eagle Ford: As oil flows, so do region's jobs and growth with no end near

By Mike D. Smith

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HELENA — To catch just a bit of the essence of Eagle Ford, take a road trip to San Antonio.

Go the back way. Pass through white dust clouds whipped up by tractor-trailers so thick and so frequent they've airbrushed U.S. Highway 181's pavement to splotches of gray.

Navigate Kenedy's and Karnes City's main roads and their parking lots packed with white pickups.

Then there's Helena, a cluster of homes and farms nestled in a nook of Karnes County along State Highway 80 where cellphone reception rises and falls with the hills.

"It's a hub, when you think about it," said Rick Garcia, pipeline engineering and construction inspector with Koch Pipeline Co.

As early as this month, all the region's roads will lead to a Helena hillside off Farm-to-Market Road 81 — for the producers Koch serves, at least.

Since June, the crew — 80 strong at its peak — to build the company's Helena Terminal toiled through dusty air that Garcia said heated up to the 110s atop grounds that baked tens of degrees hotter.

Trucks, guided by the torches of excess gas flares from nearby wells, will pull up to each dispenser, load 200 barrels of Eagle Ford crude at a time.

They'll hook up in Helena, spend about 30 minutes unloading into a set of 1,000-barrel storage tanks for a 100-mile, few-days' journey down 8-inch and 16-inch pipelines bound for Flint Hills Resources' refineries in Corpus Christi.

The oil flow begins. As the oil flows, so does the cash.

Jobs in and out of the oil patch, from remote, brushy fields in Tilden to air-conditioned offices and waterside terminals in Corpus Christi.

Money earned, money spent.

That's Eagle Ford. What's locked in tight rock formations thousands of feet below is only part of the story.

SPILOVERS

All the talk about Eagle Ford being big is an understatement.

Since Petrohawk Energy Corp. drilled the first significant well into the formation in La Salle County in 2008, the rush of drilling companies to stake their claims across the 400-mile-long, 50-mile-wide strip of southern and central Texas has brought investment and jobs.

Estimates from the Texas Railroad Commission, which oversees drilling activity, show that the more than 3.5 million barrels of oil slurped from the ground between January and June this year is the same amount produced in all of 2010.

Natural gas follows the same trend: 101 billion cubic feet produced in the first half of 2011 almost overtakes the 107 billion reported in all of 2010.

By 2010, that meant about 12,000 full-time jobs over the entire region, a University of Texas at San Antonio study said.

Technology has made all of that possible, including advances in hydraulic fracturing, or "fracking," or injecting sand and water to pry openings into rock and remove the petroleum.

Rig counts, a census of the rigs beginning the drilling process to establish new wells, showed 41 rigs active in the Eagle Ford region in January of 2008, according to Baker Hughes Inc. data.

There were 38 in January 2009 and 48 in January 2010. By August 2010, the ramp-up happened. Baker Hughes recorded 113 active rigs that month.

There were 125 by January and 188 by August, records show.

Through that time, the activity has been spilling money.

In 2010, there were \$2.9 billion in total revenues logged as of early this year, about \$512 million paid in salaries and benefits to workers with about \$60.9 million flowing into state coffers and \$47.6 million into local governments across the 24-county Eagle Ford region, according to the UT-San Antonio report.

Jobs are direct impacts. All those workers eat, sleep and shop somewhere, hence the lunch crowd at Taqueria Jalisco in Kenedy or the new stores and hotels coming to Alice and small towns with city-scale traffic.

Though anecdotal, those are the tangible effects diners, shoppers and drivers see.

No one has hand-counted every job that has come to the area or asked every business owner why they created them.

Implan attempts to capture that. The computerized economic modeling software is tailored to the Coastal Bend economy and has been used to determine potential economic impacts, Texas A&M University-Corpus Christi economist Jim Lee said.

Using the number of Eagle Ford wells that have either been permitted or drilled in the three Coastal Bend counties experiencing direct production — Bee, Live Oak and

McMullen — the model estimates as of earlier this year, there have been more than 600 jobs created since the play began.

Engineers, geoscientists, roustabouts and pump system operators lead the job count.

The rising tide lifts other industries, the model shows.

In those three counties, the model estimates oil and gas extraction jobs have indirectly added more than 70 jobs in food service and drinking establishments, more than 60 computer programming jobs and more than 60 support activities for oil and gas operation and about 40 wholesale trade jobs.

The projected ripple effects continue to legal services, medical services, auto parts dealers, real estate agents, bankers and retailers.

The final reading for direct, indirect and induced jobs in the three drilling counties tops 1,500.

Lee said those numbers are conservative.

"The total impact remains unknown because we don't know how many wells will be getting permits and will be drilled in the end," he said.

At the heart of the boom — in the oil fields — robust hiring continues.

Pre-Eagle Ford, Koch Pipeline had a staff of 64 people across South Texas. Those numbers in the near future will double to about 125, company vice president Larry Van Horn said.

Koch's beefed-up force is on all levels from operators to engineers, and they are permanent jobs for the type of activity Van Horn said he hasn't experienced in his 35 years in the oil and gas industry.

CYCLES

Lee said model estimates rely on a crucial factor — market prices for oil and gas.

The timing of the first Eagle Ford well in 2008 coincided with the time when oil prices topped \$75 per barrel for a sustained spike, Lee said.

Market prices have been the culprit in the past when Texas has had its hopes raised and dashed by oil and gas.

Such days plagued Texas during the early 1980s, when price dropped and carried production and all the related fringe benefits with it, with recovery that took decades.

What about this boom, and what would it feel like locally if it goes bust? A possible answer is in a parallel example — the closure of Naval Station Ingleside.

When the Base Realignment and Closure Commission announced Ingleside's closure in 2005, the University of Texas at San Antonio's Center for Community Business Research began crunching numbers.

Researchers concluded despite the direct effects of job losses, the indirect effects wouldn't be as serious as many feared, center senior economist Javier Oyakawa said.

"At the time, we found out the area, which includes Corpus Christi, had a lot of opportunities because of the growth of other sectors other than oil and mining in the area," Oyakawa said.

Those sectors were education, health care and tourism. As they grew during the 1990s, the sectors assured job opportunities that would cushion the blow of the base's closure, he said.

For the region as a whole, even in the unlikely event that market forces tank oil prices, the region largely would be spared a repeat of the 1980s economic doldrums, Oyakawa said.

At least for more populated areas.

Smaller towns, with labor forces that were already thin, are more susceptible, University of Texas of the Permian Basin economics professor Scott Carson said.

"They're not really concerned about 30 years down the road, it's 'Let's get the oil out now,' " Carson said. Towns that are too small may not have enough political support to explore diversifying, he said.

The good news is estimates show there may be plenty to get for quite some time.

Still, Eagle Ford is such a recent development that full impacts may still be too cloudy to make even soft predictions.

Oyakawa's analysis of Eagle Ford Shale's future is based on a comparison with development of the Bakken Shale in Montana, North Dakota and Saskatchewan in Canada.

Bakken production is about a decade old. Productivity per well ramped up during the first three years of production.

Three years into Eagle Ford, activity remains very much within the "buildup" phase, Oyakawa said.

"I'm definitely sure for the next five years or so, this is going to be growing, even 10 years into the future," Oyakawa said. "Based on what we're seeing, it looks very promising."



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