- The most significant risk facing our business is widening natural gas basis differentials.
- The cost of supplies is increasing.
- We generally have a positive outlook but are concerned about future volatility in oil markets as a result of Saudi and Russian manipulation of volumes and increased U.S. oil production.
- State of Louisiana Department of Natural Resources bonding regulations and inactive well fees remain quite burdensome. Legacy lawsuits are still lurking.
- We are seeing continued high costs, which are squeezing profit margins significantly. I will cut activity in 2019 if this continues unabated.
- The current administration has cut regulation, which has definitely helped the overall economic outlook over the past two years, albeit the oil and gas economy has moved up but slowly.
- Significant fluctuations in crude oil pricing and uncertainty about the future taint some of our planning for the future.
- Pipeline takeaway is the major issue for the next nine to 15 months.

Oil and Gas Support Services Firms

- We saw two factors capping growth in the second quarter. The Permian pipeline capacity and discount on WTI [Midland] have slowed completions. We expect to see fewer wells completed in the second half of 2018. Many E&P [exploration and production] companies will spend their budgets for 2018 before the end of third quarter 2018. This higher spending rate was a result of higher efficiency and higher service company prices. The net result will be a decline in total completions in the second half of 2018. We think a rebound will happen in first quarter 2019, but the Permian will continue slow growth until the pipeline capacity is increased and the WTI [Midland] discount is eliminated.
- Takeaway concerns in the Permian have created an overhang. However, none of our customers have indicated that they intend to reduce drilling activity.
- We are hopeful that the pipeline constraints will be resolved in 2019. Although WTI prices are staying in the high $60's per barrel, in the Abilene area we are being paid in the low $50's per barrel.
- Completions continue to lag drilling activity. There is increasing uncertainty in crude prices and increasing worry about a global economic slowdown. Recovery is getting long in the tooth.
- We are having difficulty hiring and retaining commercially licensed drivers. We are also experiencing difficulty hiring qualified roustabout hands and getting personnel to relocate to the Permian Basin.
- We are still lacking enough qualified drivers who are able to pass motor vehicle record checks and Department of Transportation preemployment drug tests. Additionally, the market is so competitive for drivers that they will jump ship for an extra 50 cents per hour.
- Customers remain very cautious but it does appear that the bottlenecks in the Permian are causing investment dollars to move elsewhere. We are clearly more optimistic than a year ago, but we will maintain our investment discipline as we expect our customers to remain cautious.
- We switched our primary area back to East Texas from the Permian. We have noticed fewer clients, but my work is stable for now. I am turning down West Texas work currently.
- The exuberance and constraints of the Permian Basin are allowing other oilfields to enjoy balanced activity levels that yield solid utilization and profit numbers.

Questions regarding the Dallas Fed Energy Survey can be addressed to Michael Plante at Michael.Plante@dal.frb.org or Kunal Patel at Kunal.Patel@dal.frb.org.