

# President's Perspective



*Texas companies are leading global providers of oil and gas drilling technology, mining services and expertise.*

When people think of Texas icons, cowboys, “big hair” and oil rigs often come to mind. Cowboys remain an important part of our cultural heritage and big hair may retain its allure for some; meanwhile, our state’s legacy in the energy sector has endured. New drilling technologies have yielded surging oil and gas production. Indeed, Texas again plays an outsized role in the energy industry, producing 2.1 million barrels of oil per day—the same amount as Norway—and 6.7 trillion cubic feet of natural gas a year, only slightly less than Canada.

The oil and gas sector has been synonymous with boom and bust in the past. Fortunately, Texas is unlikely to experience 1980s style energy-led recessions in the future. While oil and gas production are surging, the sector’s importance relative to the overall economy has diminished over the past several decades as a result of diversification. The share of total state

gross domestic product attributable to oil and gas has decreased more than 20 percent since 1982, while the sector’s share of overall employment has dropped from 5 percent to 2 percent.

There’s no denying, however, that with 25 percent of U.S. refinery capacity and about 60 percent of the nation’s petrochemical production, the state benefits from high energy prices. Moreover, Texas companies are leading global providers of oil and gas drilling technology, mining services and expertise. George P. Mitchell, who commercialized new technology allowing hydraulic fracturing of shale, is a Texan.

Discovery of giant oil and gas shale plays in Texas and throughout the United States is an economic and geopolitical game changer. In South Texas, exploration of the Eagle Ford Shale is fueling an economic boom. As Robert W. Gilmer, Raúl Hernandez and Keith Phillips explain in this issue of *Southwest Economy*, the spillover effects in terms of jobs and wealth creation are far reaching.

Growing demand for energy and the development of new technologies will ensure that Texas continues to occupy a special place in the energy sector for many years to come, further strengthening our region’s economic base.

A handwritten signature in gold ink that reads "Richard W. Fisher". The signature is fluid and cursive, with a large initial 'R'.

Richard W. Fisher  
President and CEO  
Federal Reserve Bank of Dallas