

Roth: An all-time-low rig count

By [Jim Roth](#), Director and Chair of the Firm's Clean Energy Practice Group. This column was [originally published in The Journal Record](#) on March 28, 2016.



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The current national rig count hit an all-time low this month, totaling 476 rigs engaged in the exploration and production of oil and gas in the U.S. Of that number, 446 rigs were engaged in land operations, while 27 rigs were offshore and three were inland water activity. And this week it dipped even lower to a total rig count of 464.

This new low may not be a surprise to us Oklahomans, who are feeling the pain of a depressed commodity environment, massive job losses and a state budget in seeming free fall. But the

decline is very dramatic, with the rig count being less than half of last year's level and less than 25 percent of the 2008 peak exceeding 2,000 rigs in the U.S.

And the numbers are even starker for natural gas rigs, with just 89 rigs directed at natural gas, down from the 2015 count of 242, and way off the 2008 number of more than 1,600 natural gas-directed rigs. Plenty of news for a pessimist to find comfort. But what about an optimist?

Some observers suggest that tight oil production today occurs with greater success because of shale rig efficiency, and therefore production will continue to increase in spite of lower rig numbers. Others believe that the rig count is meaningless because rig counts are tied to longer-term contracts between operators and drilling companies and aren't a week-to-week barometer of the rise or fall of oil or natural gas prices.

And still others drill down further (pun intended) for data points specific to the tight oil plays, where wells are the most productive typically, and further into the horizontally drilled wells in those plays, as the most productive specifically. Our state's own Mississippi Lime and Granite Wash, as well as the Eagle Ford, Niobrara, Permian Basin and Bakken are watched closely for this very glimpse for production specificity. And these plays have also seen massive drops in their rig count year over year, which perhaps gives us an even clearer impression of the general direction of future production.

So whether you are inclined to watch the specific rig counts in tight oil plays in your own production areas and neighborhood, whether you follow the Saudis and OPEC for signals about oil (and gas) prices and production on the world stage, or whether you monitor domestic storage levels as the indicator of prices and activity to come, it's probably best to contemplate it all rather than one singular data point such

as American rig count.

Either way, let's hope this new low is truly the bottom and that better prices, new jobs and brighter budget days are ahead for a producing state like ours sooner than later.

And just in case it's not, we should probably say an Easter prayer that Oklahoma doesn't have all its eggs in one energy basket and that wind and solar and other energies can offset the pain we feel from our old friend oil.

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