U.S., La. rig counts up from 2016, but onshore La. lags

BY RICHARD THOMPSON
rthompson@theadvocate.com

Despite a prolonged slump in oil prices, U.S. oil-drilling activity is more than double what it was a year ago and Louisiana’s overall count is up.

That is, except when it comes to land drilling in south Louisiana, where the weekly rig count on June 2 fell to zero, according to Houston oilfield services company Baker Hughes Inc.

For comparison, there were seven land-drilling rigs in that area at the same time last year, and 16 at that point in 2014, when oil prices hit $115 per barrel and began to plunge.

On Friday, the number of land-drilling rigs in south Louisiana had grown to two, while the total count for the state was at 67, which is up from 41 a year ago.

Seeing the south Louisiana land total completely fall off — albeit temporarily — wasn’t a major surprise to industry observers such as David Dismukes, executive director of the LSU Center for Energy Studies.

Dismukes blamed myriad factors, including slumping oil prices and that land-drilling in south Louisiana is a more expensive operation, among the highest-priced in the country.

"A lot of it has to reflect the challenges of operating in south Louisiana," Dismukes said. "Even when they're positive, they're not very stellar, and it's just a much more expensive place to operate."

On Friday, Brent crude, the international benchmark followed by many refiners, hovered at nearly $45 per barrel, while benchmark U.S. crude was at $43.

"It's no real big surprise to see why those numbers are so low," he said.

Land drilling in north Louisiana is highlighted by areas such as the Haynesville Shale play, a natural gas field that also runs under parts of Arkansas and Texas. But drilling in south Louisiana can involve harder-to-reach areas, such as marshes and swamp bottoms, Dismukes said, which require additional equipment that drives up costs for producers.

Some other oil-producing shale plays, such as the highly productive and cheaper-to-drill Permian Basin in Texas, are drawing more activity compared with a year ago. On Friday, the Permian Basin had 369 rigs, up 219 rigs from a year earlier, according to Baker Hughes.

"Right now, in the low price environment, you're going to put your dollars where you get the right returns, and that ain't it," Dismukes said of onshore south Louisiana.

Overall, there were 941 rigs searching for oil and gas in the U.S. this week, up by eight from a week earlier and up by 520 from a year ago. But that's compared with 1,873 rigs that were working in the U.S. three years ago.

Meanwhile, federal forecasters predict the Brent price will average $53 per barrel in 2017 and $56 in 2018, the U.S. Energy Information Administration said this month.

Follow Richard Thompson on Twitter, @rthompsonMSY.