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Oil shale boom boosts US jobs market

By Sheila McNulty in Houston

The [boom in shale oil and gas production](#) has created one bright spot in the otherwise grim US labour market, as manufacturing growth in [oilfield](#) services equipment leads to big jumps in profit and calls for new staff to cope with demand for everything from rigs to pipes to pumps.

Companies ranging from [Halliburton](#) to [National Oilwell Varco](#) reported massive earnings growth in the third quarter. This has underpinned a 10.3 per cent jump, year on year, in September job growth in the mining and oil and gas field machinery sector.

“The rate of job growth is noteworthy,” said Brian Davidson, an economist with the US Bureau of Labor Statistics, which compiled the statistics. He noted, in comparison, that total non-farm employment rose just 1.2 per cent in September, reflecting still sluggish growth across other sectors.

Halliburton alone said it is hiring 11,000 people in North America this year. It invested \$18m in the third quarter in projects to strengthen its North America service delivery and reposition its manufacturing infrastructure to support projected international growth. NOV will also hire about 5,000 people in the US this year.

Some producers, such as [Chesapeake Energy](#), have diversified into manufacturing to meet their own demands. Chesapeake established a subsidiary, Compass Manufacturing, in 2007 when the US's shale boom hit its stride.

“Chesapeake was buying all its equipment from outside vendors and still faced a shortfall,” said Don Mosher, Compass' director of operations. Through Compass, it began building gas compression packages and related equipment to make up the shortfall.

“Compass can't keep up and build all of it,” he said.

The jobs growth is a consequence of new technology which has enabled companies to economically extract gas from tightly packed shale rock that had only several years ago been ignored as too expensive to bother with.

The US has had significant growth in the amount of gas that can be recovered domestically because of shale, making it now the largest producer of natural gas in the world.



Source: Thomson Reuters Datastream

PFC Energy, the consultants, said last week that dramatic growth from shale sources meant that the US will become the top producer of oil and gas on a barrel of energy basis, surpassing Russia and Saudi Arabia, by 2020.

This month, Compass opened a new 40,000 square foot assembly facility in Oklahoma City and will double its staff, hiring 75 people through the middle of next year, to triple its production in the first quarter of 2012.

Chesapeake, through other ventures, makes everything from valves to hosing to control systems. Earlier this year, it called on its subsidiary, Nomac Drilling, to build new rigs and retrofit existing ones to run on natural gas.

"Nomac is a great proxy for what shale has done to the market," said Steve W Miller, Chesapeake's senior vice-president of drilling. "Nomac didn't exist 10 years ago and has gone from a startup in 2001 to more than 130 rigs now." Nomac plans to ramp up to 150 rigs next year, with a staff of 3,500.

"For every well drilled in the US – and there are tens of thousands drilled each year – up to 200 people come and go across that well," said James Minmier, president of Nomac Drilling. "All are high-paying jobs that infuse dollars into local communities."

Chesapeake is trying to fill 700 jobs across the company.

Mr Mosher says Compass's backlog of orders for compression equipment will take years to clear.

"It's incredible," he said. "I've never been any place where you could look down the road and demand was going to grow exponentially."

James West, oil field services analyst at Barclays Capital, said 3.5m of horsepower in pressure pumping equipment will be added to the US market in 2011, and the same amount is likely in 2012.

Each \$1,000 per horsepower translates to \$3.5bn of economic activity added to increase the US's pressure pumping fleet. On top of that, 200 land rigs are being added, at up to \$18m a rig, to what already is the largest land drilling market in the world.

"The US is adding \$8-\$10bn in economic activity just to build equipment to produce shale," Mr West said.

NOV, the world's biggest manufacturer of drilling machinery, pipe and downhole drilling motors, reported more than doubling its equipment backlog for drilling rigs and related equipment in the third quarter. That added up to \$10.3bn, a steep rise from \$4.9bn in the third quarter last year.

"We have high demand across all categories," said Clay Williams, NOV's chief financial officer. "We've seen substantial growth in demand for all tools and hardware that go into shale drilling."