Drop in oil prices leaves roughnecks at loose ends

G.J. McCarthy/The Dallas Morning News

Abel Niño checks his phone for messages as he waits to hear back about a job while watching his son, Santiago, and daughter, Marisol. Since losing his job earlier this month, he is struggling to keep up with his expenses.

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Published: 17 February 2015 08:02 PM
Updated: 18 February 2015 06:54 AM

The drive from Ken Mercer's home in Tennessee to the oil fields of western North Dakota takes 20 hours if you drive straight through.

Every month, Mercer, an Army veteran who served in Iraq, would make the trip as part of his two-weeks-on, two-weeks-off hitch with the Houston oilfield services company Patterson-UTI. Rotating 12-hour shifts aboard a drilling rig, Mercer worked day and night until it was time to go home, rest and do it all again. That was until one day he arrived at the equipment yard after driving from Tennessee to be informed along with 50 other workers that he was being let go, according to a lawsuit Mercer and another worker in Midland filed in federal court in Houston earlier this month.

So goes an oil boom that is sending workers packing almost as quickly as it drew a couple hundred thousand of them back to the oil fields. In locales such as Odessa, Williston and Carrizo Springs, where not long ago a vacant apartment could command big-city rents, drilling rigs are piling up in equiment yards. As the layoff announcements mount — 6,400 at Halliburton, 9,000 at Schlumberger — a five-year-long hiring boom that earned workers six-figure salaries and had companies jumping over each other to hire even unskilled workers is collapsing.

With oil prices half what they were seven months ago, the tables have turned. The Federal Reserve Bank of Dallas is predicting 140,000 jobs in Texas alone could be lost by next year if crude prices don't rebound.

Even before Bill Buck showed up at Baker Hughes' equipment yard near Mineral Wells one day earlier this month, he knew it was going to close. Drilling for natural gas had slowed to a trickle, and Buck, who worked his way up from the fields to a position as a lab technician, had heard rumors around town.

At home last week, he said he had enough severance to last him a couple months, but soon he'd have to start looking for work.

"If you want to get back in the oil fields, you have to find something temporary and ride it out," he said. "But from what I hear it's slowing down most places. I hear there's work in Louisiana, but I'm not ready to move."

Fighting back

As more pink slips flow across office towers and equipment yards, some are fighting back.

In Dallas, attorney Allen Vaught has amassed hundreds of clients among the laid-off ranks and has filed lawsuits against companies including Patterson-UTI and smaller firms GoFrac in Fort Worth and Brazos Rock in Weatherford.

"Oil fields are not unionized. This is an industry that has come to believe this is a workforce we can do with what we want," Vaught said.

The workers are claiming violations of a federal law requiring larger employers to give at least 60 days' notice ahead of layoffs. Within the law, there is an exemption for layoffs caused by "unforeseeable business circumstances." And the sudden drop in crude prices is likely to be a part of any defense.

A spokesman for Patterson emailed, "We believe the lawsuit is without merit, and we intend to defend ourselves vigorously. We value the contributions made by our team members and regret that current market conditions have required these actions."

Working drilling rigs has always been a feast-or-famine trade. Some veterans who have been around long enough to remember the oil price crashes of the 1980s preach thrift and savings during flush times in preparation for the next downturn.

But this latest boom has brought a whole new generation into the fields. As drilling ramped up, companies needed far more workers than the industry employed. So they increased salaries to fantastic levels, drawing workers from around the country who'd never seen a drilling rig.

"At a minimum wage no one comes. So if you need people, you raise it to get some people. And if you want more people you raise it some more. And so on and so on until you get everyone you need," said Michael Noel, an economics professor at Texas Tech who studies the oil industry. "There's a flip side. When production goes down, you don't need to pay people as much to get the people you need … and the workers go back to Dallas or Houston."

In 2013, Abel Niño, who lives in Little Elm on a peninsula jutting into Lewisville Lake, got on a crew cleaning up after drilling rigs once the well was finished. Six months later the 36-year-old father of five was on with Patterson, traveling around South Texas and working shifts of up to 100 hours a week.

But since being let go from Patterson's operation in Alice earlier this month, he is left hanging around at home and is struggling to keep up with his expenses.

"I was able to save some, but the more you make, the more you spend, the more bills you accumulate. Now I have a mortgage and a truck payment," said Niño, who has filed suit against Patterson. "We made good money, plenty of hours.

I love the oil field. I just hope it comes back."

Feeling frustrated

The experience of their first oil bust has left many frustrated.

Worried that they risk their severance packages by speaking publicly, many have taken to online message boards. On sites like TheLayoff.com and Reddit.com, workers of all stripes — from the roughnecks to professionals back in the main office — can trade gossip on who's next and vent anonymously about their superiors and the corporate culture.

One poster, who identified himself as recently laid off by Schlumberger, wrote, "Right before we sang 'Happy Birthday' to a co-worker my boss pulled me aside. I was told I was [laid] off and to get out in 30 mins! They ate cake and watched me leave … like I was some sort of animal!"

At the same time, more than 5,000 refinery workers are on strike, protesting what they say are unsafe conditions across the industry. So far, no refinery workers have been laid off in the downturn, said Lynne Hancock, a spokeswoman for the United Steelworkers union, which represents more than 30,000 refinery workers. The plants can actually be more profitable when crude prices are low, but there is fear cutbacks could spread.

"The majors have cut back on capital spending, and hopefully that doesn't include spending on improving safety," Hancock said.

The full weight of the downturn in crude prices has not been felt yet, experts say.

According to federal employment data, the number of people working directly for the U.S. oil and gas industry, as opposed to those who are classified as "supporting" the oil and gas industry, was almost 200,000 in January. That was down slightly from October, when the numbers hit a 28-year high. But still, it was up 3 percent from a year ago.

Simultaneously, oil companies have been announcing steady streams of layoffs, many in the thousands. Those are unfolding slowly over months, even as crude prices remain relatively level.

U.S. oil shale fields, like those in South and West Texas, are expected to be among the hardest-hit. Drilling costs there are among the highest in the world, as companies employ cutting-edge techniques like horizontal drilling and hydraulic fracturing to extract oil long thought undrillable.

"We have a ways to go before this is over," Noel said.

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