

U.S. NEWS



Two workers, left, run pipe Wednesday into a natural-gas well in Karnes County, Texas, tied to a firm in the town of Beeville. Attendance has dropped sharply at Beeville's Rio 6 Cinemas, right, because of the recession. Syd Hall, president of Rio Entertainment, says more people are seeing matinees instead of evening shows to save money.

Drop in Natural-Gas Prices Deflates South Texas

As Consumers Elsewhere Enjoy Lower Heating Bills, Local Joblessness Rises as Plans to Expand Drilling Are Shelved

By JASON WOMACK

BEEVILLE, Texas—The county clerk's office in this South Texas town was abuzz last year as natural-gas prospectors pored over property records, searching for the next place to sink a well.

But things are much quieter now in the domed courthouse in the town square; natural-gas prices have plunged and energy companies have pulled way back on drilling, particularly in older gas fields like those that dot this part of the state.

People across the country who heat their houses with natural gas have benefited from falling gas prices, which have dropped about 65% from their high in July 2008 of more than \$13 a million British thermal units, to about \$4.78 per million BTUs.

But here in Beeville, about 100 miles southeast of San Antonio, the price drop has made life a little tougher. The unemployment rate has climbed to 10% from 6.9% a year ago; the jobless rate is the highest here since 1993 and is among the highest in this part of the state. Residents say there are fewer cars on county roads and fewer customers at the local movie theater's evening shows.

Things were different last year, when oil and gas companies flocked here to search out energy reserves. That push boosted the local economy, starting with landowners who saw fatter royalty checks and industry workers who found themselves in strong demand. It spread, too, through companies that provide services to the industry and the restaurants and stores where

the additional money was spent.

"When [the gas] price goes up, everything booms," said Dan A. Hughes, chief executive of an oil and gas production company in Beeville that bears his name.

But with prices down, Mr. Hughes said he will drill about half as many wells as usual in the region this year and has choked back output from existing wells in the hope that gas prices will rebound.

Those kinds of cutbacks—combined with the recession—have hit the bottom line at the courthouse, too. When gas prices were high, Bee County took in \$10,000 a month from photocopying deeds, leases and other documents for the energy workers known as landmen. That revenue fell to as little as \$2,500 a month this summer.

"We have less money, pe-

riod," said David Silva, the county's top administrator.

Low prices aren't the only reason for worry about the gas industry in the county, which has about 33,000 residents. The traditional wells found here have fallen out of favor as energy companies have turned to more lucrative gas deposits in dense shale rock: the Barnett in Texas, the Fayetteville in Arkansas, the Marcellus in Pennsylvania and the Haynesville in Louisiana.

Shale wells were until recently more expensive and difficult to exploit than traditional gas wells. But with the advances in technology, shale wells have become about twice as productive as conventional gas wells and less risky, allowing companies to drive down costs.

Bee County, which is more

than half Hispanic and has a per-capita income of \$12,000 a year, compared with about \$26,000 nationally, relies heavily but not solely on oil and gas drilling.

Ranching is also a big business here. And dove hunters pack into the hotels here along state Highway 59 in the fall, giving the local economy a seasonal boost.

Beeville, the county seat, boasts a Wal-Mart and a state prison that provide jobs and help sustain the town even through tough economic times. But this year, local businesses are still feeling the pinch.

Syd Hall, president of Rio Entertainment, said fewer people are attending the \$5 evening shows at his six-screen movie theater in Beeville and instead are opting for the \$3 matinees.

Joe Henry Alaniz, who is co-

owner of both a Chevrolet dealership and an auto garage in Beeville, said customers have become reluctant to put money into their cars. "It trickles down and everybody gets hurt," Mr. Alaniz said.

Some Beeville natives, however, refuse to believe the decline here is permanent. One, Raymond Welder, president of San Antonio-based Welder Exploration & Production Inc., said he expects drilling to thrive again in South Texas.

Over the years, "people have called for the death of the oil and gas business in South Texas," he said. "But it keeps coming back."

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