

## Energy job market loses some of its zing

By LYNN COOK Copyright 2008 Houston Chronicle

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Craig Hartley For the Chronicle

**MORE WORK:** Mark Zimmerman, at Halliburton's real-time drilling lab. Oil prices are off, but Halliburton plans to keep hiring.

For the last two months, energy jobs have been the hot topic at mixers put on by the Houston chapter of Young Professionals in Energy.

Alicia Dodge, co-director of the 3,000-member group, hasn't heard of many people getting laid off but says the days of regular job-hopping for constant promotion and raises appear to be grinding to a halt.

"People have definitely started to adopt the mind-set that they're cherishing the job they have and putting value on the seniority they can attain there," Dodge says.

"Some people who moved into new positions recently are a little bit nervous because all of the sudden they're the new one. You know that saying: Last in, first out."

As recently as last summer, energy companies were desperate to hire new talent to help them rise with a tide of record energy prices. Now that tide is ebbing, and with it confidence about energy industry employment as companies cut back on some oil and gas infrastructure projects, new drilling leases and expensive unconventional technology.

Major exploration and production companies plan their projects years in advance, and they were never tied to \$100 oil. But Houston is also home to startup outfits that chased commodity prices to their peak and a raft of oil field services companies that manufacture parts and provide support for new drilling, which is dialing down.

With crude oil's benchmark price falling by almost \$100 a barrel and natural gas prices slashed in half since July, this center of the energy industry is bracing for fallout.

### Layoffs or a plateau?

Eric Nielsen, managing director of the Houston office of recruiting firm Korn/Ferry International, says Houston is holding its breath. The energy job scene could see substantial layoffs or simply a plateau depending on whether the mercurial debt and equity markets stabilize or stay volatile into 2009.

"If we're going to have a serious global recession, there will be significant demand destruction for oil and gas, and this sector will be under duress," Nielsen says, adding he doesn't expect clarity on worldwide energy demand or the labor market until the second quarter of next year.

"The anxiety level is extremely high," he says.

### **Signs of slower times**

Rowan Cos., which has drilling rigs scattered from Oklahoma to Saudi Arabia, recently laid off 35 employees of its LeTourneau manufacturing division. Also, four rigs under construction and under contract to Calgary-based Encana Corp. are "being re-evaluated."

Petrochemical powerhouse LyondellBasell, which employs 4,800 in Houston, has announced it will reduce its global work force by 2,500 positions over the next year. The chemical empire formed in 2007 with the merger of Lyondell and Basell was heavily financed with debt at the top of the business cycle, and now the credit crunch and falling commodity prices are taking a toll.

### **Debt-reduction payoff**

So far, the energy industry has provided the Houston area some cushion from the initial blows of the credit crunch and mortgage crisis. Big publicly traded companies that reaped high returns because of high oil and natural gas prices and used them to eliminate debt should be able to live within their cash flows for an extended period, said Gary Adams, vice chairman of consulting firm Deloitte's oil and gas group. But smaller vendors in the energy sector that had been thriving on credit are already hurting, and the pain may spread.

Adams says it's too early to project how many local energy jobs will be sacrificed, but Barton Smith, director of the University of Houston's Institute for Regional Forecasting, warns that this town's immunity from the financial problems plaguing the rest of the U.S. is evaporating.

Smith, an economist who has observed the local market for decades, won few friends during the oil boom in the early 1980s when he predicted that Houston would endure a severe oil bust. He was right. This time around, Smith admits he's had a hard time getting his arms around the financial meltdown.

"What we don't know here in 2008 is how long this is going to last," he says.

If a relatively mild recession occurs like the one the U.S. saw in the early 1990s, Smith predicts Houston will lose 20,000 jobs, many in energy, many in 2009. But if the double gut-punches of Americans losing trillions of dollars in home equity and their stock market portfolios at once turn into a "lost decade" situation like Japan saw in the 1990s, Smith says, energy job losses will get ugly.

It's not all gloom and doom in the energy capital of the U.S. Highly skilled geologists, petroleum engineers and other scientists who have been in great demand for several years are still scarce as the industry grays and young replacements are needed to fill the void creating by retiring baby boomers.

Guidance from the biggest oil companies suggests they will continue to hire at the same rate in 2009 as they did this year. Case in point: Chevron Corp. says it added 6,000 new employees worldwide this year and expects to hire just as many in 2009.

### **Halliburton expanding**

Houston-based Halliburton's senior director of talent management, Mahesh Puducheri, says that company will add 14,000 new people globally next year.

"I don't have a crystal ball, but based on our reports that oil prices will be in the mid-60s six months from now, we'll still need people," Puducheri says. "This company is about technology, and technology requires talent, qualified people to run the jobs. We're very conscious of that and aren't going to compromise that."

Deanna Fuehne, director of the career center at Rice University's Jesse H. Jones School of Management, says many MBA students graduating in May have changed their tune about what kind of job offers they would consider.

Last year's dream job for many Rice MBAs: Lehman Bros. This year the investment bank doesn't exist.

### **Hiring continues**

Even so, Fuehne insists the business school's placement rate is keeping pace with prior years despite the economic downturn. She says a lot of students who had planned to head to Wall Street after graduation are staying in Houston with energy companies.

"The Conocos and Exxons are coming back and making additional offers and picking up that 25 percent of the class that traditionally goes into banking," she says, adding that Shell Oil Co., Marathon Oil Corp. and El Paso Corp. continue to recruit.

"They couldn't have touched these guys two years ago."

Even so, many energy projects that are managed and equipped from Houston have been thrown into question, from marginal plays in the unconventional natural gas shale of North Texas to expansion deals in Canada's oil sands.

### **Asset-shopping possible**

Adams of Deloitte is predicting strong energy companies flush with pent-up cash from the days of high-dollar oil will be able to pick up valuable assets through mergers and acquisitions.

The assets they want to possess don't stop at oil- and gas-producing properties, he says. The companies still need talent.

"If they're smart about this, instead of a lot of layoffs, we'll see a transfer of human capital from one company to another, because it takes a lot of good people to deliver these energy resources."