

## **Basin exports remain strong despite domestic activity**

**By:Mella McEwen Oil Editor**

With domestic oil and gas production nearest their highest levels since 2003 thanks to high drilling activity and technological advancements, many oil and gas producers are focusing on North American opportunities.

Some think that focus could be at the expense of exporting to international markets.

“With the domestic market being as active as it is,” said Harry Henson, director of West Texas Export Assistance Center at the University of Texas of the Permian Basin’s Center for Energy and Economic Diversification, local exports are still going well.

From drilling rigs to equipment to capture flare gas or methane to pumping units to tool, Henson said much of the items being shipped from Permian Basin companies to other nations is oil related. “Everything is related because there is so much exploration going on everywhere,” he said.

“Exports are still going strong, which is why there’s so much hiring going on. More and more companies are exporting because they see opportunities outside U.S. borders,” he continued, citing a major shale project in Canada. “I think companies see opportunities to increase their revenues, and that shows up in our low unemployment.”

Larry Richards, president of Hy-Bon Engineering, said demand for Hy-Bon’s products to be used domestically could fill his fabrication facilities. But, he said, Hy-Bon’s business strategy is to keep its international business strong.

“Historically, our exports are 50% of our overall revenues,” he said. “It’s a mix we like to keep as diversification to guard against the up and down swings in the domestic industry.”

In fact, he said, “I recommend to oil service companies here that, though they may have exported goods in the past, it’s easy to drop that business in light of strong domestic activity. But keep that export mix because, when domestic activity does go down, and it will, that will help weather the downturn.

It was that strong export business he said, that helped Hy-Bon weather the slowdown in 2009 with no layoffs, in large part because its international business had large projects “hit at the right time, It’s nice common sense health mix of business.”

As Hy-Bon prepares to celebrate its 60<sup>th</sup> anniversary, Richards said the company reports its second consecutive year of the biggest domestic business it has ever had, export markets are not overlooked.

“Each year we try to add two international markets,” he said. “We are doing that this year. We’re taking a 10-year, long-term view instead of a short-term view.”

In December, the company sent its first two large Ariel reciprocating gas compressor units to Mumbai, India.

Permian Basin companies, he said, “I think have something unique to provide. We have 80 to 90 year-old formations that are still producing. Other basins are just now hitting the maturity we hit 20 years ago. We have tried and true technology we could send” to emerging producing areas in India, China and eastern Russia.

For 10 years, Richards noted, Texas has been the top exporting state in the nation and Permian Basin companies interested in developing international markets “have free reservoir of talent and expertise” through the West Texas Export Assistance Center established by the Department of Commerce 10 years ago, and the West Texas District Export Council, which he chairs. The council is a voluntary group of exporting companies selected by the Department of Commerce and secretary of commerce to share best practices. The council offers quarterly seminars.

“Our goal is to increase exports because it’s healthy for the economy,” Richards said. “it increases business and brings in more money.”

The West Texas Export Assistance Center, said Henson, stands ready to help meet President Obama’s goal of doubling exports by 2015.

“We’re doing all we can to help,” he said. “We help with research, finding, financing, setting up distribution agents.”