

# Affect of oil on our economy

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Effect of Oil in Our Economy Oil can be defined as a natural chemical substance that is non polar and a viscous liquid at ambient temperature range and is also immiscible with water but miscible with other liquids. There are two major types of oils; organic oils and mineral oils. Organic oils are produced by living organisms through metabolic processes while mineral oils that comprise of crude oils or even petroleum and their components that are refined and they are the important resources for the modern economy. The oil business includes processes of exploration, extraction, refining, transportation, and marketing of the oil products.

Oil also has consequences that are unintended and have negative impact. In the previous decades, the prices of oil have always been high going for \$100 per barrel. Because of increased oil consumptions in nations like China and wars in major oil countries like Iraq. The production of oil in fields that are conventional could not supply the demand efficiently hence the prices increased. The high prices made companies in Canada and USA to begin drilling, hard to get crude. Then all over sudden, the demand for oil started to reduce in places like Asia and Europe and in the USA, due to economies that were weakening and the introduced efficiency measures. Later in 2014, oil supply had risen much more than what is actually demanded. The unused oil was stored away for later use, by September, prices reduced sharply (Cochran, et al. 45).

The boom before the fall boosted Texas economy for nearly a half a century was finally over. The oil business in West Texas will take at least two years to recover as Houston audience was told by an economist who is familiar with Texas oil producers' economic indicators. As the boom brought good

moments in life, the downturn will lead to economic problems in Texas and other places that were beneficiaries of the boom (Henderson, Rebecca D 37). The cost of oil, permits issued and the numbers of rigs operating in Texas are in the decrease and this means the jobs of many people are in stake. Oil indexes were at the peak in October at it stood at 312. 9 but it reduced in December to 309. 5, and that was officially the end of a 54 month duration that the Texas energy industry expanded. It is expected that 50, 000 upstream jobs will be lost in the Texas as the contraction of oil industry continues, plus additional 250, 000 more jobs that are related to the oil and gas industry. GE Oil & Gas is one of the companies that has cut job, it informed the regulators that it is going to lay off 330 of its workforce in the Texas manufacturing operations.

Exxon Mobil Corp. said that the reduced prices were to blame for the 21 percent reduction of its fourth quarter margin of profit to \$6. 6 billion. It is believed to have suffered losses of about \$2. 4 billion in international production incomes as opposed to last year and this was caused by the reduced price of the liquids it produced.

Anadarko Petroleum Corp. had a loss of \$ 395 million in the fourth quarter because of the weakening charges on unproven properties and other costs. Its income dropped from \$3. 33 billion to \$3. 17 billion, regardless of the improved production due to the lower prices.

The industry is facing the uncertainty of by how much will the prices fall and this presents them with a situation that makes planning to be very difficult and challenging. Companies have been forced to cut back on capital expenditures and attempt to enable enough production so as to keep their

minerals rights leases.

Work cited.

Cochran, Mike, John Lumpkin, and Ron Heflin. West Texas: A Portrait of Its People and Their Raw and Wondrous Land. Lubbock, Tex: Texas Tech University Press, 1999. Print.

Henderson, Rebecca D. A Stake in West Texas: Pulling a Chain and Raising a Family Across Big Oil Country. , 2014. Print.