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Boomtowns Bust Under Falling Oil Prices



Posted Friday, January 22nd 2016 @ 3am
by iHeartMedia's Nik Rajkovic

Crashing oil prices are beginning to decimate Texas boomtowns.

Pearsall, Cotulla and others sitting atop the Eagle Ford Shale soared during the recent oil boom, but are now scaling back to weather this latest storm.

Crude oil fell to under \$28 a barrel Thursday.

"These little towns are used to boom times, they've seen it in ranching, they've seen it in farming in someways and they've seen it in oil, so they know how to hunker down," says Scott Tinker, director of UT's Bureau of Economic Geology.

"This has been a good decade for them, so hopefully they've put a little

under the mattress, so to speak," he says.

Ray Perryman, President and CEO of The Perryman Group, believes many of the larger chain businesses will be okay, those are the hotels and fast-food restaurants that typically follow the money.

It's the mom and pop shops who may run into trouble.

"If they expanded a lot, leveraged or borrowed money, but a lot of those folks have been in business a long time, so they're very smart, they've seen ups and downs before and simply don't do that," he says.

"There will no doubt be some painful readjustments that will take place."

Perryman says there are still steps a small business can take to ride out the current oil downturn.

"Be as efficient and cost-effective as you can be, manage your cost and inventory very carefully to try to weather the situation, and hopefully you haven't taken more debt than you can handle," he says.

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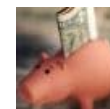
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