

QUOTABLE: *“Some of the air appears to be coming out of the recent boom in Houston. The numbers look great compared with a sluggish U.S. economy but are well short of the year-ago results.”*

—Robert W. Gilmer, Vice President

ENERGY: ‘If You Don’t Have a Gas Well ... Get One’

So reads a billboard in Fort Worth, the heart of Barnett Shale country. This rich natural gas reservoir has thrust the Dallas–Fort Worth area, traditionally a financier to Texas’ energy industry, into the realm of production.

A 7,000-foot-deep rock formation, the Barnett Shale stretches from eastern Dallas to west and south of Fort Worth. The drilling area now covers 17 counties and more than 3 million acres.

The Barnett Shale has potential reserves of 30 trillion cubic feet of gas. Through May, this year’s production ran at about 2 billion cubic feet per day from more than 6,500 wells. Some 70 to 80 rigs are in use, popping up in backyards and dotting the landscape at Dallas/Fort Worth International Airport.

Experts call the Barnett Shale North America’s largest unconventional resource play, possibly rivaling Alaska’s North Slope in potential gas resources.

The Barnett Shale is a “tight gas” reservoir, meaning extraction is difficult because of the very hard surrounding rock. Exploration and production became feasible only with developments in hydraulic fracturing technology and horizontal drilling.

The Barnett Shale’s prospects have also received a boost from higher natural gas prices. Drilling makes economic sense at about \$4.50 per million Btu. This year, natural gas has been selling for \$6 to \$8 per million Btu.

—*Mine Yücel*

INCOMES: Gains from Higher Education Rising in Texas

Education pays off handsomely in Texas. A typical college graduate over age 25 earned \$45,345 in 2006, well above the state’s average income of \$30,210. Formal education enhances workers’ skills and knowledge, making them more productive.

The gap between highly educated workers and less educated ones has risen sharply in recent years. According to the Census Bureau’s American Community Survey, Texas workers over age 25 with college degrees earned 89 percent more in 2006 than those with high school diplomas, up from 79 percent in 2004.

Median earnings rise along with Texas cities’ education levels. Austin, the state leader in college graduates at 39 percent of its 25-plus population, reported the highest median

earnings of \$34,714 in 2006. In contrast, the lowest incomes were in the border metros of El Paso, Laredo, McAllen and Brownsville, where less than a fifth of the population has a college degree.

A more educated workforce may even help those toward the bottom of the wage scale. Incomes of workers with little or no formal schooling are also higher in cities with larger shares of highly educated workers.

Dallas–Fort Worth, for example, has a larger percentage of college graduates than San Antonio, and Dallas–Fort Worth laborers without high school diplomas earn nearly \$2,000 more a year than San Antonio workers with the same educational background.

—*Laila Assanie*

HOUSING: Sector Weakens in Texas, but Prices Hold Up

The national housing downturn is weighing on Texas markets. In the October Beige Book, the Dallas Fed’s regular survey of business activity, housing contacts report that weakening conditions nationwide have heightened unease among homebuyers.

Builders report a rise in cancellation rates as potential buyers—both Texans and those planning to relocate from other states—face tough markets for selling their current homes. In addition, tighter lending standards have made financing more difficult to obtain, particularly for buyers looking for their first homes and those deemed less creditworthy.

Home sales, building permits and inventories all point to a sagging real estate sector. So far, though, Texas housing prices have held up fairly well.

Through August, Texas median home prices were a modest 3 percent higher, compared with the same period in 2006, according to data from Texas A&M University’s Real Estate Center. Prices were up 7 percent in Austin, 6 percent in San Antonio, and 2 percent in Dallas and Houston. Of the 43 cities tracked by the Real Estate Center, only four showed declines—Paris, Lufkin, Garland and Temple–Belton.

The Office of Federal Housing Enterprise Oversight reports that the state’s second-quarter repeat-sale home prices were 6.9 percent higher than a year earlier, ranking Texas ninth among states. Rhode Island, Massachusetts, California, Michigan and Nevada recorded year-over-year home-price declines in the second quarter.

—*D’Ann Petersen*