

State Of Texas Legal Market: It Isn't Just About Oil

By [LawVision](#) on September 1, 2016

Law360, New York (August 26, 2016, 5:05 PM ET) – The drop in crude oil prices that began in 2014 has resulted in the industry's deepest downturn in decades. With falling commodity prices came lower earnings for companies, mass layoffs and bankruptcies. In this special series, we invited guest experts to help gauge how the downturn has affected the legal industry in Texas.

By Geoff Schuler and Truda Chow

There has been significant speculation on the state of the legal industry in Texas as a result of the decline of oil prices. Specifically, some market watchers believe that law firms with significant energy-related practices have experienced precipitous declines in revenue and profits due to the dip in oil prices. To test this theory, we checked with several connections who have, or still want to have, "boots on the ground" (some of whom are quoted below).

Based on what we heard, the law firms in Texas are doing much better than the "doom and gloom" crowd expected or predicted, due primarily to 1) shifts in the client work types related to energy, 2) some work being moved back to the law firms from outside legal departments, and 3) the enormous size and diverse nature of the Texas economy. In other words, on a short-term basis, the overall storyline at a macro level is that the dip in oil prices is a relative nonevent when viewing the Texas legal market as a whole.

Shift in Work Types

The most obvious impact of the drop in the price of oil on the Texas legal market is a shift in the work types many firms are experiencing. As with most downturns, there is a movement away from large-scale mergers and acquisitions and infrastructure investments toward smaller asset acquisitions and dispositions, as well as restructurings, bankruptcies and litigation to get out of oil and gas leases. As Mike Pearson, co-chairman of [Jackson Walker LLP's](#) energy practice group, said, "since the end of 2014, with the collapse in commodity prices, we have seen new drilling activity dry up almost completely. The cost of wells makes it prohibitive to drill." Additionally, Jules Brenner, energy practice group leader for [Strasburger & Price LLP](#), indicated that, "middle-market M&A, especially acquisitions and divestitures, have been extremely slow." It is worth noting that there have been many active deal discussions and proposals, but the majority of these deals die in the diligence phase.

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