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ENVERUS
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Fluor to market non-core businesses after energy woes

Fluor Corp. intends to sell its construction equipment rental company, **AMECO,** and its government business following a strategic review triggered in part by a troubled offshore energy project. The engineering and construction company also seeks to monetize surplus real estate and non-core investments. These actions are anticipated to generate more than $1 billion.

Cut dividend from $0.21 per share to $0.10 per share, saving about $60MM.

The company also plans to reduce its quarterly dividend to $0.10 per share beginning with the next quarterly dividend declaration, a move designed to increase liquidity and fortify its balance sheet by saving about $60 million a year. It paid a Q2 dividend of $0.21 per share on Sept. 4.

In Q2, Fluor posted a net loss of $555 million as revenue slid to $4.09 billion, its lowest level in more than two years. The company's Energy and Chemicals segment reported a loss of $229 million, including $186 million in pre-tax charges after late design changes to an FPSO led it to miss the completion deadline on a fixed-price offshore project. Continues On PG.14

Saipem to deploy industry's first subsea drone in Equinor deal

Saipem has signed a subsea contract with **Equinor** that is the world's first service deal for subsea drones signed in the offshore oil and gas sector, the companies said. Equinor will be the first user of the technology, which is expected to be completed in 2020.

The contract, worth about €40 million ($44 million), has a duration of 10 years with five additional two-year extensions. The work in the Njord development off Norway will use Saipem's Underwater Intervention Drone Hydrone-R and the all-electric Work Class remote-operated vehicle Hydrone-W. Hydrone-R operations will start in Q1, immediately following completion of the endurance tests currently underway, while Hydrone-W will be delivered in 2021.

Unlike ROVs, drones controlled from shore and and can stay underwater for months.

The drone may be autonomous below Njord for months between scheduled maintenance, whereas Hydrone-W will be connected to the platform like a traditional ROV. Both are electric and can be operated without a surface vessel, reducing carbon emissions and response time. Operations will not be dependent on weather conditions. Continues On PG.13

McDermott considers alternatives for Lummus after stock slide

Shares of **McDermott International** plummeted 63% Sept. 18 on rumors that the energy construction and engineering specialist had hired a restructuring analyst, possibly in anticipation of a bankruptcy filing. But investors got some good news two days later, when McDermott announced that it had hired **Evercore** as lead advisor for the strategic alternatives process for its **Lummus Technology** business, for which it recently received an unsolicited bid exceeding $2.5 billion.

Proposed $2.5B Lummus sale will help strengthen balance sheet, CEO says.

The sharp decline caused the NYSE to halt MDR trading amid a report from Briefing.com that McDermott had hired turnaround firm **Alix Partners.** McDermott did not confirm or deny the report but instead issued a short statement saying that it "routinely hires external advisors to evaluate opportunities for the company. The company is taking positive and proactive measures, as we have done in the past, intended to improve its capital structure and the long-term health of its balance sheet."

The Wall Street Journal reported Sept. 20 McDermott had hired **Kirkland & Ellis** to advise on its balance sheet. A group of lenders hired **Jones Day** as counsel, and a bondholders group hired **Houlihan Lokey** as financial advisor, the Journal reported. Continues On PG.8

Already sluggish M&A activity slows to a crawl in Q3

The M&A market in oilfield services ground to a virtual halt in Q3, its slowest in deal value in at least five years, according to the **Enverus M&A Database.** Combined, the entire sector produced only $2.53 billion in combined deal value in Q3—less than **Transocean's** acquisition of **OceanRig UDW** in September 2018. All of 2019 has produced only $10.35 billion in announced deals compared with $13.24 billion in 4Q18.

Meanwhile, two of OFS's largest deals in past 10 years spend Q3 splitting up.

Crude's rally in early 2018 followed by the 4Q18 price collapse could share some of the blame for the transaction stagnation. The sharp decline prompted E&P firms to cut back their production or do more for less capex. This trickled down into OFS, which has felt investor pressure.

From North American frackers to offshore drillers, many oilfield services segments complain of oversupply. While consolidation would be one way to reduce pricing pressure, investors could be reluctant to endorse larger companies.

In fact, the two largest M&A transactions in the past 10 years are in the process of being undone. Continues On PG.6

Activity Index

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Contracts

Oceaneering gets a first for decommissioning in Canada

Oceaneering International won its first decommissioning contract in Canada. The work scope includes internal cutting, external cutting and local soil displacement. Work is expected to start in 2Q20.

OCEANEERING

The decommissioning project comprises seven offshore gas platforms located about 135 miles east of Halifax, Nova Scotia, on the edge of the Scotian Shelf. The platforms were installed between 1999 and 2006 and consist of integrated topsides modules on jacket structures that are in water depths of 25-75 meters. Financial terms were not disclosed.

Oceaneering also won contracts from **Baker Hughes** to supply subsea umbilical control systems for **ONGC's** KG-DWN 98/2 deepwater field development in the Bay of Bengal. Oceaneering's scope covers gas production from fields U and R, and oil production from fields A, P and M. Financial terms were not disclosed, but manufacturing of the 44 electro-hydraulic control umbilicals will be completed in 1Q21. Baker Hughes, in a consortium with **McDermott** and **L&T Hydrocarbon Engineering,** won the subsea contract for the development last October.

ABOUT THIS REPORT

OilfieldServices is published every three weeks and covers the oilfield services sector including contracts, the deal market, finance and new technology offerings.

All dollar amounts in this report are in US dollars unless otherwise stated.

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Breaking up easier to do than coming together in Q3

Q3 came to a close, proving to be a quarter more notable for its breakups than its M&A inactivity. The slowdown wasn't a one-quarter slump as the oilfield services sector has announced less M&A transaction value in all of 2019 than in just the final three months of 2018, according to the **Enverus M&A Database.** On top of that, two of the sector's largest mergers in the past 10 years moved towards Splitsville, with **General Electric** cutting its stake in **Baker Hughes** to below 40% and **TechnipFMC** announcing plans to spin off its Onshore/Offshore segment into a new company **(PG.1).**

IN THIS ISSUE

One tale that might make companies reluctant to tackle major M&A is **McDermott,** which was a strong company when it saw an opportunity to expand at a discount and bought troubled **CB&I.** The company thought its "One McDermott Way" operations philosophy would turn CB&I around, but so far the deal seems to have been more pain than gain.

NGL Energy makes another deal to increase Delaware water system (PG.8).

Bankruptcy fears led to panicked selling of MDR shares, which started the week of Sept. 16 at $5.79 and ended the week at $2.01. But if CB&I got McDermott in this mess, it can get it out as the company received an unsolicited bid of over $2.5 billion for **Lummus Technology,** which CB&I acquired in 2007 **(PG.1).**

Fluor Corp. is another engineering company looking to get back on the right track, unveiling a strategic review. It intends to sell some non-core businesses to generate more than $1 billion and will cut its quarterly dividend to $0.10 per share from $0.21 per share **(PG.1).**

If the sluggish M&A market makes it harder to get bigger, companies have decided to try to get better through advanced technology. Several companies announced new innovations in September, but the most historic one comes from **Saipem,** which will be the first to deploy a subsea drone for offshore work. The Hydrone-R could work for months without maintenance and does not need to be connected to the platform, unlike a normal remote-operated vehicle **(PG.1).**

Contracts

Apache awards North Sea life-of-field contract to Global E&C

Global E&C received a life-of-field contract for brownfield services with **Apache Corp.'s** North Sea subsidiaries. The Aberdeen, Scotland-based subsidiary of **Global Energy Group** touted the deal as the largest life-of-field contract award in the history of the UK sector and largest in the group's history, although financial terms were not disclosed.

UK-based Global E&C said Apache is a cornerstone customer.

The contact "signals a notable shift in how Apache has chosen to engage with the supply chain versus a more traditional contracting model," Global E&C managing director Derek Mitchell said. He also called it a "major statement" in support of Oil & Gas UK's Vision 2035, an industry effort to extend the life of UK fields by a generation. Global E&C, an integrated engineering, procurement and construction contractor, said Apache is a cornerstone customer after more than a decade of working together.

Apache operates in the Beryl and Forties fields. It produced 65,833 boe/d from the North Sea in Q1, after starting its Garten well in Beryl last December. The company also intends to spud at a second Garten well and begin production at its Storr development in Beryl by YE19.

Baker Hughes and Ocean Installer win Vår Energi contract

Baker Hughes and **Ocean Installer** have won a subsea contract from **Vår Energi** for the engineering, procurement, construction and installation of subsea systems and associated services for the Balder X project on the Norwegian Continental Shelf. The contract involves EPCI for 16 new subsea production systems, umbilicals, risers and flowlines to the Jotun A FPSO. The companies will also carry out decommissioning work in the field. Ocean Installer CEO Kevin Murphy said it is the largest award in the company's history and will double its order backlog. Financial terms of the deal were not disclosed.

The contract involves EPCI for the Balder X project in Norway's North Sea.

The Balder X project involves redeveloping the Balder and Ringhorne fields in the North Sea. The Jotun A FPSO will be refurbished and relocated to extend its production life to 2045, and the Balder FPSO's life will be extended to 2030. The project also involves drilling 15 production wells in the Balder field and 11 production wells in the Ringhorne field.

Transocean backs out of deal for 2 under-construction drillships

Transocean will relinquish its respective interests in two drillships under construction to **Samsung Heavy Industries Co.** and make no more payments to SHI. While missing out on the chance to upgrade its fleet with two seventh-generation drillships, Transocean said it would have cost another $1.1 billion to take delivery and place them into service, although shipyard financing deals were expected to push those costs back to 2023 and 2024. The company said the construction contracts are not guaranteed by it or any of its affiliates.

One drillship was scheduled for delivery in Q4, with the other for 3Q20.

The drillships were the Ocean Rig Santorini and the Ocean Rig Crete. Transocean acquired **Ocean Rig UDW,** the two under-construction vessels and nine existing high-spec ultra-deepwater drillships, in a $2.72 billion merger that closed last December,

The Ocean Rig Santorini was scheduled for delivery in Q4 with the other drillship slated for 3Q20. Market analysts speculated that Transocean might have attempted to delay delivery but was unable to make a deal with SHI. Even though the offshore drilling market remains sluggish, Transocean had shown no prior indication it was considering cancelling the drillships and repeatedly stressed the quality of Ocean Rig's advanced fleet when promoting the acquisition.

Contracts

Weatherford lands record deal for deep-set safety valves

Weatherford International announced a contract with **Petrobras** for 24 Optimax valves in the next four years, its largest-ever for deep-set safety valves. Financial terms of the order were not disclosed.

Optimax valves designed for pressure up to 10,000 psi and depths up to 12,000 ft.

An experienced player in traditional safety valve technology, Weatherford is using the Optimax to extend into the deep and ultra-deepwater market. Optimax protects against catastrophic loss of well control by providing fail-safe closures at pressure up to 10,000 psi and are rated for setting depths as deep as 12,000 ft.

Optimax is "a victory in innovative thinking," said Mark Hopmann, president of completions for Weatherford. "Conventional deep-set valves typically require nitrogen-charged chambers to compensate for the high hydrostatic pressure of the control line. The Optimax deep-set safety valve overcomes this challenge with a design that utilizes highly reliable, field-proven technology."

An integral part of the completion string, the Optimax deep-set safety valve is controlled by a primary hydraulic control line. Application of control-line pressure keeps the valve in the open position. When pressure is bled off, the valve closes. A secondary upward-facing piston plus heavy-duty power springs enable fail-safe closure while keeping the hold-open pressure to a minimum.

Weatherford and Saudi Aramco ink five-year agreement—

Weatherford signed a five-year corporate procurement agreement with **Saudi Aramco** to deliver cementation, completions, liners, solid expandables and casing exit technologies. The agreement, announced Sept. 17, establishes a foundation for future collaboration between the companies. Financial terms were not disclosed.

Deal creates foundation for collaboration between the companies in the future.

The company, which is headquartered in Switzerland but has its principal offices in Houston, filed for Chapter 11 bankruptcy protection in July to shed $5.85 billion worth of debt. A week before announcing its deal with Saudi Aramco, Weatherford gained approval for its reorganization plan. Under the plan, it will have access to a first-lien exit revolving credit facility of at least $600 million and will issue up to $2.1 billion of new senior unsecured five-year notes.

Oilfield Services Stock Movers—Last Month

Source: Capital IQ

	Company	Ticker	$/Share 10/02/19	$/Share 09/02/19	% Change	% Change YOY
Top 5	CARBO Ceramics	CRR	$2.17	$1.65	32%	-71%
	Key Energy Services	KEG	$1.30	$1.03	26%	-88%
	Quintana Energy Services	QES	$1.75	$1.45	21%	-77%
	Geospace Technologies	GEOS	$14.76	$12.24	21%	9%
	Cypress Energy Partners	CELP	$8.85	$7.41	19%	27%
Bottom 5	Hermitage Offshore Services	PSV	$1.10	$1.55	-29%	-89%
	Mammoth Energy Services	TUSK	$2.19	$3.64	-40%	-93%
	Synthesis Energy Systems	SES	$1.68	$3.04	-45%	-91%
	Pacific Drilling SA	PACD	$3.19	$6.08	-48%	-100%
	McDermott International	MDR	$1.75	$4.72	-63%	-90%

Note: Data includes US-listed (including secondary) public companies operating in the oilfield services space, limited to >$1.00/share and >10,000 daily share volume.

- **KCA Deutag** subsidiary **Bentec** signed a multimillion-euro contract with the drilling division of **INK-Service Group** for the manufacture of seven latest-generation cluster slider rigs. INK is the services unit of Russia's **Irkutsk Oil Co.** The rigs will be fully equipped with the latest Bentec equipment, including its recently launched integrity and optimization software. Delivery of the first three rigs is scheduled for 2020, with delivery of the remaining rigs in 2021.
- **Bison** has entered into a 15-year water gathering and disposal agreement with **Paloma Operating Co.** and its affiliates. The company will exclusively manage all of Paloma's produced water infrastructure within a 325,000-acre area across Canadian, Kingfisher and Blaine counties, Oklahoma. Bison is Oklahoma's largest water infrastructure, logistics and solutions provider. Paloma also has leaseholds in Grady and McClain counties, Oklahoma, and has a 77,000-net-acre position in the STACK and Merge.
- **Subsea 7** announced the award of two contracts, together representing a $50-150 million award, by **BP** for the Azeri Central East project in the Azeri-Chirag-Deepwater Gunashli field off Azerbaijan in the Caspian Sea in a water depth of about 140 meters. The work scope comprises engineering and fabrication of subsea structures, engineering, transport and installation of spools, the launching of a 16,200-tonne jacket and the float-over of an 18,500-tonne topside. The contracts will be executed in consortium with **BOS Shelf,** which will be responsible for the fabrication, logistics and facilities support. Engineering work will start immediately with offshore execution slated for 2021 and 2022.

Contracts

Valaris offshore rigs increase backlog by $245 million

Three **Valaris** ultra-deepwater drillships added work in September as part of a series of new contracts and extensions, with associated revenue backlog of $245 million. Previously known as **EnscoRowan,** Valaris did not provide an updated backlog, which stood at $2.4 billion at the end of Q2.

Formerly known as the Rowan Resolute, the ultra-deepwater drillship Valaris DS-16 saw its contract with **Fieldwood Energy** in the Gulf of Mexico extended by about 180 days to September 2020 because of the exercise of an option, which will begin following the end of the contract term upon completion of the well in progress.

Jackup Valaris JU-248 wins contract with estimated duration of 492 days.

Other ultra-deepwater drillships adding work were the Valaris DS-7 off Egypt and the Valaris DS-4 off Ghana. **Burullus Gas Co.** exercised three one-well options on the DS-7, which should keep it working from October to mid-March, while **Anni International Petroleum Development Co.** awarded a one-well contract to the DS-4, with an estimated duration of 50 days.

Three jackups also received new work. The Valaris JU-291, formerly the Rowan Stavanger, had its contract with **Equinor** off Norway extended by two wells, with an estimated duration of 208 days from January to August. The Valaris JU-115's contract with **Mubadala Petroleum** off Thailand was extended by two months to March.

The Valaris JU-248, formerly the Rowan Gorilla VI, was awarded a four-well contract with **Neptune Energy** in the North Sea that is expected to commence in 3Q20, with an estimated duration of 492 days. Additionally, a previously disclosed contract with **Premier Oil** in the North Sea has been transferred to Valaris JU-248 from Valaris JU-121.

The only one of Valaris' 12 semisubmersibles to receive new work was the Valaris DPS-1 off Australia, whose contract with **Woodside Energy** was extended by seven wells. The estimated duration of the extension is 420 days from July 2020 to September 2021.

Projects

Excelerate told to proceed with Philippines FSRU project

Excelerate Energy received the notice to proceed from the Philippines' Department of Energy to develop a floating LNG import terminal 6 miles offshore in the Bay of Batangas. The floating storage and regasification unit will have a storage capacity of 150,000 cubic meters, with the DOE predicting the start of commercial operations in 3Q21.

The Luzon LNG project will supply existing and new gas-fired power plants in the region that provide electricity to Luzon, including the Manila metropolitan area. The Philippines has at least three other LNG import projects in the works as it looks for alternatives for its Malampaya gas field.

Construction expected to start in October and run until July 2021.

Chief commercial officer Daniel Bustos said his company was the only one "with the experience to deliver all that is required for this complex project—this will not be our first time." The company said the facility will use offshore technology specifically designed to perform in extreme weather conditions, like those of the Philippines, and has been proven at its operations in the Gulf of Mexico, the North Atlantic, Israel and, most recently, the Bay of Bengal. Based in The Woodlands, Texas, Excelerate has a fleet of nine operating FSRUs worldwide. Construction of the project is expected to start in October and run until July 2021.

The company will develop, design, permit, construct, finance and operate the Batangas terminal. Following the NTP, it will seek the necessary permits and raise financing for the project. Financial terms of the project were not disclosed.

Excelerate also signed a five-year bareboat charter agreement with **Maran Gas Maritime** for the FSRU Hull 2477. During the five-year charter, Excelerate will have the option to purchase the vessel. MGM is currently building the FRSU at a **Daewoo Shipbuilding and Marine Engineering** shipyard and is scheduled for delivery in April, when the BBC will start. The vessel will have a storage capacity of 173,400 cubic meters and be capable of operating as both an FSRU and a fully tradable LNG carrier. Excelerate did not say the Philippines project and the charter were related.

US Rig Count by Basin & Top Drillers

Location	Current 10/02/19	Week Ago 09/25/19	Month Ago 09/02/19	Year Ago 10/02/18	% Chg YOY
Total	906	927	962	1,182	-23%
Top Drillers					
Helmerich & Payne, Inc.	197	198	205	238	-17%
Patterson-UTI Drilling Co.	120	113	121	160	-25%
Nabors Industries, Ltd.	99	106	110	107	-7%
Precision Drilling Corp.	65	70	68	73	-11%
Ensign Energy Services,	63	69	69	42	50%
Rigs by US Basin					
Delaware	237	243	239	273	-13%
Midland	150	148	154	183	-18%
Gulf Coast	97	102	104	131	-26%
Anadarko	72	68	92	167	-57%
East Texas	58	56	57	64	-9%
Appalachian	52	55	58	65	-20%
Williston	48	52	56	62	-23%
Gulf of Mexico	42	42	45	37	14%
Powder River	27	30	29	26	4%
Denver-Julesburg	21	22	24	29	-28%
Central Platform	17	22	21	23	-26%
Eastern Shelf	9	6	5	7	29%
San Joaquin	9	9	9	12	-25%
Other	67	72	69	103	-35%

Source: Enverus

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