

## McDermott posts \$1.9B net loss and delays interest payment

**McDermott International** faces renewed bankruptcy fears after reporting a Q3 net loss of \$1.87 billion on revenue of \$2.12 billion. The company exuded other troubling signs: It delayed an interest payment, replaced its CFO, failed to schedule an earnings conference call, revealed a US Securities and Exchange Commission probe and saw construction on its new headquarters stopped. MDR shares closed below \$1 on Nov. 8 at \$0.97, which is 91% below its 52-week high.

The net loss was connected to \$1.51 billion in impairment charges. The leading factor behind the impairment was the 79% drop of MDR shares during Q3, from \$9.74 on July 1 to \$2.02 on Sept. 30. The slide began July 30, one day after the company announced a \$146 million net loss in Q2 and reduced 2019 guidance to a net loss of \$310 million instead of net income of \$170 million. McDermott also added to its bad news on two troubled liquefaction projects it took on when it bought **CB&I** in 2017, **Sempra Energy's** Cameron LNG and **Freeport LNG**.

**Shares declined 79% during Q3, prompting impairment charge.**

➤ **Continues On PG.15**

## Covia expects its frac sand sales volumes to decline 15% in Q4

**Covia** said its frac sand volumes are insufficient to meet fixed costs so it idled another frac sand mine—its sixth since September 2018. While asset sales allowed the company to post its first positive net income in more than a year, officials acknowledged Q3 was disappointing, and they expect frac sand volumes to decline another 15% during Q4.



Other frac sand companies showed mixed Q3 results.

**Frac sand production capacity reduced by over 14MM tons since September 2018.**

**Carbo Ceramics** issued a “going concern” warning after it lost its main frac sand customer (**PG.13**). Both **U.S. Silica Holdings (PG.8)** and **Hi-Crush Inc. (PG.11)** posted net losses and flat volumes, with Hi-Crush posting \$216 million in impairments on two facilities. **Smart Sand** posted a positive net income for the third consecutive quarter, but volumes fell 18% (**PG.7**).

Covia's energy segment revenue decreased 11% sequentially and 31% YOY to \$223 million, with lower pricing for both Northern White and local sand. Volumes decreased 9% sequentially and 7% YOY to 4.2 million tons.

➤ **Continues On PG.18**

## GOM activity leaves Transocean optimistic despite \$825MM loss

**Transocean** sees signs of a “super-tight 2020” in the Gulf of Mexico and the offshore market as being the strongest in years. The company also is moving toward a final investment decision on a second 20,000-psi-capable ultra-deepwater floater, even though it exited two newbuild contracts, scrapped three drillships and posted an \$825 million net loss in Q3.



“It's really the first time since the start of the downturn,

**CEO: ‘Multiple customers fighting over the same asset’ for first time in years.**

we have multiple customers fighting over the same asset,” CEO Jeremy Thigpen said during the Q3 conference call. “And so that's a very good sign for us, and it's the reason we are really doing our best to push dayrates upward.”

The market is showing strong demand for sixth- and seventh-generation high-specification drillships with global utilization to reach 95% in 2Q20, SVP of marketing Roddie Mackenzie said. “That's kind of why we're seeing this little push on dayrates, projecting dayrates sitting at kind of anywhere between \$170,000 to \$260,000” with Transocean on the high end, he said. Three or four operators are “very serious” about contracting a 20,000-psi rig, with two getting closer to an award, Mackenzie said. ➤ **Continues On PG.17**

## Baker Hughes' \$7.8B in orders surpasses quarterly records

**Baker Hughes Co.** set a new quarterly record with \$7.78 billion in orders during Q3. The company also saw continued margin improvement in its Oilfield Services segment, a priority for 2020.

LNG growth drove the 19% sequential and 35% YOY increase in orders, as the sector nears 100 mtpa in final investment decisions this year alone. In Q3, Baker Hughes' Turbomachinery and Process Solutions segment got the



**OFS segment Q3 revenue down 3% from Q2 in North America but up 6% internationally.**

contract and notice to proceed to provide 18 modularized liquefaction trains with a total capacity of 10 mtpa for **Venture Global LNG's** Calcasieu Pass project in Louisiana. The TPS segment also received equipment contracts for two FPSO projects off India and Brazil.

In Q3, operating margin of Oilfield Services, Baker Hughes' largest segment, was 8.2%, compared with 7.1% in Q2, and revenue rose 3% sequentially and 12% YOY to \$3.35 billion. The segment's North America revenue fell 3% sequentially to \$1.18 billion, but international rose 6% to \$2.17 billion, aided by Asia-Pacific, the Middle East and Europe.

➤ **Continues On PG.6**

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Contracts

■ **DOF Subsea** said it won multiple contracts offshore Trinidad and Tobago as well as in the Gulf of Mexico from unidentified clients. DOF's Skandi Neptune offshore construction vessel will participate in a three-year frame agreement for inspection, maintenance and repair and light construction services in Trinidad. The vessel will begin operations in late November. Several contracts in the GOM will keep the company's Harvey Deep Sea vessel busy in support of IMR, subsea installation and decommissioning operations during Q4. DOF's Geosea will also work on a 21-day contract in the GOM starting in late November.



■ **Halliburton Co.** has entered into a multi-year agreement with **Repsol** to provide a cloud-based master data management solution for exploration and production activities. The software-as-a-service solution enables users to manage and access log, well and other E&P data across different locations. Repsol will implement the cloud solution across 10 locations during the first year. Financial terms of the contract were not disclosed.



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.

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## 'Challenging' market pushes some companies to the brink

Q3 can be boiled down to one word—challenging. That word kept popping out of CEOs' mouths during their companies' earnings conference calls.

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"The third quarter was challenging for Carbo, like many companies in the North American oil and gas industry," **Carbo Ceramics** CEO Gary Kolstad said. **U.S. Silica** CEO Bryan Shinn acknowledged a "challenging third quarter given the weakness in the oil and gas completions market." **Hi-Crush Inc.** CEO Bob Rasmus congratulated his company for navigating "an environment that was and remains challenging." **National Oilwell Varco** CEO Clay Williams expects more of the same as "North America looks pretty challenging in Q4."

But **Nine Energy Service** CEO Ann Fox noted it could always be worse. "As difficult and challenging [as] is this market itself, I have never once felt it is remotely close to where we were in 2016," she said.

Some challenges are steeper than others. Work stopped on **McDermott International's** new headquarters, with a builder saying the firm, which had \$2.12 billion in revenue in Q3, was \$14 million behind in payments. The detail was one of several troubling signs for **McDermott (PG.1)**. Other companies that seem to be on a watch list include **Key Energy Services**, which skipped an interest payment (**PG.11**), and **Carbo**, which lost its leading frac sand customer (**PG.13**).

Frac sand prices fell "further and faster than expected," U.S. **Silica's** Shinn said (**PG.8**). **Hi-Crush's** Rasmus said the industry will need to be "rationalized, whether through attrition and/or consolidation" (**PG.11**). **Covia** expects frac sand sales volumes to fall 15% in Q4 (**PG.1**).

However, there were some winners. **Transocean** is predicting a busy 2020, especially in the Gulf of Mexico (**PG.1**). **Baker Hughes** had record orders thanks to LNG growth (**PG.1**). **National Oilwell Varco** balanced the effects of the US slowdown with strong international orders, coming in with flat revenue (**PG.9**). Flat can be good enough in a challenging market.

## Contracts

### Baker Hughes wins three-year North Sea contract from Apache

**Baker Hughes** was awarded a multi-year frame agreement from **Apache Corp.'s** North Sea subsidiaries for a suite of subsea equipment and services, including six trees, wellheads and an associated service package. The contract was booked in Q3 and will support Apache's North Sea exploration and development activities for the next three years. Project management will take place in Aberdeen, Scotland, while all manufacturing will take place in Montrose, Scotland, at Baker Hughes' Global Center of Excellence, which opened earlier this year. Financial terms of the deal were not disclosed.



**Deal will provide six trees, wellheads and an associated service package.**

The contract work will follow BH's Subsea Connect strategy, which involves providing subsea solutions based on existing, proven technologies and standardization. The strategy is intended to save time and money while decreasing risk and increasing certainty. The medium-depth horizontal tree is based on a BH product Apache is already familiar with, and the MS700 wellheads will also be from an existing off-the-shelf system.

### Weatherford wins two drilling services contracts in Russia

**Weatherford International** announced two contracts worth a combined \$67.4 million it signed for drilling services with two major operators in Russia. The first 2.5-year contract started in July and will last through 2022. The company is providing logging-while-drilling, measurement-while-drilling, rotary steerable systems, drilling and geo-data interpretation services at oil fields in western Serbia. The second three-year contract will begin in 2020, and the company will provide most of the same services at the Novyi Port oil field on the Yamal Peninsula.



**Pair of contracts worth \$67.4MM will run through 2022 & 2023, respectively.**

Across Russia, Weatherford currently operates three full-time drilling service centers to maintain field equipment and one real-time operations center to provide around-the-clock remote support for ongoing projects. It is also mobilizing the Magnuss rotary steerable system to the country to assist with increased activity and customer requirements for which it is well-suited.

### Schlumberger subsidiary wins EPCI contract from Shell

**Schlumberger** said its subsidiary **OneSubsea** won an award from **Shell** for a frame agreement for an engineering, procurement, construction and installation contract for the Ormen Lange field in the Norwegian Sea. **OneSubsea** and its partner **Subsea 7** will supply and install a subsea multiphase compression system. The subsidiary will engineer and design the system while it waits for Shell and its partners to take a final investment decision.



**OneSubsea and Subsea 7 will install a subsea multiphase compression system.**

The installation will be powered and controlled from the Nyhamna onshore gas processing plant, which is 120 km from the subsea location. Schlumberger said that distance was a world record for transmitting variable speed power from an onshore facility to equipment on the seabed.

The subsea multi-phase compression system will be installed in 850 meters of water and is made up of two 16-MW subsea compression stations tied into existing manifolds and pipelines. It will be surge tolerant, will not require wellstream preprocessing and can be adapted to varying conditions during the field's life.

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## Contracts

### Aker Solutions wins multi-year Equinor inspection contract

Aker Solutions will be the main supplier for inspection services at more than 15 Equinor facilities in Norway. A frame agreement with Equinor is expected to be signed shortly, Aker Solutions said, and will cover six years with options for two additional four-year extensions. The agreement is valued at NOK1.2 billion (\$130 million) for the six-year period.

The agreement covers a wide range of inspection services, including conventional and advanced inspection as well as planning and engineering services. The scope of work includes in-service inspection of Statfjord A, B and C; Martin Linge; Oseberg Field Centre, South, East and C; Mongstad onshore refinery; Asgard A, B and C; Kristin; Heidrun A and B; and Njord A and B.

"This contract will secure and further grow our Asset Integrity Management services," said Linda Aase, EVP of brownfield projects at Aker Solutions. The work will be carried out by Aker Solutions personnel in Stavanger, Bergen and Trondheim.

**Inspection contract includes Equinor's three Statfjord production platforms.**

### Project tackling subsea CO2 separation—

Aker Solutions also announced it is part of a joint industry project with the aim of making subsea gas separation a reality. While using CO2 injection to increase recovery rates in offshore fields can extend the life of a field, currently the separation of "back-produced" CO2 from the wellstream has to be carried out on a platform, an extra expense.

Total, Pertamina, Equinor and industry group the CO2 Capture Project, which is backed by BP, Chevron and Petrobras, are also part of the JIP to identify required membrane qualities for a subsea gas and CO2 separation process, to minimize pretreatment needs and avoid large processing modules. Aker Solutions said it has developed new concepts for subsea processing of wellstreams from CO2-flooded oil fields, in which CO2-rich gas is separated, compressed and reinjected back into the reservoir.



**International Scout Nov. 10**  
Equinor goes red on write-downs, produces 10% less gas in Q3.

## Projects

### ADNOC Drilling adding dozens of rigs to fleet by 2025

Abu Dhabi National Oil Co. subsidiary ADNOC Drilling is planning to add dozens of land, offshore and island drilling rigs to its fleet by 2025. The company currently has 95 rigs in its fleet after acquiring four domestically built land rigs for \$100 million in early November. Those rigs were built by National Oilwell Varco and will begin supporting ADNOC's onshore operations in 1Q20. The expansion program was announced at the annual Rig Owners Seminar, held on the sidelines of the Abu Dhabi International Petroleum Exhibition and Conference.

**Fleet has expanded by over 300% since 2010, from 29 to 95 rigs as of November.**

ADNOC Drilling's fleet has expanded by more than 300% since 2010, from 29 rigs to 95. Dozens of additional rigs should cement the company's position as the largest drilling company in the Middle East. The expansion will help support ADNOC's Smart Growth strategy and its goal to produce 5 MMbo/d by 2030. It currently produces roughly 3 MMbo/d and 10.5 Bcf/d.

## US Rig Count by Basin & Top Drillers

Location	Current 11/12/19	Week Ago 11/05/19	Month Ago 10/12/19	Year Ago 11/12/18	% Chg YOY
<b>Total</b>	861	858	913	1,205	-29%
<b>Top Drillers</b>					
Helmerich & Payne Inc	195	193	194	242	-19%
Patterson-UTI Drilling	101	109	113	170	-41%
Nabors Industries Ltd	100	97	102	112	-11%
Ensign Energy Services	62	61	69	44	41%
Precision Drilling	55	60	63	81	-32%
<b>Rigs by US Basin</b>					
Delaware	228	229	243	273	-16%
Midland	152	152	146	183	-17%
Gulf Coast	90	88	95	145	-38%
Anadarko	63	60	69	165	-62%
Williston	53	52	55	65	-18%
East Texas	52	54	58	64	-19%
Appalachian	45	45	50	70	-36%
Gulf of Mexico	38	37	39	39	-3%
Denver-Julesburg	24	22	22	32	-25%
Powder River	21	26	29	21	0%
Central Basin Platform	15	15	19	25	-40%
Salina	10	9	10	6	67%
Other	70	69	78	117	-40%

Source: Enverus



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## Contracts

■ **McDermott International** said it has received a sizeable contract, which it defines as \$1-50 million, from **Formosa Chemicals Industries Ningbo Ltd.** for the technology license and basic engineering services for a grassroots alpha-methylstyrene recovery unit in Ningbo, China. The 10,000 mtpa unit will use AMS technology jointly licensed by **Versalis** and McDermott's **Lummus Technology** to recover specialty chemicals for niche market sale.

■ The UAE's **National Petroleum Construction Co.** is spending \$89.8 million to purchase the Delma 2000 heavy lift and S-lay pipelay vessel, which is capable of lifting structures up to 1,600 tons and extending subsea pipelines to a depth of 2,000 meters. The new fleet addition will allow the company to take on deepwater projects globally. Aside from the Delma 2000, NPCC has a fleet of 23 offshore vessels and barges, including its flagship DLS400, which has a lifting capacity of 4,500 tons.

■ Secure network provider **RigNet** signed a multi-year agreement with **BP**. RigNet's Intelie Live will deploy its machine learning-based analytics in BP's Remote Collaboration Center to improve operational efficiency and productivity across BP's drilling operations. Intelie Live will be used to process, map and integrate elements into a single data platform to improve real-time decision making.

■ **Shale Support Global Holdings** signed an extension to continue working with **Shale Rail** as the exclusive supply company for a transload facility in Wysox, Pennsylvania. Shale Rail recently released plans to add a new track within its yard to provide more capacity for the Wysox area. The Wysox facility has transloading capacity of more than 80,000 tons per month of frac sand.

■ **Shearwater Geoservices** won a contract for 3D seismic in the Eastern Mediterranean. The one-month survey will be conducted in Q4 using one of the company's highest-capacity seismic vessels with a 14-streamer configuration. Financial terms were not disclosed. CEO Irene Basili said the company's high-capacity vessels enable efficient surveys, contributing along with the size and flexibility of its fleet to a significant increase in utilization this year.

## Earnings

### Weir lays off 20% of energy division as it looks to rightsize

**Weir Group** laid off 20% of its Oil and Gas division workforce—about 450 people—as it adjusts to weak North American demand. The manufacturer is looking to cut costs by £30 million (\$38 million) in the division, with mandatory furloughs and cuts to non-direct overhead as part of the program.

Oil and Gas orders fell sequentially 32% in Q3 and original equipment demand 26% as North American customers chose cash over additional horsepower or new technologies, Weir reported. Customers are also cannibalizing idle frac fleets, sending aftermarket demand down 34%. Based in Glasgow, Scotland, the company manufactures pumps and valves for energy applications.

Although Weir did not announce detailed numbers, the company described the division as “moderately profitable” in Q3, citing strong activity in Saudi Arabia and an increasing number of Eastern Hemisphere projects. Profit in the Oil and Gas division is expected to be sequentially lower. In H1, Weir reported £1.33 billion revenue, with the Mining division making up 53% of the total and Oil and Gas 26%.

**Rising Eastern Hemisphere activity fails to fully offset North American slowdown.**

### Parker Drilling reports small revenue increase during Q3

**Parker Drilling** saw revenue rise by \$4 million sequentially to \$160 million in Q3, as three of its four segments posted gains. The Houston-based company expects to be less fortunate in Q4, forecasting a 5-10% decline.

The main factor in the anticipated decline is a sliding US rig count, which will hurt its domestic rentals business, CEO Gary Rich said during the Q3 earnings conference call. The US drilling segment will slip because of lower barge utilization. International results will suffer from a rig ending activity off Sakhalin, Russia, and two rigs in Iraq being off contract for a full quarter, although these will be partially offset by activity increases in Mexico and Kazakhstan.

**International and Alaska drilling segment revenue up 37% YOY.**

The company's strength through the first three quarters of 2019 has been its international operations. International and Alaska drilling segment revenue has increased 37% YOY, with a \$72.3 million result in Q3. Net income was \$4 million in Q3, compared with \$4.6 million in Q2 and a net loss of \$29.7 million in 3Q18.

PKD shares on the NYSE closed up 3% to \$19.98 after the earnings report on Nov. 6. Directors approved in September a plan to voluntarily delist. The US Securities and Exchange Commission is still reviewing the plan, and Rich said he had no updates on the timeline.

## Oilfield Services Stock Movers—Last Month

Source: Capital IQ

	Company	Ticker	\$/Share 11/13/19	\$/Share 10/14/19	% Change	% Change YOY
Top 5	<b>PGS ASA</b>	PGEJ.F	\$1.79	\$1.28	40%	-31%
	<b>Fugro NV</b>	FURG.F	\$9.18	\$6.74	36%	-25%
	<b>Computer Modelling Group</b>	CMDX.F	\$6.07	\$4.72	29%	6%
	<b>Dawson Geophysical Company</b>	DWSN	\$2.70	\$2.10	29%	-39%
	<b>Aspen Aerogels Inc</b>	ASPN	\$7.45	\$6.00	24%	108%
Bottom 5	<b>SAExploration Holdings Inc</b>	SAEX	\$1.63	\$2.15	-24%	-59%
	<b>Mammoth Energy Services</b>	TUSK	\$1.38	\$2.09	-34%	-94%
	<b>U.S. Silica Holdings Inc</b>	SLCA	\$5.00	\$7.74	-35%	-65%
	<b>Exterran Corporation</b>	EXTN	\$7.86	\$12.37	-36%	-67%
	<b>Synthesis Energy Systems</b>	SES	\$6.74	\$19.50	-65%	-38%

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.

Oilfield Services

Oilfield Services

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### Oilfield Services

Oilfield services companies are providing a wide range of services to the oil and gas industry, including drilling, completion, and production services. The industry is expected to continue to grow over the next several years, driven by increasing demand for oil and gas.

The oilfield services industry is a key component of the energy sector, providing essential services to the oil and gas industry. The industry is expected to continue to grow over the next several years, driven by increasing demand for oil and gas. The industry is also facing challenges, including declining oil prices and increasing competition from international companies.

**Thank you! We hope you've enjoyed your sample of our Oilfield Services report.**

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### Oilfield Services

The oilfield services sector is a key component of the energy industry, providing essential support for upstream operations. This sector includes a wide range of services, from drilling and completion to production and maintenance. The industry is characterized by high capital expenditures and a focus on operational efficiency. Key players in this sector include Baker Hughes, Halliburton, and Schlumberger. The sector's performance is closely tied to the overall activity in the oil and gas industry, particularly in the upstream segment.



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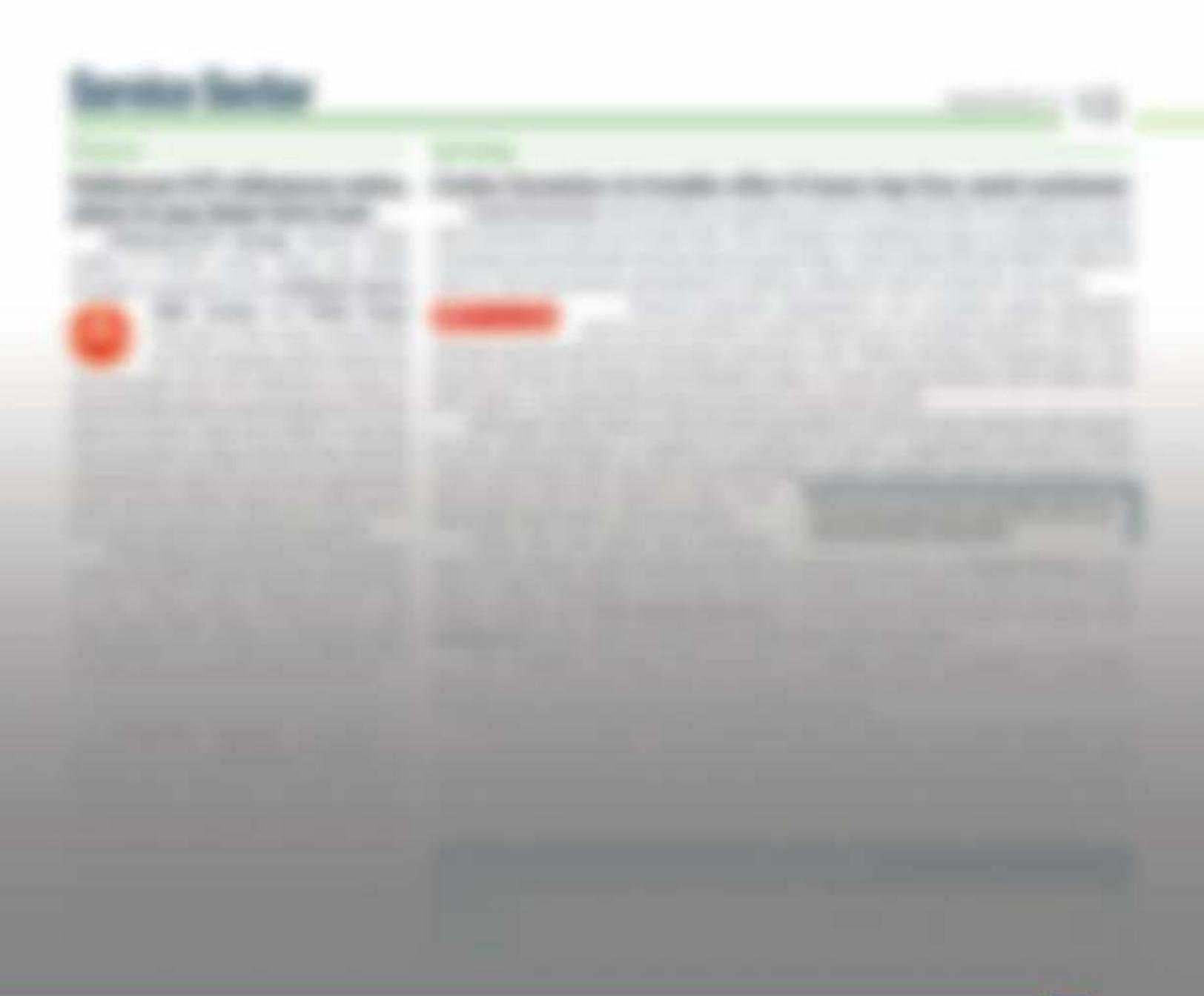
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The image shows a blurred screenshot of a data table. The table has several columns and rows of text, which are illegible due to the blurring. The table appears to be a summary or list of data points related to oilfield services.

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### Oilfield Services

Oilfield services companies are providing a wide range of services to the oil and gas industry. These services include drilling, completion, production, and maintenance. The industry is expected to continue to grow over the next several years, driven by increasing demand for oil and gas.

### Global Oil and Gas Activity

Global oil and gas activity is expected to remain strong over the next several years. This is due to a combination of factors, including increasing demand for energy, rising oil prices, and continued investment in the sector. The industry is also seeing a shift towards more sustainable energy sources, which is expected to drive growth in the long term.

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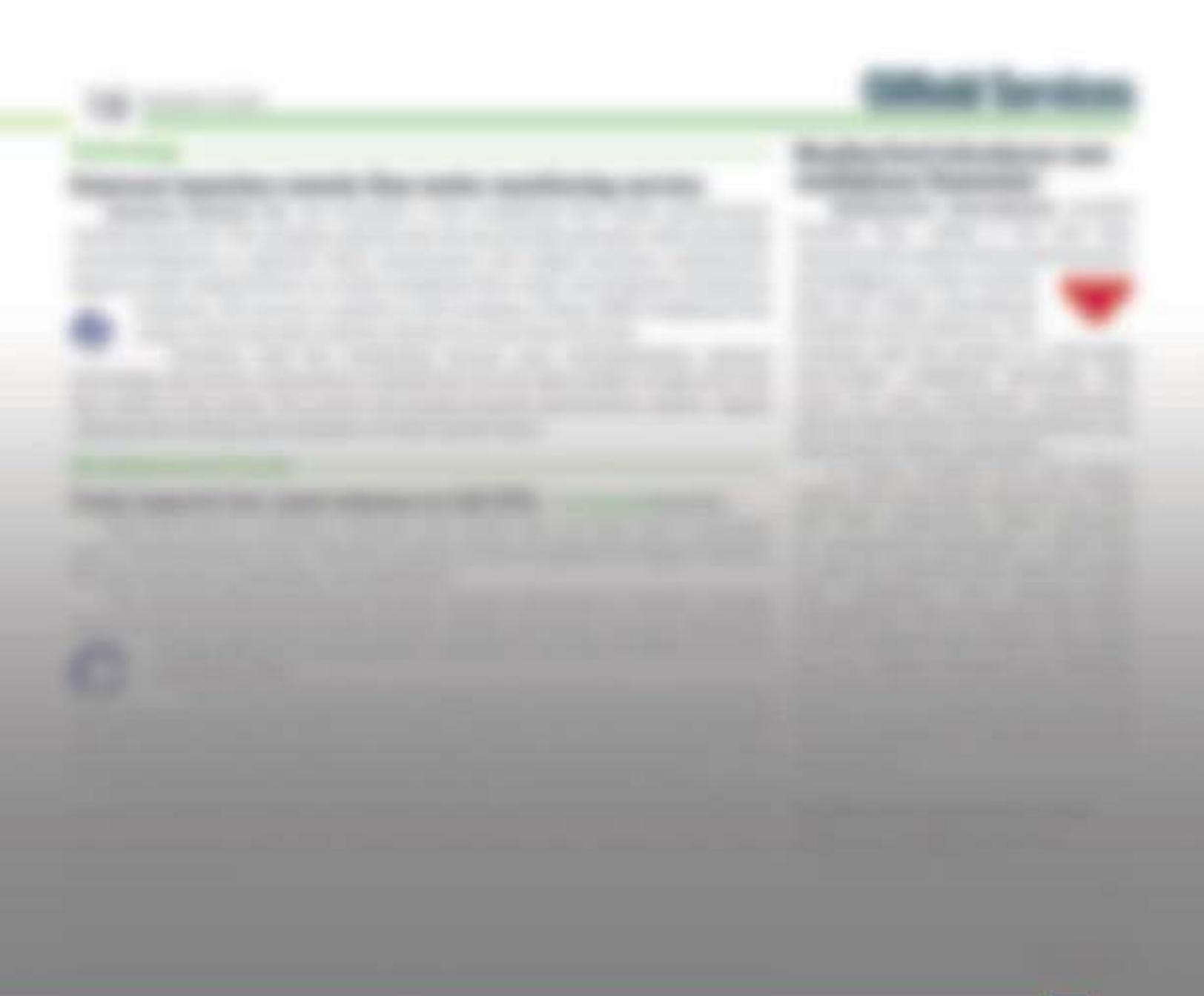
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# CAN YOU ANSWER IN UNDER 60 SECONDS?

What is the global oil and gas activity in 2014?  
How are companies managing reserves and costs?  
What is the impact of the shale oil boom?  
How does the global market look for the future?

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