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ENVERUS
Oilfield Services
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'Big Three' agree: 2020 will be tough for North American land

Oilfield services' "Big Three" used their 4Q19 earnings conference calls to show they are of one mind on 2020. North American onshore activity will face a rocky year, **Schlumberger, Halliburton** and **Baker Hughes** all said. Optimism is confined to international markets and moves the OFS giants are making to adapt to the US downturn.

> **Halliburton CEO: US shale 'facing its biggest test since the 2015 downturn.'**

"The US shale industry is facing its biggest test since the 2015 downturn, with both capital discipline and slowing leading-edge efficiency gains weighing down activity and production," Halliburton CEO Jeff Miller said. Other problems include gas prices below the breakeven point, crude prices dependent on the OPEC+ alliance's production cuts and restricted access to capital for drilling and completions.

After Miller took over as CEO in June, he spoke about the need for a "new playbook" to handle the market. The company spent Q4 stacking equipment and cutting jobs. Three months after announcing Halliburton will find $300 million in annualized savings, Miller said the company has already achieved two-thirds of that total. Continues On PG.16

Schlumberger cuts fracs & coiled tubing as it reviews strategy

Schlumberger halved its frac horsepower capacity, closed facilities and laid off 1,400 people in 4Q19 as it adjusted to the US activity slowdown. It also will exit onshore coiled tubing in North America and is looking for a buyer of its rod lift business. The company posted 4Q19 North American revenue of $2.45 billion, a decrease of 14% sequentially and 13% YOY. Schlumberger also ended 2019 with a net loss of $10.1 billion despite a positive 4Q19 net income.

> **Frac cuts comprise 30% of deployed horsepower and 50% of total fleet.**

The moves are part of Schlumberger's broad review of its North American land strategy. The company is expecting the market to contract in the "high single-digit to double-digit range" in 2020, CEO Olivier Le Peuch said during the earnings call, but execution of the strategy will cause margins to increase.

The OneStim frac fleet saw a permanent 30% reduction of deployed horsepower and a 50% cut of the total fleet. "Our intention here is not to cold stack or warm stack and bring back. Our intention here is to rightsize the capacity. ... We have done this, and we don't intend to bring back capacity going forward," Le Peuch said. Continues On PG.8

McDermott to replace $4.6B in debt with equity via Chapter 11

McDermott International filed for Chapter 11 protection, looking to replace $4.6 billion in accumulated debt with new equity through a Houston bankruptcy court. The engineering company has operated under forbearance agreements since November, when it declined to pay $69 million in interest on $1.3 billion in 10.625% senior notes due 2024.

> **DIP financing consists of $1.74B of new money, $1.07B of rollups.**

The company showed up in court with a pre-packaged restructuring support agreement it said had the support of two-thirds of its creditors. Its $9.25 billion in debt consists of about $5.12 billion in secured and unsecured funded debt obligations, about $3.44 billion in unfunded secured and unsecured letters of credit and around $588 million in surety-related obligations. Its plan will equitize half of its total debt, while eliminating all existing common and preferred equity. The NYSE delisted the company, which now trades on the Pink Sheets.

McDermott will operate during reorganization by using a $2.067 billion term loan and $743 million letter of credit via debtor-in-possession financing. Total new money in the DIP financing is $1.743 billion. Continues On PG.10

Bristow & Era combining to create $1.5B helicopter firm

Three months after exiting bankruptcy, **Bristow Group** will merge with **Era Group,** uniting the two Houston-based helicopter companies. The combined company will have $1.5 billion in pro forma revenue, 75% of which will come from oil and gas customers. The deal comes as energy companies anticipate an improved offshore spending environment starting this year, although Era CEO Chris Bradshaw said during the M&A call that this was not a factor.

> **While Bristow's net debt doubled during offshore downturn, Era reduced its debt.**

"Nothing about this merger is counting on a significant recovery in the offshore oil and gas market," said Bradshaw, who will be CEO of the combined company. "We believe this combination not only works, but it's highly compelling based upon current levels of market activity."

While both were heavily invested in the oil and gas market, the companies had different fates during the downturn. Era managed to reduce its net debt from $252 million at the end of 2015 to $63 million by 3Q19 and had positive annual cash flow in 2016, 2018 and 2019. Continues On PG.6

Activity Index

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ROCKIES

NEW MEXICO OPERATED ASSETS
Covers 22,914.9-Total Net Acres.
SAN JUAN BASIN
San Juan, Sandoval & McKinley Counties.
SE Cha Cha Unit: 2-Prod. Wells & 1-SWD.
Pot Mesa Prospect: 18,553.35-Net Acres.
Fruitland Coal & Point Lookout Formations.
35-Producing Wells & 2-SWD Wells.
Holds 79.5% NRI
Potential Oil Upside Drilling.
Est. Well Cost: $5,500,000
Deal ID: 12175

PORTFOLIO ASSET OPPORTUNITY
Covers ~745,000 Net WI Acres
WYOMING, NEW MEXICO & COLORADO
Wamsutter Assets Located In Wyoming.
Holds De-Risked By ~4,500 Vertical Wells.
Infrastructure In-Place For Full Field Develop.
San Juan Basin Assets NM & Colorado.
Targets Mancos Shale & Fruitland Coal.
68% Average WI (62% Average NRI)
Net Q4-2019 Production: 51,500 BOED
Resources: ~584.83 MMBOE
PV-10: $1,113,000,000
~87,000 Gross Surface Acres / Wamsutter
Deal ID: 12161

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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4Q19 results will show how sector dealt with US slump

The big names started off earnings season, and you don't need to be a codebreaker to see the pattern that is developing. In US onshore services, the results will be unpleasant as 4Q19 customer activity underperformed all but the most pessimistic expectations. The North American land market will be difficult throughout 2020, but international markets appear set for several years of growth **(PG.1)**.

IN THIS ISSUE

The overall picture is no mystery. Instead, executives will be heading into earnings conference calls having to answer the question, "What are you going to do about it?"

To meet the challenge, **Schlumberger** slashed frac horsepower and announced it will exit onshore coiled tubing in North America and seek a buyer of its rod lift business. The moves are part of a North American land strategy it believes will allow margins to grow as revenue declines **(PG.1)**. **Halliburton** cut costs and jobs, stacked pressure pumping and old drilling equipment and took a $2.2 billion impairment. It generated more revenue outside of North America than in it for the first time since 4Q16 **(PG.7)**. Further demonstrating its international focus, Halliburton won several contracts for the **Inpex**-operated Ichthys project off Australia **(PG.3)**. Meanwhile, **Baker Hughes,** the only one of the three to stay in the black for 2019, is focusing on "self-help" productivity initiatives **(PG.7)**.

Other companies are trying to get their respective financial houses in order. **McDermott International** filed for bankruptcy, felled largely by the **Chicago Bridge & Iron Co.** acquisition. However, McDermott could make a comeback because it will be shedding $4.6 billion in debt and both of its troubled LNG projects in a few months **(PG.1)**. **Key Energy Services'** term loan lenders will get 97% of its common stock, but the company will stay out of Chapter 11 **(PG.13)**. **BW Offshore** is spinning off its E&P subsidiary **(PG.9)**, and **Superior Energy Services (PG.9)** and **Gardner Denver Holdings (PG.11)** are shuffling debt ahead of A&D transactions.

Contracts

Layne Water expands deal with state on Delaware Basin acreage

Layne Water Midstream received exclusive reuse and disposal rights on 88,000 acres owned by the Texas General Land Office in Reeves and Culberson counties in the Delaware Basin. The rights are an expansion of a long-term agreement signed in 2017 that allows the company to develop non-potable water resources for use in drilling on the property.

Revenue from water sales and services to be split with Texas' public school fund.

The contract amendment will enable Layne to develop, construct and operate water infrastructure on GLO acreage that will gather, transport, treat, recycle and dispose of water produced from oil and gas operations. Layne is already marketing the additional services and is in the process of filing numerous water disposal permits on GLO land.

The portfolio company of **Post Oak Energy Capital** and **Genesis Park** expects to construct water infrastructure for recycling or disposal this year. Revenues from water sales and services will be split between Layne and Texas' Permanent School Fund, the land and mineral assets of which are managed by the GLO.

Worley to handle FEED for Total's North Platte project in GOM

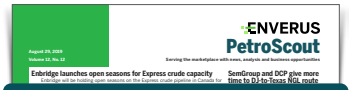
Worley Ltd. won the front-end engineering design contract for **Total's** North Platte field development in the Gulf of Mexico. Located about 170 miles off Louisiana, North Platte contains estimated recoverable resources of 500 MMboe.

Completed pre-FEED for North Platte development in August.

The North Platte development includes a semisubmersible floating production unit in water over 4,000 ft deep. The project brings together Worley's capability for the FPU topside design with **Intecsea** consultancy experience for the design of the hull, mooring and subsea pipelines.

Worley completed the pre-FEED phase for the project in August. The FEED component of the project is being led by Worley's Houston office with support from its Hyderabad office in India. **WorleyParsons** changed its name to Worley in April when it completed its $3.3 billion acquisition of **Jacobs Engineering Group's** energy, chemicals and resources division.

The North Platte development forms part of Total's re-entry into GOM operations with production expected to average 75,000 bo/d at plateau level. The French supermajor expects to make its final investment decision in 2021.



PetroScout Sept. 9

Total files South Platte exploration plan in Garden Banks area.

Halliburton hired for Ichthys drilling and completions work

Halliburton received seven contracts for drilling and completion services for the next phase of field development of the **Inpex**-operated Ichthys project in the Browse Basin off northern Australia. The Ichthys project began production in 2018 with gas and condensate transported by a 550-mile pipeline for processing near Darwin, Australia.

Next phase of Ichthys would add at least 12-15 wells and start in H1.

The well development campaign is due to start in March and will continue for an estimated three-year term. The contracts awarded include directional drilling, logging while drilling, surface data logging, drilling and completions fluids, cementing, liner hangers, coring and well completions services. Halliburton's Western Australian facilities in Jandakot and Broome will support the project.

In September, Inpex told Australian regulators the next phase of Ichthys would add at least 12-15 wells, including potential workovers or well intervention operations, and begin in 1H20. The Japan-based company said drilling, completion and well flowback activities are expected to take 90-120 days per well. Inpex's partners are **Total** and the Australian subsidiaries of **CPC Corp. Taiwan, Tokyo Gas, Osaka Gas, Kansai Electric Power, JERA** and **Toho Gas.**

Contracts

Schlumberger & Subsea 7 land option for major Equinor contract

The **Subsea Integration Alliance**, a 50:50 JV of **Subsea 7** and **Schlumberger,** landed an exclusive contract by **Equinor** for the front-end engineering design study on its Bacalhau project off Brazil. If Equinor goes ahead with the project, the alliance has an option for the engineering, procurement, construction and installation contract, valued at over $750 million.

Equinor's Bacalhau is Brazil's first-ever integrated SURF and SPS project.

The contract is based on a two-step award. The FEED and pre-investment are starting now, with an option for the execution phase under a lump sum turnkey setup, which includes EPCI for the entire scope of the project's subsea umbilicals, risers and flowlines and subsea production system. The project is Brazil's first-ever integrated SURF and SPS project.

The development will include 19 wells, about 130 km of rigid risers and flowlines and 35 km of umbilicals. The alliance will be responsible for subsequent life-of-field support, representing a fully integrated contract model across the entire field life cycle, from engineering and early engagement to after-sales services.

Subsea 7 said it had added to its backlog the FEED study—financial terms of which were not disclosed—but would not add the EPCI until Equinor makes its final investment decision, expected at the end of the year. Offshore installation activities are expected in 2022 and 2023. The Bacalhau field, formerly called Carcará, is 115 miles from the coast of the state of São Paulo, in water depths of 2,050 meters (6,730 ft).

Valaris-Aramco JV orders two jackups from new Saudi shipyard

ARO Drilling, a 50:50 JV of **Valaris** and **Saudi Aramco,** ordered two newbuild jackups from **International Maritime Industries,** a Saudi facility that is scheduled to start operations late this year. Upon delivery, each rig is expected to commence an eight-year contract with Saudi Aramco and operate at a dayrate determined by a six-year EBITDA payback.

Newbuild jackups to be delivered to ARO Drilling in 1H22 for $175MM apiece.

Following its initial eight-year contract, each rig is slated to receive an additional eight-year contract, with the dayrate repriced every three years, and a preference for new contracts working for Aramco thereafter. Each newbuild will cost $175 million, of which 25% will be disbursed as an initial down payment by ARO from cash on hand. The balance will be provided by ARO on delivery of each rig. The newbuild rigs are expected to be delivered in 1Q22 and 2Q22.

IMI, located in the King Salman Complex at Ras Al-Khair, will be the largest full-service maritime facility in the Middle East and North Africa. Once complete, the facility will be able to annually build four newbuild offshore rigs and over 43 newbuild vessels, including very large crude carriers. IMI is a JV of Aramco, **Lamprell, Bahri** and **Hyundai Heavy Industries.**

Shelf Drilling finds contract for recently acquired jackup

Shelf Drilling secured a contract Jan. 14 for the high-spec jackup it acquired from **Maersk Drilling** the week before. The Shelf Drilling Enterprise, formerly called the Maersk Completer, will operate in the Gulf of Thailand for **Chevron.** The contract is expected to commence in August and run through April 2022, with an option to extend.

Acquisition & reactivation costs will exceed firm contract value by $22 million.

The contract value for the firm period, including mobilization revenue, is $59 million. Including the $38 million purchase price, subsequent reactivation and contract-specific upgrades, the estimated all-in delivered cost of the rig is $81 million. Dubai-based Shelf Drilling plans to initially fund the acquisition and deployment by drawing on its revolving credit facility and cash on hand and expects to raise long-term debt to replenish liquidity.

The jackup, delivered in 2007, had been stacked in Singapore since 2017. Maersk had limited use for the jackup since it wasn't designed for harsh environments, such as the North Sea.

- **Doris Inc.** won a contract from **BHP** for engineering services for subsea umbilicals, risers, flowlines and the export pipeline for the Trion project off Mexico. Trion is located in the Perdido belt in 2,570 meters of water. BHP is targeting a 2022 final investment decision on the project, with first oil coming in 2025 or 2026. Financial terms were not disclosed.
- **Evolution Well Services** executed a 24-month agreement to provide dedicated electric hydraulic fracturing services for a leading onshore producer, beginning in Q1. Financial terms and the name of the E&P company were not disclosed. Evolution's multi-patented electric frac fleets are powered by a proprietary, built-for-purpose gas-burning turbine generator, which is designed and packaged by its affiliate, **Dynamis Power Solutions**.
- Offshore services contractor **Frontera** will conduct a geohazard survey for a Mexican offshore block for an international oil company. Mobilization for the project is underway with offshore work expected to begin and be completed in March.
- **Northern Offshore's** Energy Embracer jackup received a contract from **Qatar Petroleum.** The drilling unit is to work off Qatar for two years plus options starting in April. The work is the first for the Energy Embracer, which has been warm-stacked since it was delivered from the **Shanghai Waigaoqiao** shipyard in China to Northern Offshore in December 2018.
- **Ocean Installer** won a contract from **Dana Petroleum** to install and trench a 12-inch flexible production flowline at Guillemot field in the UK North Sea, 190 km east of Aberdeen, Scotland. Engineering work will begin immediately, and offshore operations are slated to begin in Q2. Ocean Installer will use the Viking Neptun construction support vessel for the offshore work.
- **Semco Maritime** was awarded a contract by **Seadrill Ltd.** to prepare and modify the West Bollsta semisub rig prior to the vessel commencing a 10-well contract with **Lundin Petroleum** on the Norwegian Continental Shelf in Q2. The work will be carried out at Semco's Hanøytangen shipyard beginning in mid-February. The company said the project will involve about 100 workers. **Hyundai Heavy Industries** finished building the rig last year.

- Toronto-based **Shawcor's** pipe coating division will provide concrete weight-coating services for the Baltic Pipe project, which will transport gas from the Norwegian North Sea to Poland. The detailed LOI with German pipe manufacturer **Europipe** is valued at C$67 million ($51 million). Work is scheduled to be executed from Shawcor's facility in Leith, Scotland, commencing in Q2 and continuing through 2Q21.
- **Stork Worley Integrated Solutions,** a JV of **Fluor Corp.** and **Worley Ltd.,** signed a four-year framework agreement for engineering, procurement, construction, installation and commissioning, and decommissioning services for a brownfield modification for **Neptune Energy's** Dutch assets in the North Sea. Financial terms were not disclosed, but Fluor will book its portion of the undisclosed contract value in Q1.
- **Unique Group,** an integrated subsea and offshore solutions provider, entered a partnership with **Britlift** to offer the company's spreader beams for rental or purchase. The first beams, which have a 1,350-ton capacity, are expected to enter Unique Group's rental fleet in early 2020. The agreement between the two companies covers the US, Canada, the Netherlands, UAE, Nigeria, India and Singapore.
- **U.S. Well Services** will provide electric hydraulic fracturing services for **Range Resources** using its next-generation Clean Fleet technology, which runs on power generated by gas turbine generators on the well site. Under the terms of the agreement, U.S. Well Services will support Range in the development of its Appalachian asset base on a dedicated basis into 2021. Financial terms were not disclosed. Range expects to spend $520 million on capex in 2020, down by $208 million from 2019, primarily on its Marcellus assets.
- UK-based **Wood plc** received a two-year extension of domestic and international contracts with **Aramco Overseas Co.,** a **Saudi Aramco** subsidiary, for its unconventional gas program. The contracts were originally awarded in 2014 and has Wood providing engineering services to the NOC to design and implement strategies to produce gas from shale and tight gas reservoirs.

Contracts

Shearwater lines up second and third contracts off India

Shearwater GeoServices secured two contracts for 3D surveys off India in January. The London-based company has one other India contract lined up for this season.

ONGC signed up for a 3D broadband marine seismic acquisition campaign. The four-month survey is scheduled to commence in Q1 and covers 2,000 sq km in a shallow-water area of the Arabian Sea. Shearwater's Polar Duchess will work for **Reliance Industries** in the Bay of Bengal starting in Q2. The survey covers 1,500 sq km in the Krishna Godavari Basin.

Will conduct surveys in Bay of Bengal for two companies, Reliance and ONGC.

"As we continue to build our position in India, we expect increased utilization for our fleet in Asia supported by short transits between contracts," Shearwater CEO Irene Waage Basili said. In December, ONGC hired Shearwater for a survey covering 1,600 sq km of 3D and 800 km of 2D data in the deepwater Bay of Bengal. The survey will be conducted in H1.

Projects

Valaris rig to move on after Hess-Kosmos GOM well strikes out

The **Valaris** 8503 semisubmersible will plug and abandon the Oldfield exploration well in the Gulf of Mexico. **Kosmos Energy,** a 40% owner of the well, said it did not encounter commercial quantities of hydrocarbons.

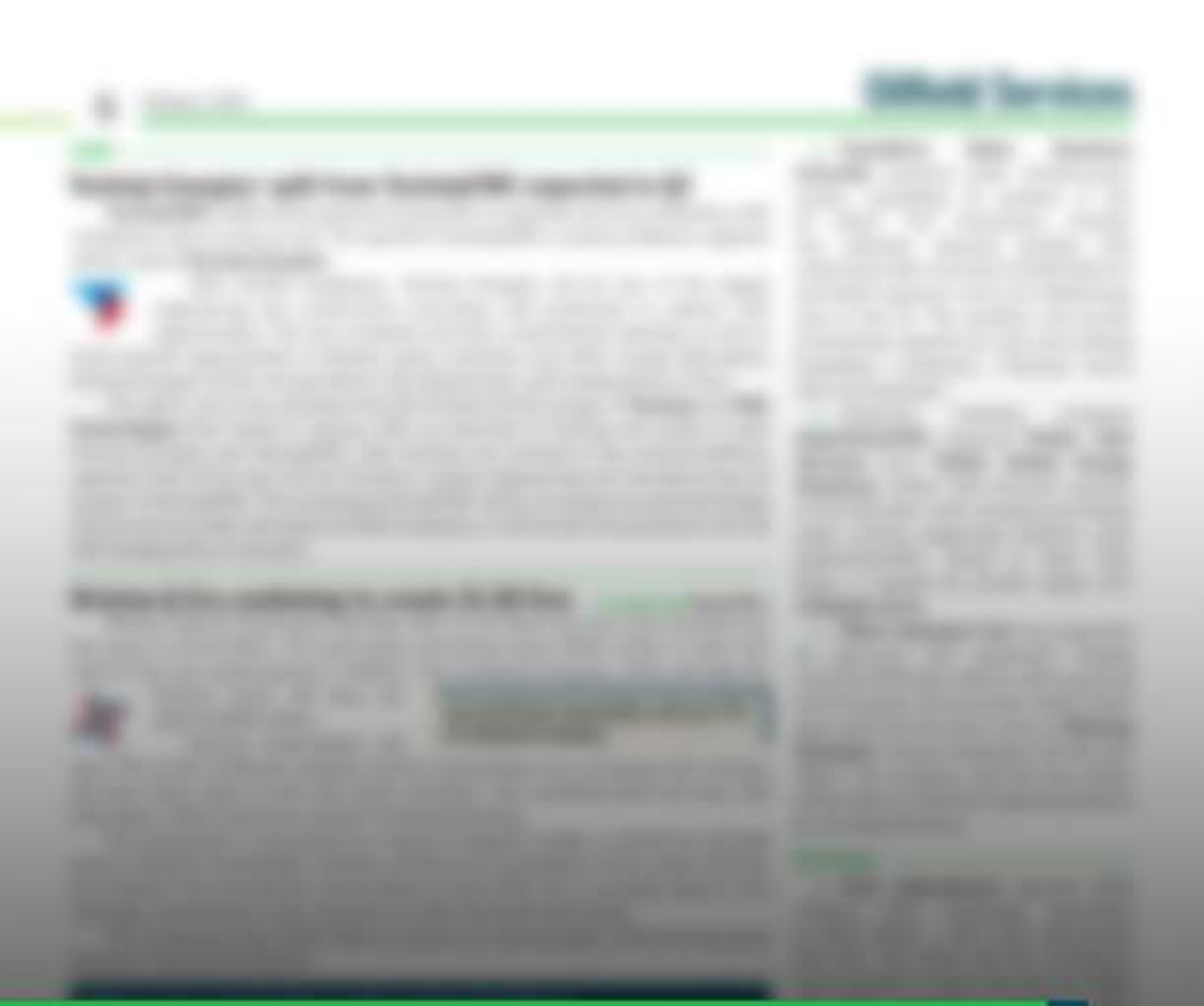
Oldfield was designed to test a sub-salt Miocene prospect in Mississippi Canyon, targeting about 10 MMboe net to Kosmos. **Hess Corp.** owns 60% of Oldfield. Kosmos expects to record about $24 million of expenses related to the drilling of the well.

After completing P&A, the semisub will move to Kodiak field in Mississippi Canyon to begin drilling and completion operations on a new infill producer well. Kosmos intends to drill three more wells this year.

US Rig Count by Basin & Top Drillers

Location	Current 1/29/20	Week Ago 1/22/20	Month Ago 12/29/19	Year Ago 1/29/19	% Chg YOY
Total	842	851	863	1,131	-26%
Top Drillers					
Helmerich & Payne	197	197	197	245	-20%
Patterson-UTI	110	111	104	164	-33%
Nabors Industries	91	92	96	111	-18%
Ensign Energy	66	67	62	65	2%
Precision Drilling	49	53	55	75	-35%
Rigs by US Basin					
Delaware	232	230	228	260	-11%
Midland	158	161	160	183	-14%
Gulf Coast	95	96	104	125	-24%
Anadarko	57	59	58	140	-59%
Williston	49	53	53	62	-21%
Gulf of Mexico	45	44	43	43	5%
Appalachian	43	46	46	76	-43%
Ark-La	29	27	35	43	-33%
DJ	25	25	18	31	-19%
Powder River	21	21	18	23	-9%
East Texas	16	17	17	31	-48%
Permian Central Platform	14	14	14	23	-39%
Other	58	58	69	91	-36%

Source: Enverus



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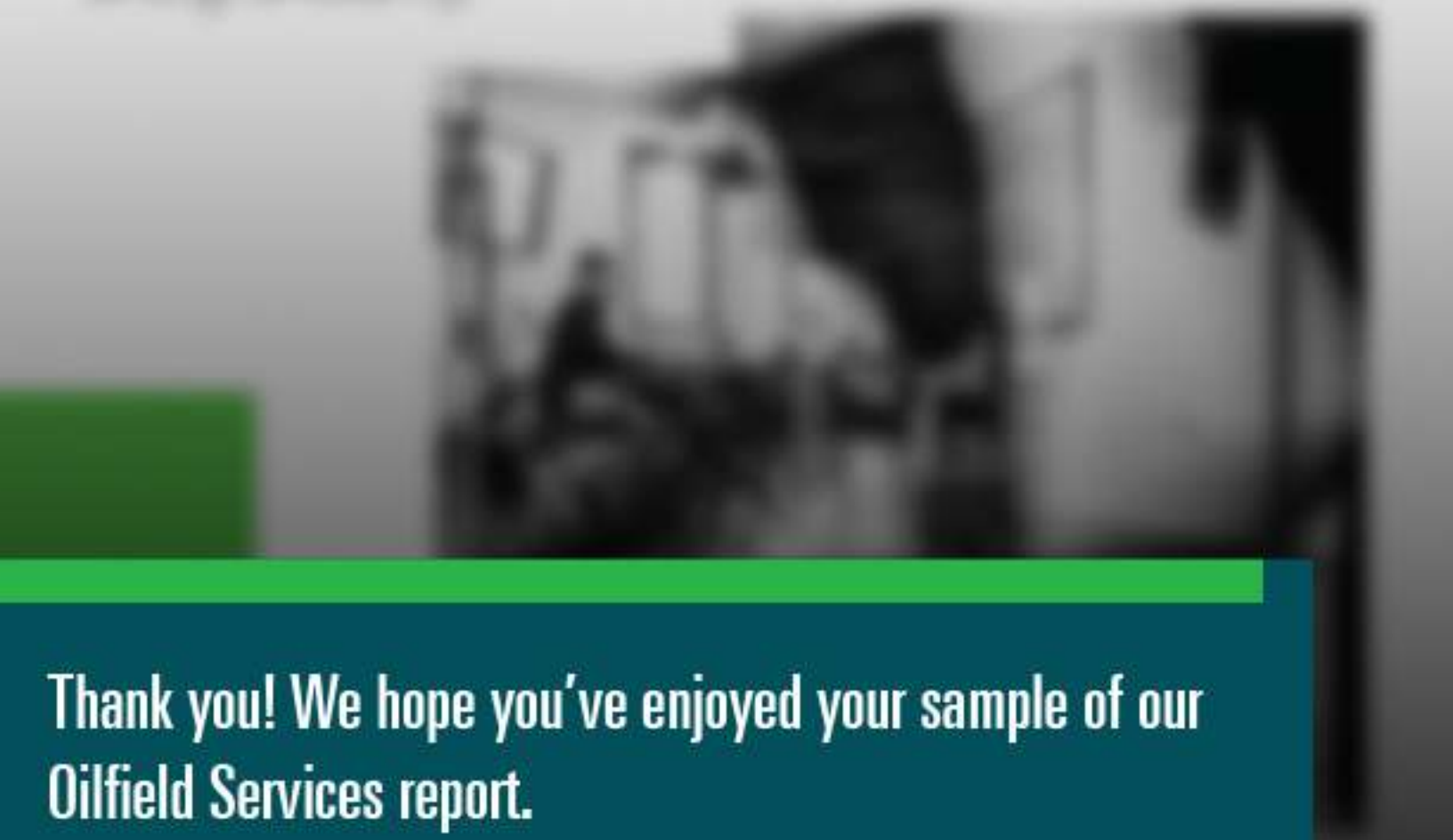
RIGOROUS EVALUATIONS, RIDICULOUS SPEED

Don't compromise speed for thoroughness and granularity.



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