

## Weatherford appears to be headed to second round of reorg

**Weatherford International** expects that the current downturn will cause it to break its asset-based loan revolving credit facility, which could send the company back into bankruptcy a few months after exiting it. Weatherford has already entered discussions with holders of its \$2.1 billion in exit notes in anticipation of the forthcoming breach, it reported in a May 11 SEC filing.

“Available liquidity increased to over \$905 million at the end of the quarter, as neutral free cash flow was bolstered by a reduction in restricted cash. However, in the current operating environment it is critical that we address our capital structure,” CEO Mark McCollum said in a May 11 earnings update. The company did not conduct an earnings conference call, which is sometimes indicative of a sensitive financial situation.

Weatherford opened the \$450 million revolver on Dec. 19 upon exiting bankruptcy protection. It borrowed \$100 million from the revolver on May 6 to strengthen its cash position and earlier utilized \$140 million for letters of credit. [➤ Continues On PG.17](#)

**Exited bankruptcy in December after eliminating \$6.2B in debt.**

## KLXE & Quintana in largest OFS merger since downturn began

**KLX Energy Services** and **Quintana Energy Services** agreed to a merger for \$17.7 million in equity and \$6 million in net debt. The transaction creates a company with the biggest large-diameter coiled-tubing fleet in the US and second-largest US wireline fleet. At \$23.7 million, it's the largest OFS corporate deal announced since the downturn began in early March, although **CSL Capital Management** and **Bayou Well Holdings'** recently withdrawn take-private offer for **Ranger Energy Services (PG.13)** would have been larger.

“Never has there been a more compelling time for industry consolidation,” retiring KLXE CEO Amin Khoury said during a May 4 conference call. “For whatever reason, be it balance sheet challenges, valuation differences or the personal desires of the entrepreneurs leading these OFS businesses, M&A has been essentially nonexistent in an industry where consolidation is an absolute imperative.”

The combined company, which will keep KLXE's name, will have 24 large-diameter coiled tubing spreads and more than 130 wireline units. [➤ Continues On PG.7](#)

**'Ideally suited' to reopen shut-ins when recovery starts, retiring CEO says.**

## NOV boosts savings target by \$395MM amid 'worst downturn'

**National Oilwell Varco** is addressing an expected two-year slump in demand by ratcheting up cost-cutting efforts. In 2Q19, the manufacturer launched an effort to save \$230 million in annualized costs by YE20; now, the target is \$625 million.

“This will likely be the worst downturn that any of us in the oil and gas industry will experience in our lifetimes,” CEO Clay Williams said.

“Many companies will not make it, but NOV will.” NOV exited Q1 with \$1.12 billion in cash and equivalents, net debt of \$1.65 billion and an undrawn \$2 billion revolving credit facility.

To help reach the \$625 million savings target, the company is eliminating layers of management and accelerating the exit of low-return operations. Williams said that about 35% of the savings will be direct labor costs and about 47% will be indirect labor costs plus overhead and benefits changes. The rest will be a mix of cuts related to facilities leases and expenses, travel, entertainment and trade shows. NOV also trimmed planned 2020 capex by about 25% to \$250 million. [➤ Continues On PG.8](#)

**Q1 net loss was \$2.05B, but adjusted EBITDA rose YOY to \$178MM.**

## Over 25% of Independence's Q1 revenue goes to severance

**Independence Contract Drilling** expects to exit Q2 with just six rigs earning revenue under drilling contracts, down from 17 at the end of Q1. Severance costs were \$11 million—more than a quarter of Q1 revenue—as the company reduced its headcount by 40%, including directors and executive officers.

“As recently as February, ICD had 22 rigs contracted, and we were in advanced discussions to start up three more rigs in

**Haynesville seen as an opportunity with gas output from crude basins slowing.**

our target markets by the end of March,” CEO Anthony Gallegos said during the May 7 earnings conference call. He also predicted that “the recoil still has a couple of months to play out.”

While “recontracting opportunities today are few and far between,” Gallegos pointed to his company's history in the Haynesville shale as an opportunity, with gas prices continuing to rise while associated gas production from crude shale basins slows. [➤ Continues On PG.13](#)

**Added Functionality:** Click “Continues On ...” to automatically jump to that page. Click on the section or table/graph titles below to be taken to those pages. To return to PG.1, click on any page header or “From PG.1”

Section Index	PG.
Technology	3
Contracts	4
A&D	4
Projects	5
Earnings	8
Finance	17
Developments & Trends	18
People & Companies	19
Recurring Tables & Graphs	PG.
US Rig Count by Basin & Top Drillers	11
Oilfield Services Earnings 1Q20	12
PHLX Oil Service Sector Index Vs. S&P 500	16
Oilfield Services Public Debt Offerings 2020	17
US OFS Stock Movers—Last Month	18
Monthly Dayrates for 1,500-1,999 HP Rigs	19

## Activity Index

Company	Event	Primary Activity	PG.
Aker Solutions	Earnings	Anticipates 30% drop in revenue from 2019	8
Apergy	A&D	Apergy intends to weather downturn as ChampionX	5
Archrock	Earnings	Restructuring units in \$75-85MM savings plan	9
Axxis Geo Solutions	Projects	To acquire data in North Sea for Equinor	5
Baker Hughes	Technology	OTC reveals 2020 winners despite conference's cancellation	3
Baker Hughes	A&D	To sell Lufkin rod solutions business to private equity firm	7
Baker Hughes	Finance	Makes sector's first US note issue since mid-February	17
Basic Energy Services	Technology	Says automated water management passes Permian test	3
Bechtel	Projects	Sempra postpones FID of Port Arthur LNG	5
Borr Drilling	A&D	Sells two standard jackups for \$15.8MM	7
Bristow Group	People	Era executives to take the lead after merger	19
Calfrac Well Services	Finance	Releases workers after 'essentially all' clients cut back	17
Cimarron Energy	A&D	Environmental services firm buys Aereon	7
Dril-Quip	Earnings	Limps along in Q1 amid coronavirus disruptions	9
Electromagnetic Geoservices	Earnings	Seismic firm told 87% of backlog unlikely to go ahead	9
Era Group	People	Era executives to take the lead after merger with Bristow	19
Fluor Corp.	Developments	Receives DOJ subpoena amid SEC probe	19
FTS International	Earnings	Running far fewer fleets than in nadir of 2016 slump	13
FTS International	Finance	Executes reverse stock split to stay on NYSE	17
Gyrodatta	A&D	Exits directional drilling with Intrepid deal	5
Halliburton	Developments	Lays off 1,000 at headquarters amid downturn	18
Helmerich & Payne	Earnings	Should see its rig count drop by more than half during Q2	16
Honeywell	Technology	Intelligent wearables system adopted by Wood	3
Hornbeck Offshore Services	Finance	Prepares restructuring deal for bankruptcy court	18
Houston Natural Resources	A&D	Water treater bought by Virginia-based holding firm	7
Independence Contract	Earnings	Over 25% of Q1 revenue goes to severance	1
Intrepid Directional Drilling	A&D	Gyrodatta exits directional drilling with Intrepid deal	5
JD Fields & Co.	A&D	Pipeline distributor buys California-based manufacturer	8
Key Energy Services	Earnings	Reports April well service rigs use down 47% from Q1	8
KLX Energy Services	A&D	Agrees to biggest OFS merger since downturn	1
Liberty Oilfield Services	Earnings	Q1 news just good enough to send stocks higher	13
Maersk Drilling	Contracts	Anticipates no new major contracts for rest of 2020	4
Mammoth Energy Services	People	Director questions company practices in resignation letter	19
McDermott	Contracts	Wins offshore riser FEED work in Middle East	4
McDermott	Projects	Freeport LNG's final train starts commercial operations	5
McDermott	Earnings	Posts another \$1B-plus net loss as Americas slide	15
National Oilwell Varco	Earnings	Boosts savings target by \$395MM amid 'worst downturn'	1
National Oilwell Varco	Technology	OTC reveals 2020 winners despite conference's cancellation	3
Oceaneering	Earnings	Posts another hefty net loss but energy does better	11
Precision Compression	A&D	Sold by Post Oak Energy Capital	8
ProPetro	Developments	Lays off another 300-plus in Midland	19
Quintana Energy Services	A&D	Agrees to biggest OFS merger since downturn	1
Ranger Energy Services	Earnings	Ranger rig hours & payroll fall by more than half	13
ResFrac Corp.	Finance	Stimulation software firm closes preferred share financing	17
Rubicon Offshore	A&D	Offers its FPSOs and itself for sale	8
Schlumberger	Technology	OTC reveals 2020 winners despite conference's cancellation	3
Schlumberger	Finance	Issues over \$2.1B in new Series A & B notes	18
Subsea 7	Earnings	Loads up on backlog before tendering activity halts	9
Tidewater	Earnings	Says offshore recovery pushed back to 2023	8
U.S. Silica	Earnings	Suspends dividend & ties hopes to industrial segment	15
Vantage Drilling Intl.	Earnings	Posts net loss despite seven of eight rigs operating	8
WaterBridge	A&D	\$115MM Delaware deal with Centennial nixed	4
Weatherford International	Finance	Appears to be headed to second round of reorg	1
WFS Technologies	Technology	OTC reveals 2020 winners despite conference's cancellation	3
W-Industries	Projects	To provide subsea support modules for Mozambique LNG	4
Wood	Technology	Adopts Honeywell intelligent wearables system	3

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## WEST COAST

CALIFORNIA PROPERTY SALE  
38-Producing Wells  
SANTA BARBARA & ORANGE COUNTIES  
Monterey, Point Sal Sandstone, Chapman  
& Upper Kraemer Formations  
Identified ~191 Wells As RTP Candidates  
Proj Net Prod (Apr-2020): 485 BOPD  
**Deal ID: 12450**

KERN CO., CA PROPERTY  
270-Net/Gross Acres. (80% HBP)  
SAN JOAQUIN BASIN  
Tulare & Diotomie Formations  
18-Wells In RTP Program  
10-Wells Brought Online  
8- Wells Candidates For RTP  
100% WI (79.86% NRI)  
Projected Net Prod (Apr-2020): 60 BOED  
**Deal ID: 12431**

## ROCKIES

COLORADO & NEBRASKA PROPERTY  
7-Total Wells. 796-Net Acres  
WASHINGTON & LOGAN COUNTIES., CO  
AND BANNER COUNTY, NE  
J Sands & D Sands Formations  
Also Holds 2% RI In One Well  
62% OPERATED WI (54% NRI)  
Avg Gross Production (6Mn): 28 BOPD  
Avg. Net Production (6Mn): 16 BOPD  
Avg. Net CF (March 2019-Feb 2020): \$10,205  
BIDS ARE DUE JUNE 4, 2020  
**Deal ID: 12490**

## ABOUT THIS REPORT

**Oilfield Services** 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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## After ending Q1 on a slide, OFS sector could hear a thud in Q2

Q1 earnings season has wrapped up with sizeable impairments in goodwill and assets. Given that the market went from a slide in late March to a free fall in April, Q1 results might look like the good ol' days compared to Q2. Most expect that the floor in US activity will be reached in Q2, but how low is the floor?

### IN THIS ISSUE

"This will likely be the worst downturn that any of us in the oil and gas industry will experience in our lifetimes," **National Oilwell Varco** CEO Clay Williams said as his company prepared for a two-year slump (PG.1). **FTS International** can make the case that 2020 is already worse than 2016; it is only running four frac fleets, compared with 11 at the low point of last downturn (PG.13).

### Baker Hughes makes sector's first US note issue since mid-February (PG.17).

**Helmerich & Payne** expects to exit June with fewer than 70 rigs operating in the US onshore, a drop of more than 120 from its Q1 average (PG.16). **Independence Contract Drilling** is cutting 40% of its workforce, accumulating severance costs of \$11 million on just \$38.5 million in Q1 revenue (PG.1). **Weatherford International** is already warning that it expects to be in breach of its asset-based loan facility that went into effect in December when it exited bankruptcy (PG.1).

In this market, the \$23.7 million merger of **KLX Energy Services** and **Quintana Energy Services** is a big deal. The combination of two publicly traded companies delivers some needed consolidation to the depressed sector. The deal terms also show just how depressed, as KLXE is acquiring QES shares at 5% of what they went for in an initial public offering two years ago (PG.1).

However, the biggest merger of the sector in the past three years—the \$4.4 billion union of **Apergy** and **Ecolab's** upstream energy business—is still on track for completion in early June. Apergy was created in 2018 after industrial machinery company **Dover Corp.** spun off its energy business. Apergy will adopt the Ecolab spinoff's name, **ChampionX**, after closing (PG.5).

## Technology

### Basic says automated water management passes Permian test

**Basic Energy Services** said that it has successfully tested an automated water management system with a major US operator in the Permian Basin. The solution allows the client to simply manage water volumes within its existing internal dispatch system, while Basic's integrated solution automatically picks up and routes the orders as required.

Once routed, the solution provides real-time updates on job status, vehicle location information and automated ticket processing from generation to approval. Improved efficiency in dispatching and ticket handling represents a potential reduction of 4% or more in operating costs related to water disposal activities.

By automating several manual workflows and integrating currently deployed technology solutions such as FieldFX, Basic is reducing the associated management cost for handling produced water, the company said, as decreased cycle time coupled with improved compliance and traceability result in reduced operating costs and improved auditability. This solution can easily be integrated with a variety of customer systems, minimizing change management costs, Basic said.

### Wood Group adopts Honeywell intelligent wearables system

**Wood Group** is adopting the **Honeywell** Forge Workforce Productivity system, which features intelligent wearables designed to improve decision-making, boost productivity and enhance safety for industrial workers. Using hands-free devices and leveraging technology such as augmented reality, the intelligent wearables combine a heads-up display and voice control with sophisticated workflow software and deep integration of plant and process data.

The headsets are providing Wood with modules including Honeywell Forge Inspection Rounds, which is software that digitizes end-to-end inspection workflows; and Honeywell Forge Worker Assist Expert-on-Call and Video Assist, which connects workers to central control rooms or remote offices and other sites when they need advice or support. The technology enables workers to call up video tutorials to guide them through complex tasks.

The technology has been successfully deployed on rigs in the UK North Sea, the Gulf of Mexico and Alaska's North Slope, as well as at onshore processing facilities in the UK, US, Canada and the Middle East, Honeywell said. It said the system has accelerated issue resolution, reduced shutdown time and decreased exposure to hazardous environments.

### OTC reveals 2020 winners despite conference's cancellation

**Baker Hughes**, **National Oilwell Varco**, **Schlumberger** and **WFS Technologies** each won two awards from the Offshore Technology Conference. While the annual conference in Houston was canceled due to the coronavirus pandemic, OTC announced 18 technology prizes. Larger companies dominated the conference's Spotlight on New Technology awards. Baker Hughes was honored for producing the SureConnect downhole intelligent wet-mate system and the Aptara lightweight compact tree. NOV was honored for the SWIT sulfate removal and low salinity plant and the PowerBlade energy recovery system. Schlumberger was recognized for its NeoSteer at-bit steerable system and the Ora intelligent wireline formation testing platform.

A total of 12 Spotlight on New Technology awards were given out. Other winners were **Advisian Digital**, for the CAROL catalyst unloading robot; **Bosch Rexroth**, for a high-force and low-voltage Subsea Valve Actuator; **Dril-Quip**, for the VXTe vertical subsea tree system; **Halliburton**, for the Xaminer Magnetic Resonance service for wireline; **Siemens**, for the Siemens AM Monitor; and **TechnipFMC**, for the Subsea Power Distribution Station.

Six Spotlight Small Business prizes were awarded. Scotland-based **WFS Technologies** received one for the Seatooth SmartClamp and another for its Subsea Cloud Computing Network. Other honorees were **DarkVision**, producer of the HADES-F acoustic imaging tool; **Rocsole**, developer of Liquid In-Tank Inspection technology; **Rolloos**, producer of Red Zone safety service; and **Upwing Energy**, developer of the Upwing Subsurface Compressor System artificial lift tool.

### Scotland-based WFS Technologies only small business to win two prizes.

## Contracts

**Maersk Drilling anticipates no new major contracts for rest of 2020**

**Maersk Drilling** is bracing for a 2020 with no new financially significant contracts for the rest of the year. The offshore driller also lowered its 2020 profitability guidance for the second time as some existing contracts have been renegotiated, suspended or terminated.



The guidance issued May 7 projects that 2020 EBITDA before special items will be \$250-300 million and capex will be around \$150 million. In March, Maersk Drilling reduced its EBITDA guidance to \$325-375 million from the original \$400-450 million with capex in the \$150-200 million range.

To reduce costs, Maersk Drilling has started consultation with employee representatives and trade unions to eliminate 150-170 onshore positions at its Danish headquarters and other global offices. The timing of the onshore layoffs is dependent on local regulators. The company has already been stacking rigs, reducing offshore crews by 250-300 people and revising maintenance programs.

On April 29, Maersk Drilling announced that **Equinor** had awarded the Maersk Intrepid jackup a four-well extension off Norway. The extension covers three additional gas wells at Martin Linge field and one plugging and abandonment project. The contract extension starts in September, with a duration of 339 days. The value is about \$100 million, including rig modifications and upgrades but excluding potential performance bonuses. The contract includes an additional one-well option, plus the option of adding up to 120 days of well intervention. Maersk Drilling and Equinor also agreed on the provision of integrated services for the campaign.

**After offshore cuts, Maersk Drilling to eliminate 150-170 onshore positions.**

## A&amp;D

**WaterBridge's \$115MM Delaware deal with Centennial nixed**

**Centennial Resource Development** announced on May 15 the cancellation of its sale of Delaware Basin water infrastructure assets in Reeves County, Texas, to **WaterBridge Resources**. Pursuant to the terms of the purchase and sale agreement, Centennial said it has the right to receive the \$10 million purchase price deposit currently being held in escrow. The \$150 million deal was announced Feb. 24 and was originally expected to close in late Q1.

WaterBridge, a portfolio company of **Five Point Energy**, would have acquired 12 operated saltwater disposal wells, working interests in four non-operated wells, 10 saltwater disposal well permits and extensive associated pipeline infrastructure. The operated assets made up about 45% of Centennial's produced water system in the southern Delaware in 2019.

Centennial holds 78,200 net acres across the southern and northern Delaware basin, with total proved reserves of 301 MMboe. In a May 4 update, the company said it was suspending all drilling and completion activities, reducing its operated rig count from five to zero and reducing its 2020 capex by 60% from the original plan to \$240-290 million, amid market disruptions.

■ **McDermott International** received a \$1-50 million contract from a Middle Eastern customer to carry out front-end engineering design work for offshore riser platform topsides.

The contract scope covers the design of two offshore riser platforms, as well as associated brownfield integration modifications to existing facilities, which include the decommissioning of existing assets. Work on the project will commence immediately and will be fully executed from McDermott's offices in the Middle East. The contract award will be reflected in McDermott's Q2 backlog.

■ **W-Industries** said it received a "significant" contract for work on **Total's** Mozambique LNG project. The contract includes engineering, manufacturing, integration, automation and testing of the onshore control modules. The Houston-based subsidiary of **CSE Global** will provide a package that includes two onshore control modules for subsea equipment with integrated electrical and instrumentation buildings and a subsea production hydraulic power unit.

**ROCKIES**

DJ BASIN NON-OPERATED ASSETS  
366-Wells. 4,488-Net Leasehold Acres.  
WELD COUNTY, COLORADO  
570-Net Non-Producing Term Leasehold  
Includes 3,918-Net HBP -  
-- Leasehold Acres.  
Holds 6.83% WI & 80.5%NRI  
Current Avg. 8/8th Prod: 165.5 BOED  
Avg Net Income: ~\$100,000 - \$120,000/Mn  
**Deal ID: 12387**

WIND RIVER PRODUCING ASSETS  
143-Producing Wells. ~19,000-Net Acres.  
NATRONA & FREMONT COS WYOMING  
~30,200-Gross Acres & 100% HBP  
Low-Cost Behind-Pipe Opportunities In  
Frontier, Lakota & Raderville Sands Fmns  
Majority Operated Position  
Holds 81% NRI For The Operated Position  
Production: ~6 MMCFD  
PDP Cash Flow (NTM): \$900,000  
Net Reserves: ~22 BCFE  
PDP PV-10: ~\$8,900,000  
Additional Upside For -  
-- 4 Re-Completions  
6-Injection Wells, Gas Gathering Systems,  
And Compressors Included With Sale  
**Deal ID: 12367**

**Top Five Water Services Deals Since May 2019**

Date	Buyers	Sellers	Value (\$MM)	Type	Description
05/17/19	GIC	Five Point Energy LLC	\$600	Corp.	20% stake in WaterBridge
02/24/20	WaterBridge	Centennial Resource Development	\$150	Asset	[TERMINATED] Southern Delaware Basin assets
05/01/19	WaterBridge	PDC Energy Inc.	\$125	Asset	Delaware Basin assets
07/31/19	Lagoon Water Solutions LLC	Continental Resources	\$85	Asset	STACK gathering and recycling system
12/19/19	Bison	Gulfport Energy Corp.	\$50	Asset	SCOOP infrastructure
Total			\$1,010		

Source: Enverus M&A Database

## Projects

### Axxis to acquire seismic data in North Sea for Equinor

**Axxis Geo Solutions** signed the final agreement with **Equinor** for a seismic node acquisition in the North Sea. The survey will be conducted by two seismic vessels, should start in Q2 and will have a duration of about 30 days. Financial terms were not disclosed.



Norway-based Axxis is also moving an ocean-bottom nodal crew to the North Sea for previously announced work in late Q2 after it completed both the primary and extended portions of its ocean-bottom nodal project in the Middle East. CEO Lee Parker said that the initiative was a milestone for executing a difficult project in a new country while adhering to coronavirus-related guidelines. Since the start of the year, the crew has safely operated for more than 350,000 man hours.

■ Following engineering and construction work carried out by **McDermott International**, **Chiyoda International** and **Zachry Group**, all three liquefaction trains at **Freeport LNG** are now operating. Train 3 of the \$13.5 billion, 15 mtpa project started commercial operations May 1 with the commencement of liquefaction services to **Total** and **SK E&S** under their tolling agreements with Freeport. Trains 1 and 2 have been in commercial operation since mid-December and mid-January, respectively.

■ **Bechtel** will have to wait to get to work on the engineering, procurement and construction services contract it won in March for Port Arthur LNG. **Sempra Energy** postponed until next year a final investment decision on the 13.5 mtpa liquefaction facility under development in Texas. Sempra still expects to move ahead with an FID in Q2 to provide liquefaction and export capabilities at its existing Costa Azul LNG import plant in Mexico, for which **TechnipFMC** and **Kiewit** will handle EPC.

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## A&D

### Gyrodata exits directional drilling with Intrepid agreement

**Intrepid Directional Drilling Specialists** doubled its directional drilling capabilities in North America by acquiring **Gyrodata's** business in that segment. The sale effectively includes all of Houston-based Gyrodata's directional drilling personnel, as well as its high-performance drilling motors and measurement-while-drilling tools.

The acquisition also expands Intrepid's presence in certain Latin American countries. The sale allows Gyrodata to refocus on "our core gyro surveying offerings and advancements in our SPEAR solid-state gyro technology," CEO Robert Trainer said. Gyrodata will maintain its own fleet of telemetry systems, which will enable the company to continue to provide stand-alone gyro-while-drilling services throughout the world.

Financial terms of the deal were not disclosed. Intrepid was advised by **Stephens Inc.** and **Wick, Phillips, Gould & Martin LLP**. Gyrodata was advised by **Locke Lord LLP**.

Acquisition also increases Intrepid's presence in Latin America.

### Apergy intends to weather market downturn as ChampionX

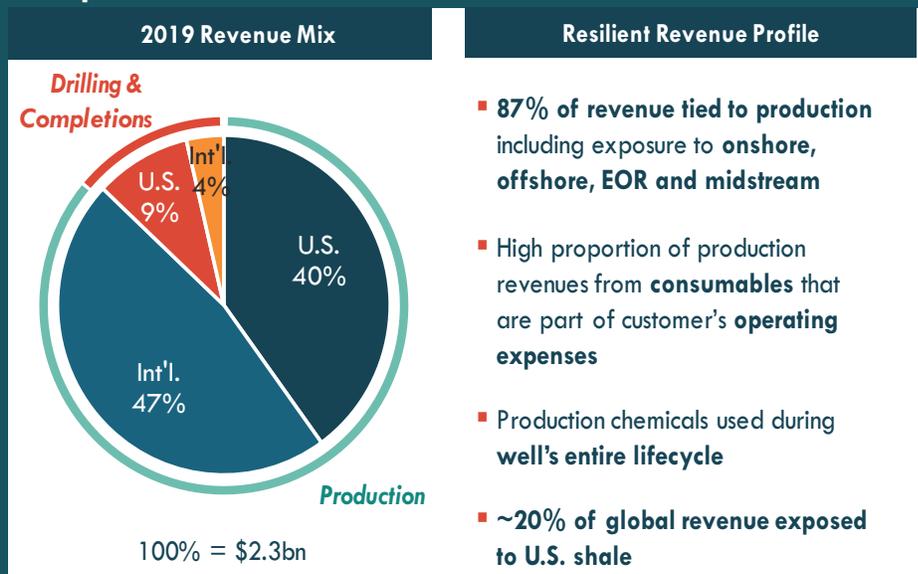
**Apergy** officials said the company's planned merger with **Ecolab's** upstream energy business will produce a stronger firm better able to withstand the current downturn. Shareholders will vote on the planned \$4.39 billion transaction in late May, with closing expected in early June.

**A** St. Paul, Minnesota-based Ecolab renamed the upstream energy business of subsidiary **Nalco Champion** to **ChampionX** for the deal. The combined company will take the ChampionX name.

"After closing the merger with ChampionX, we'll have the added benefit of the relatively stable production chemicals business, along with the diversification of our geographic footprint towards international regions," Apergy CFO Jay Nutt said during the Q1 earnings conference call on April 28. "We'll also have the increased exposure with larger customers, including more IOCs and NOCs where capital spending can be less volatile."

The company posted a \$660 million net loss in Q1 after a non-cash impairment of \$683 million on goodwill and long-lived assets in its production and automation technologies segment. The final impairment is still being finalized and should be \$650-750 million. Apergy posted a net loss of \$1.8 million in 4Q19 and net income of \$19.7 million in 1Q19. Revenue was \$261 million in Q1, \$248 million in 4Q19 and \$300 million in 1Q19.

### ChampionX Business Focused On Production Chemicals



Source: Apergy 03/30/20 Presentation via **Enverus docFinder**

# How Much Should I Pay for an Asset?

## Operational Intelligence Suite

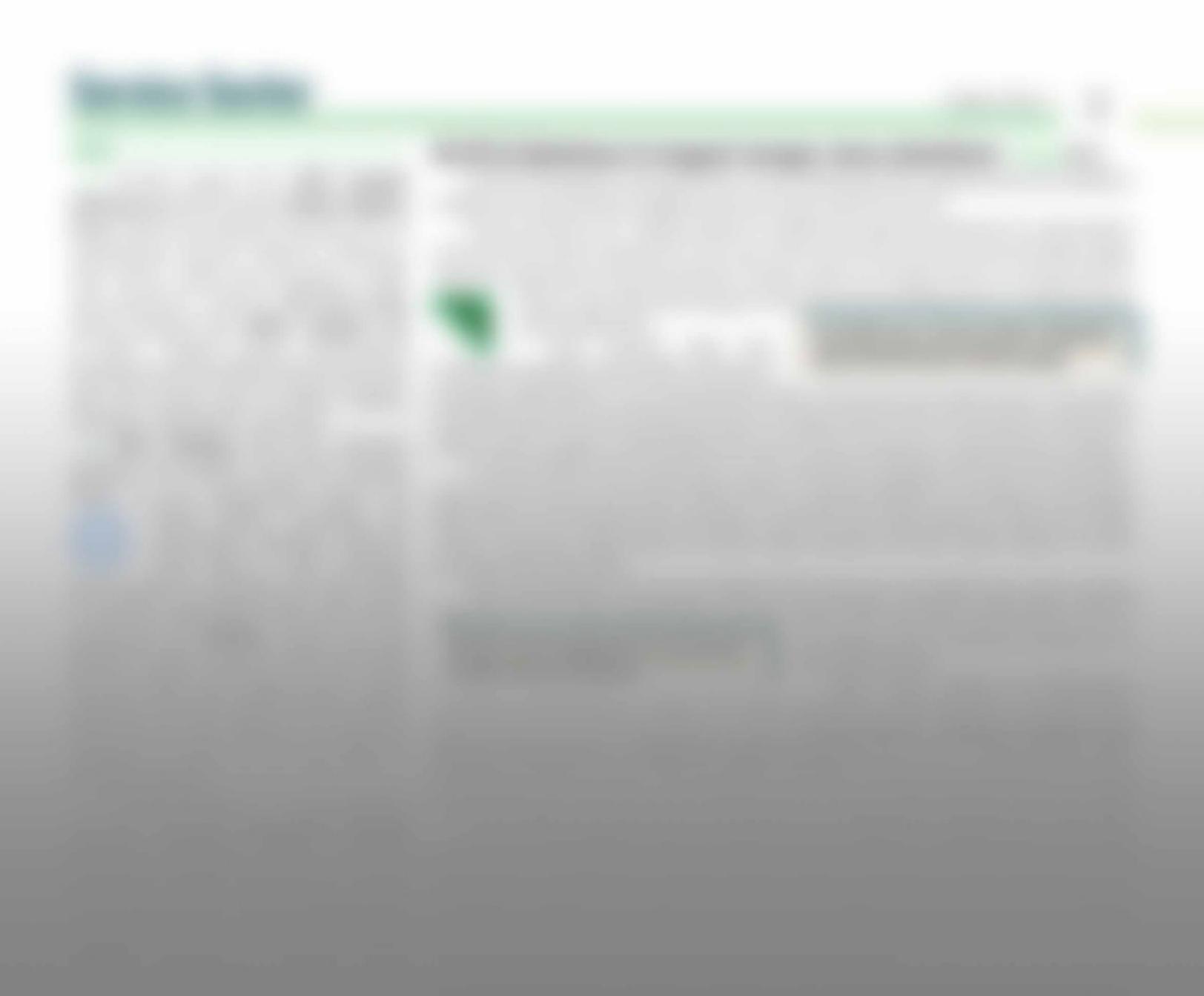
Enverus provides the industry's most comprehensive and accurate data on global oil and gas activity, including asset transactions, corporate acquisitions and mergers, JVs, farm-ins and deals in play.

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### Executive Summary

The global oil and gas industry is expected to remain a key driver of economic growth in 2015-2016. Enverus is the trusted source for global oil and gas activity, including asset transactions, corporate acquisitions and mergers, JVs, farm-ins and deals in play.

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### Global Oil and Gas Activity

Global oil and gas activity is expected to remain strong in 2015-2016. Enverus is the trusted source for global oil and gas activity, including asset transactions, corporate acquisitions and mergers, JVs, farm-ins and deals in play.

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### Regional Activity

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**Oilfield Services**  
The oilfield services sector is expected to remain a key driver of growth in the oil and gas industry. As production levels stabilize, operators are focusing on cost efficiency and operational excellence. This includes investing in advanced technologies and digital solutions to optimize production and reduce downtime. The market is also seeing consolidation as larger players acquire smaller, specialized firms to expand their service offerings and geographic reach.

The global oilfield services market is projected to reach a value of approximately \$1.2 trillion by 2025, driven by increasing demand for specialized services in both onshore and offshore environments. Key growth areas include artificial intelligence (AI) and machine learning (ML) for predictive maintenance, as well as the adoption of autonomous drilling and completion systems. Additionally, the expansion of the oil and gas sector in emerging markets, particularly in the Middle East and Africa, is expected to fuel demand for oilfield services. However, the sector faces challenges such as fluctuating oil prices and the need for significant capital expenditure to maintain and enhance existing infrastructure.

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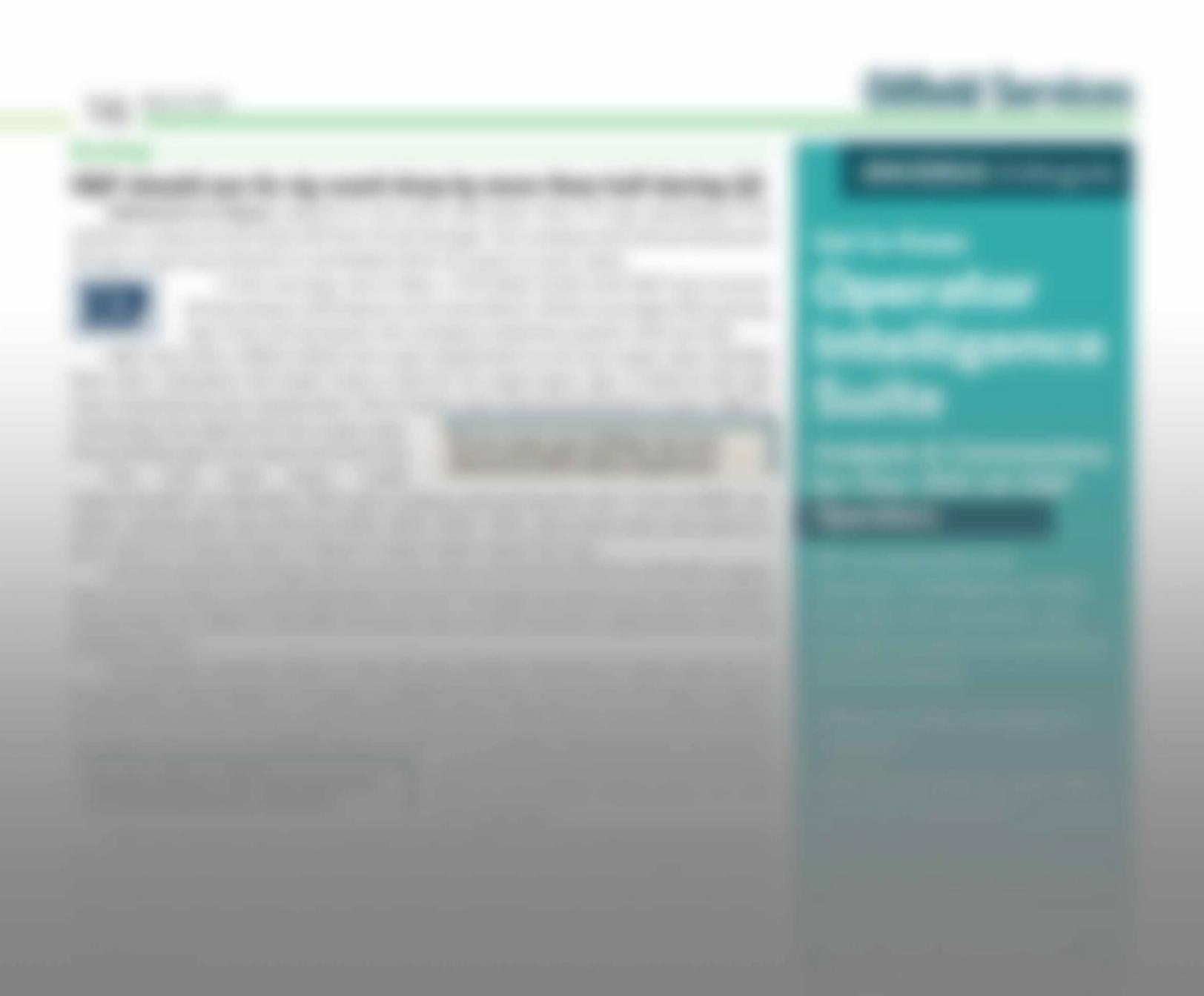
Enverus is the trusted source for global oil and gas activity, including asset transactions, corporate acquisitions and mergers, JVs, farm-ins and deals in play.





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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.



### Global Oil and Gas Activity

Global oil and gas activity is expected to remain strong over the next several years, with significant investment in exploration and production. The industry is also seeing a shift towards more environmentally friendly practices, such as carbon capture and storage.



The oil and gas industry is facing a number of challenges, including declining oil prices and increasing environmental concerns. However, the industry is also seeing a number of opportunities, such as the growing demand for natural gas and the development of new oil reserves.

Oilfield services companies are well-positioned to benefit from the continued growth of the oil and gas industry. By providing high-quality services and investing in research and development, these companies can help to ensure the industry's long-term success.

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# GET TO KNOW COMPANY ACQUISITION

1.

EXPANDED COVERAGE OF COMPANY ACQUISITIONS

ENVERUS HAS EXPANDED ITS COVERAGE OF COMPANY ACQUISITIONS TO INCLUDE:

• Mergers and Acquisitions

• Joint Ventures and Partnerships

• Farm-ins and Deals in Play

• Corporate Restructuring

• Divestitures and Spin-offs

• Bankruptcy and Liquidation

• Restructuring and Reorganization

• Other Corporate Transactions



ENVERUS  
CORPORATE ACQUISITIONS

2.

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