ENVERUS

Oilfield Pulse

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Though loss is wider, so is NOV's optimism for a better 2022

Challenged by supply chain issues and inflation, NOV Inc. reported a $69 million net loss in Q3, widening from its Q2 loss of $26 million. Revenue of $1.34 billion was off 5%. However, CEO Clay Williams is optimistic for 2022 amid rising economic activity and higher backlogs.

More than half the new orders in Rig Technologies unit were related to offshore wind.

Williams was able to tick off several other reasons for the strong 2022 outlook: strong oil and natural gas prices, the emergence of key offshore drilling customers from bankruptcy, two years of cost-cutting that made NOV more efficient. However, he also spent much of the Oct. 27 earnings call detailing the widespread impact of inflation and supply chain snarls.

"Supplies of resin, epoxy and fiberglass integral to our composite pipe and Tuboscope tubular coating businesses remain critically low and, in some instances, have nearly doubled in cost. Lead times for forgings have extended out from six weeks to 18 weeks," Williams said in the call. *Read more...*

Wilks brothers double up on M&A, buying FTSI and Dawson

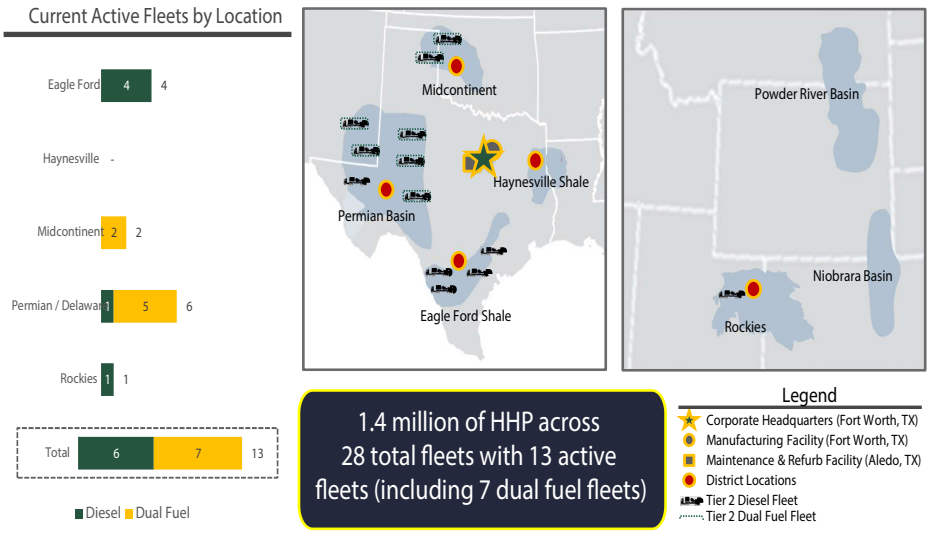
The family of companies led by fracking billionaire brothers Dan and Farris Wilks ramped up its buying spree of oilfield services companies. One Wilks-led company, ProFrac Holdings, agreed to acquire fracker FTS International in a $407.5 million transaction Oct. 22. The following business day, Oct. 25, Dawson Geophysical Co. accepted an offer from Wilks Brothers LLC to buy all of its shares for $55.2 million.

$407.5MM agreement with FTS International gives the fracker 45 days to find a better offer.

FTSI stockholders will receive $26.52/share in cash, a 14% premium over the company's 60-day average closing price. While FTSI directors unanimously approved the ProFrac deal, the agreement includes a "go-shop" period expiring Dec. 5. This allows the board and its advisors to solicit alternative acquisition proposals from third parties.

"The combination of these two companies creates a leading completions-focused company that will be in a better position to succeed through cycles," FTSI CEO Michael Doss said. FTSI emerged from bankruptcy in November 2020. *Read more...*

FTSI Frack Fleets Deployed Across Western U.S. Plays



Source: FTS International 09/10/21 presentation via **Enverus docFinder**

Activity Index

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Oilfield Pulse is published every three weeks by **Enverus** and covers the oilfield services sector, including contracts, the deal market, finance and new technology offerings.

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

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Contributing Writers:
Joseph Gyure
Rob Bleckman
Stephen Graham
Jeff Reed

Layout Manager:
Jeff Reed

Copy Editor:
Ronnie Turner

Data Operations:
Sung Kim

Graphic Layout:
David Rosilez

Editorial Director:
David Cohen

Head of Publishing:
Dan Coy

Contracts & Projects

McDermott's first Tyra delivery nearly 4 years in the making

McDermott completed its first delivery for TotalEnergies' redevelopment of the Tyra gas field off Denmark, consisting of two 328-ft bridges and a 449-ft flare. The milestone was announced Nov. 1, nearly four years after McDermott received the EPC contract for Tyra from Maersk Oil & Gas in December 2017. Total acquired Maersk Oil & Gas in a $7.45 billion transaction that closed in March 2018.

Tyra redevelopment EPC contract awarded in late 2017 by Maersk Oil, which Total then acquired.

The work package also includes the Tyra East G gas processing topsides, which McDermott expects to be ready for onshore commissioning and sailaway next year. The new facilities will lie 139 miles west of Esbjerg in the North Sea.

"The stringent environmental standards in the North Sea drove us to deliver the most compact and efficient process system possible for what is one of the more complex projects we've tackled," said Tareq Kawash, McDermott's SVP for Europe, Middle East and Africa. He also noted the logistical challenges of delivering projects during the coronavirus pandemic.

Sailaway of the bridges and flare occurred Aug. 26, according to the announcement. Fabrication at McDermott's yard in Batam, Indonesia, had started in October 2018.

Tyra is central to Denmark's energy infrastructure, processing more than 90% of the country's gas production. The field is operated by TotalEnergies on behalf of the Danish Underground Consortium—a partnership consisting of TotalEnergies (43.2%), Noreco (36.8%) and Nordsoefonden (20%). Following completion in 2022, the new Tyra platform is expected to deliver 60,000 boe/d. The original Tyra platform started production in 1984.

Valaris reactivating two floaters from cold stack on new contracts

Valaris Ltd. will bring two drillships out of cold stack for contracts scheduled to start in 2Q22. One contract will run for two years while another will last at least 18 months. Day rates were not disclosed.

ExxonMobil awarded the two-year contract to the Valaris DS-9. The rig is currently preservation stacked in the Canary Islands, where it will be reactivated and then mobilized to Angola ahead of the anticipated contract commencement there in June 2022.

Petrobras hired the Valaris DS-4 to work off Brazil with a minimum term of 548 days. The rig is preservation stacked in the U.K. and will transit to the Canary Islands, where it will be reactivated and then mobilized to Brazil. The contract should start by early 2Q22.

Valaris' backlog has grown to $2.32 billion, according to its fleet status report released Oct. 27. That's a 4.2% increase from the previous report, issued Aug. 2. Day rates for floaters continue to tick lower with an average for 2022 of $209,000 in October's report, down $1,000 from August. Jackup day rates are moving higher to a 2022 average of $85,000 in October, up $3,000 from August.

Aker Solutions to handle FEED for FPSO inside Arctic Circle

Aker Solutions received an LOI from Equinor for a FEED contract covering an FPSO that will work inside the Arctic Circle. The intended FEED contract includes an option for EPCI of the topsides for the FPSO, which is destined for the Wisting field development. While financial details of the FEED contract were not disclosed, Aker Solutions estimates the EPCI contract could be worth NOK 8-12 billion ($1.0-1.4 billion) if Equinor and its partner give Wisting an FID. The Wisting FPSO is based on a Sevan design. The topsides will weigh about 20,000 tonnes, consisting of a large process module and a large utility module.

Wisting is a greenfield development in the Barents Sea, about 310 km north of the Norwegian mainland. Equinor (35%) operates the field, with partners OMV Norge AS (25%), Petoro AS (20%), Idemitsu Petroleum Norge AS (10%) and Lundin Energy Norway AS (10%).

The FEED award follows the successful completion of the study phase, and the work starts immediately with planned completion in 3Q22. The FEED work will be led by Aker Solutions' offices in Fornebu, Norway. The contract will be booked as order intake in Q4 in the renewables and field development segment.

McDermott secures more work on Russian polyethylene plant

Having delivered FEED work for National Gas Group subsidiary RusGazDobycha's integrated gas processing and polyethylene facility in Russia's Leningrad region, McDermott International has signed a letter of guarantee with main project contractor China National Chemical Engineering & Construction Corporation Seven Ltd., or CC7, to deliver engineering and procurement services for the facility's ethane cracker. Located on the Gulf of Finland near the Estonian border, the complex is the largest polyethylene integration project in the world.

Located in the Leningrad region, the complex is the world's largest polyethylene integration project.

The polyethylene project is integrated with a gas processing and liquefaction facility owned by a JV of Gazprom and National Gas Group subsidiary RusGazDobycha, which began construction May 21 and will process gas from Gazprom-operated fields. Stage 1 construction is expected to be complete in 3Q23, and Stage 2 in 3Q24.

Under the new contract, McDermott will provide complete project management, engineering and procurement services, including field engineering, author supervision and the supply of equipment and materials for a two-train ethane cracker unit with combined ethylene production capacity of 2.8 mtpa using Lummus Technology's proprietary steam cracking process. McDermott and Lummus work together under a joint strategic agreement. McDermott previously collaborated with CC7 on the Afipsky hydrocracker project in Krasnodar, Russia, and on Lukoil's delayed coker unit in Kstovo, Russia.

See Also...

McDermott bringing EPCI skills to green hydrogen consortium

Earnings

Schlumberger reports 27% profit rise, sees good macro picture

Schlumberger's profits continued for a fourth consecutive quarter as the world's biggest oilfield services company reported Q3 earnings of $550 million, up 27% from the prior quarter and reversing an $82 million loss a year earlier. Revenue of $5.85 billion grew 4% sequentially and 11% YOY. The quarter was free of restructuring charges and showed a $47 million gain related to an investment. CEO Olivier Le Peuch remarked that Schlumberger's pre-tax segment operating margin of 15.5% was the highest since 2015.

"The industry macro fundamentals have visibly strengthened this year," Le Peuch said in a press release. "Absent a recession or pandemic-related setback, these favorable conditions are expected to materially drive investment over the next few years—particularly internationally—and result in exceptional multiyear capital spending growth globally, both on land and offshore."

YTD FCF of $1.7B has enabled $1.43B in debt reduction for Q3-closing total around $14.4B.

Cash flow from operations of $1.07 billion was off 11% and $671 million in free cash flow off 23% compared with Q2. YTD free cash flow of $1.7 billion has enabled the company to pay down $1.43 billion in debt for a quarter-closing total of around $14.4 billion. The company ended Q3 with over $2.9 billion in cash and short-term investments.

Capital investment in 2021 is expected to total $1.6 billion, compared with $1.5 billion spent in 2020. In Q3, capex of $273 million decreased 22% sequentially.

Schlumberger reported $1.13 billion in North American Q3 revenue, a 4% increase from Q2 driven by well construction activity and increased drilling both on and offshore, despite temporary disruption by hurricanes. Latin American revenue grew 10% to $1.16 billion, attributable to robust well construction, reservoir performance and production systems activity. Schlumberger's Europe/CIS/Africa and Middle East/Asia segments reported 2% revenue increases to $1.48 billion and $2.03 billion, respectively. Growth came from peak summer drilling in Russia and Scandinavia as well as more drilling off Australia and Indonesia.

By operations, well construction was the largest revenue generator at $2.27 billion, up 8%, while reservoir performance revenue grew 7% to almost $1.2 billion. Production systems revenue of $1.67 billion in Q3 was flat, and the company's Digital & Integration division brought in 1% less revenue at $812 million.

Precision's results better in Q3; drilling outlook coming up roses

Financial results for Precision Drilling improved overall sequentially in Q3 as the Calgary-based contractor halved its quarterly net loss to C$38 million ($30.7 million). The company's outlook is rosy, with U.S. operators running out of DUC wells, Canadian activity exceeding pre-pandemic levels, energy demand rebounding and commodity prices skyrocketing just as E&P companies are entering their 2022 budget season.

"This is the first time in over a decade where a strong and resilient commodity backdrop lines up with the annual E&P budgeting cycle—unusual territory, indeed," CEO Kevin Neveu said during an Oct. 21 earnings call. Producers have repaired their balance sheets in the past year, but he predicted that customers will remain committed to capital discipline, building a "healthier and more balanced" industry for the long term.

Precision's Canadian drilling activity nearly tripled YOY and rose 86% sequentially to 4,648 rig utilization days. Revenue per utilization day declined by 5.8% sequentially and by 9.3% YOY to C$19,427 because of a shift in rig mix toward shallower rigs.

U.S. results slid as rig margins declined 23% from Q2 to $5,211. Daily operating costs rose 10% sequentially as Precision prepared four rigs for activation that had been idled an average of 20 months.

"We believe the majority of the cost increase is temporary, and the actions taken in Q3 are building a larger revenue base for the next two quarters," CFO Carey Ford said on the earnings call. He predicted that Q4 margins in the U.S. will rise $1,500-$2,000 from Q3's level.

Precision revenue was C$254 million in Q3, up 26% sequentially and 54% YOY. The company posted net losses of C$75.9 million in Q2 and C$28.5 million in 3Q20.

Contracts & Projects

- The Prosafe offshore accommodation vessel Safe Caledonia will return to the Elgin complex in the U.K. North Sea in mid-March under a new contract with TotalEnergies. The firm duration of the contract is 270 days with one 30-day option. The Safe Caledonia has been working at Elgin for TotalEnergies this year since March 30 under a contract whose last option ends Oct. 31. The Safe Caledonia also worked for the supermajor at Elgin in 2017.
- Shearwater GeoServices Holding secured a contract to acquire more than 6,000 sq km of 3D seismic data in South Africa. The acquisition vessel Amazon Warrior will conduct the survey. The project is planned to last about four months. Shearwater did not disclose the client or financial details of the contract.
- TGS, in partnership with Schlumberger, will execute a new 3D seismic survey in the Red Sea off Egypt. The project will encompass 6,800 sq km acquired with long offsets and processed using a pre-stack depth migration workflow to enable sub-salt imaging ahead of an anticipated license round. Final products are expected in 4Q22. The survey is supported by industry funding.
- U.S. Well Services and Nine Energy Service said they successfully completed an all-electric field trial for Appalachian Basin-focused Northeast Natural Energy. NNE used USWS's patented Clean Fleet fracturing technology to stimulate 589 total stages on nine wells across two pads. During the project, NNE's company records for the most hours, stages and total sand and water pumped in a 24-hour period were eclipsed. USWS estimates that by using Clean Fleet instead of conventional equipment, NNE reduced its CO2-equivalent, NO2 and particulate matter emissions by 25%, 86% and 94%, respectively.

Earnings

Baker Hughes delivers Q3 profit, reports 6% more new orders

Back in black after two quarterly losses, Baker Hughes Co. earned $8.0 million in Q3 on revenue on $5.1 billion. In Q2 it had lost $68 million on about the same amount of revenue. Operating income of $409 million was 46% higher than in Q2, but Baker booked $25 million for restructuring and a $140 million loss related to its investment in artificial intelligence company C3.ai.

Cash flow from operations of $416 million was off 18% sequentially—although up 90% from 3Q20—and free cash flow of $305 million fell by 21% from Q2. Capex in Q3 of $111 million was down 8% from Q2. The company ended Q3 with $4.3 billion in cash and short-term investments versus over $6.7 billion in total debt.

Leaving NYSE for tech-friendly Nasdaq beginning Dec. 7; BKR symbol will not change.

Chairman and CEO Lorenzo Simonelli noted relatively solid footing for oil market growth and strong gas and LNG fundamentals. In this environment, the company plans to "continue to prioritize higher margins, returning capital to our shareholders, and free cash flow," he said.

Baker's largest segment, oilfield services, brought in 3% more revenue at $2.42 billion than in Q2. North America's portion was $714 million, up 3%. International revenue of $1.7 billion rose 2% on more sales in the Middle East, Russia and Latin America.

Oilfield equipment revenue dropped 5% to $603 million, although orders continued to gain, with a 6% rise to $724 million after they nearly doubled to $681 million in Q2. Baker reported continued increases in subsea production systems.

Turbomachinery and process solutions revenue dipped 4% to $1.56 billion, though orders increased 14% to $1.72 billion. Revenue also fell in the digital solutions business—by 2% to $510 million—and orders dropped 3%. Through all segments, new orders of $5.4 billion were up 6% from Q2.

Baker also said it is moving the listings for its Class A common stock and listed bonds to the Nasdaq from the NYSE beginning Dec. 7. Its BKR symbol will not change, though. Simonelli said the move will result in greater cost savings, adding that the Nasdaq's emphasis on technology aligns with the company's "mission to lead the energy transition."

ChampionX's profits jump as all segments report robust growth

ChampionX Corp. earned $56.8 million on $818.8 million of revenue in Q3, compared with $7.3 million on $749.2 million of revenue in Q2. Operating cash flow totaled $88.7 million, with free cash flow of $67.3 million.

CEO Sivasankaran Somasundaram said ChampionX expects volume improvements, price increase realization and cost synergy delivery in Q4 to offset continued raw material cost inflation. He expects revenue in the $820-860 million range and EBITDA of $130-140 million. The company reported adjusted EBITDA of $123 million in Q3. Among other objectives, the company is working to expand its emissions management portfolio.

"We continue to deliver on merger integration synergies. We exited the third quarter at a $118 million cost-synergy annualized run rate, and we fully expect to deliver the targeted annualized cost synergies of $125 million within 24 months of the merger closing," Somasundaram said.

The Production Chemical Technologies segment earned $45.7 million, up 35% sequentially on higher international volumes and continued North American sales increases. Production & Automation Technologies showed a $14.4 million operating profit, up 17% over Q2 on higher demand for shorter-cycle North American land-oriented products and factoring in the acquisition of Scientific Aviation in July. Drilling Technologies earned $11.1 million, up 184% sequentially, on higher North American and international land drilling activity. Reservoir Chemical Technologies earned $37.8 million, reversing from a $2.6 million loss in Q2 with a $39.9 million gain from the sale of a plant in Corsicana, Texas.

ChampionX ended Q2 with $613 million of liquidity, including $359 million of revolver capacity. Total cash and equivalents of $254 million and debt of $770 million represented a 6% increase and 21% decrease, respectively, over Q2 levels.

ROCKIES

WYOMING OPERATED PROPERTY
23,289-Net Acres. (25,396-Gross.)
CONVENTIONAL POWDER RIVER BASIN
Weston, Campbell & Sheridan Counties
100% HBP Acreage
Additional RTP Opportunities
Avg 97% WI (Avg 79% NRI)
99% Operational Control
Net Production: 224 BOPD
Proj PDP Cash Flow (NTM): $2,400,000
Total PDP Reserves: 827 MBBL
PV-10: $10,140,000
Waterflood Enhancement/Optimization
Deal ID: 13274

WESTERN COLORADO ASSET SALE
24-Wells. 96,300-Net Acres
COAL BASIN FIELD, GUNNISON,
DELTA, PITKIN, GARFIELD, MESA COS
Targets Mancos & Corzette-Corcoran Fms
17-Operated & 7-Non-Op Wells. 1-WDW
100-Identified Mancos/Niobrara Locations
54-Multi-Well Pads Analyzed & Approved
Delivers 85% NRI
Avg Net Production: 7.391 MMCFD
Avg Net Cash Flow: $166,994/Month
Recoverable Resources: 1.4 TCF
Deal ID: 13040

PERMIAN

DELAWARE MINERAL & ROYALTIES
2-PDP Wells. 618-Net Royalty Acres
REEVES COUNTY, TEXAS
Acreage Normalized To 1/8th Royalty
286-Unleased Net Mineral Acres
~100% Mineral Classified Interest
1.3-Net Wells / Locations (1.2-Net Undev)
16-Undeveloped Locations
Average 7.6% RI in 2-Leased Units
Average 7.7% RI in 2-Unleased Units
PDP PV-8: $2,000,000
Net 3P Reserves: 2.2 MMBOE
3P PV-10: $34,000,000
5-Fresh-Water Wells & 2-Caliche Pits
With Income Potential Of $1,000,000/Year
Deal ID: 13334

CRANE CO., TX SALE PKG
4-Active Wells. 160-Acres
CRAWAR FIELD
CENTRAL BASIN PLATFORM
Glorieta (4,100-4,200 Ft)
Shallow Legacy Production
~30% OPERATED WI; 75% 8/8ths NRI
Gross Production: 11 BOPD & 9 MCFD
Net Production: 2.3 BOPD & 1.8 MCFD
L3M Net Cash Flow: $4,200/Mn
PDP Reserves: ~82.5 MBOE
PDP PV-10: ~$950,000
Deal ID: 13364

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