ENVERUS

Oilfield Pulse

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Select Stories in This Issue:

Transocean sees world of opportunities as $300,000/day returns

Transocean saw a wave of $300,000 day rates in the past three months and foresees multiple possibilities in the coming year or so for offshore drilling running into a tight floater market. The Gulf of Mexico market is nearly sold out, and awards there over $400,000/day are "very possible" in the near future, CEO Jeremy Thigpen said May 2.

More than 150 floaters scrapped in past eight years, leading to supply crunch.

Transocean secured four one-well contract extensions in the past three months of $300,000 or higher. The Discoverer Inspiration drillship signed a one-well contract for EnVen Energy in the GOM at $300,000/day; the Transocean Spitsbergen semisubmersible saw Equinor exercise a one-well option off Norway at $305,000/day; Petrobras awarded the Development Driller III drillship a one-well contract off Colombia at $331,000/day; and BHP awarded the Deepwater Invictus drillship a pair of one-well extensions totaling about 90 days in the GOM at $375,000/day.

The rising day rates follow eight years of low demand, during which more than 150 benign-environment floaters were scrapped. *Read more...*

Top drillers salivating over higher margins as day rates soar

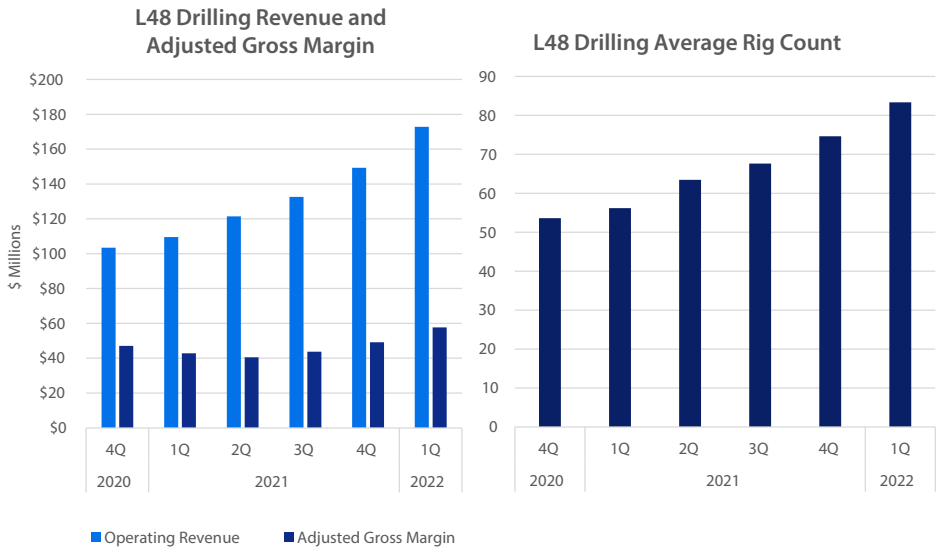
The three most active contract drillers in the U.S. reported Q1 results highlighted by soaring day rates for drilling rigs and hefty margin and growth. Rig demand is high along with commodities prices, but supply is low with supply chain disruptions thwarting reactivations.

Patterson-UTI CEO can't recall last time 'leading-edge day rates ... moved up this quickly.'

Patterson-UTI's leading-edge day rates for Tier 1 rigs are now in the upper $20,000s and over $30,000 if ancillary equipment is included. Some customers are already planning for 2023 so Patterson-UTI expects more demand for longer-term contracts to lock in equipment. Its average adjusted rig margin per day in the U.S. increased during Q1 by $1,720 to $7,170 and another $1,100 increase is expected in Q2.

"I don't recall another period where leading-edge day rates for drilling rigs moved up this quickly," Patterson-UTI CEO Andy Hendricks told analysts. *Read more...*

Nabors Among Drillers Noting Accelerating Margin Growth



Source: Nabors Industries 04/28/22 presentation via **Enverus docFinder**

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Contracts & Projects

Big 3 divvy up $1.5B in Equinor drilling extensions off Norway

Baker Hughes, Halliburton and Schlumberger received the lion's share of roughly $2 billion in combined two-year contract extensions starting June 1 for services at Equinor-operated fields on the Norwegian Continental Shelf, along with 13 other suppliers. The Big Three received extensions for drilling services with estimated total value of NOK 14 billion ($1.5 billion) that will give work to around 2,000 people on 18 fixed platforms and 12 mobile rigs.

Also, $500MM in specialist extensions went to Schlumberger, Halliburton, Baker & 13 others.

The drilling service contracts, established in 2018, give one supplier the main responsibility for integrated drilling services, cementing and pumping, drilling and completion fluids, electrical logging and completion for a field or offshore rigs. The rest of Equinor's contract extensions are for specialist services calculated at close to NOK 6 billion and will employ some 600 people.

Baker Hughes will have exclusive work on Grane A, Askepott and Oseberg B, C, East and South fields and the vessels Transocean Equinox, Transocean Endurance, Deepsea Atlantic and Rowan Stavanger. It will share with Schlumberger duties on the Noble Lloyd Noble, Visund A and Johan Sverdrup and with Halliburton at the Heidrun A.

Schlumberger will have exclusivity over the Gullfaks A, B and C; Statfjord A, B, and C and Askeladden fields and split duties with Halliburton for the Kvitebjørn A. On vessels, Schlumberger will handle the Deepsea Stavanger, COSL Promoter and Deepsea Aberdeen and split with Halliburton the the Transocean Enabler. Halliburton will be the exclusive provider for Snorre A and B, the Transocean Encourage and the Transocean Spitsbergen.

Halliburton, Schlumberger, Baker Hughes also received specialist service contract extensions, as did Weatherford, Ramex, NOV Wellbore Technologies, Petroleum Technology Company, TCO, Interwell, Welltec Oilfield Services, Roxar Flow Measurement, Sekal AS, Archer Oiltools, Silixa, Tendeka and Ardyne. The specialist services include electrical submersible pumps, downhole monitoring, tubing-conveyed perforation, wired drill pipe, liner hanger, additional completion equipment and services, sand screens, fiber optics, fishing services, downhole mechanical isolation, multilateral technology, coring services, one trip steerable drilling liner system and expandable hydraulic screens.

Aspiring water handler snaps up rights to build Permian system

Midland-based private startup Martin Water Midstream LLC is paving the way to build a Midland Basin water handling business through a couple of acquisitions of surface use agreements for undisclosed amounts. The company, founded in 2021, has already begun negotiating long-term produced water contracts with E&P companies.

On March 30, MWM acquired the membership interests of Corsican Midstream Permian Basin LLC, adding about 16,000 acres in SUAs to its existing portfolio. Corsican owned the SUAs for seven landowners, including the Strain family. A week later, MWM acquired the Richards Ranch, covering roughly 1,180 acres of land across two sections in Martin County, Texas.

MWM's water midstream business will focus on Martin County and be anchored by more than 27,000 acres of SUAs. The system will feature a 16-inch trunkline gathering pipeline system with capacity to transport 400,000 bbl/d of produced water, 150,000 bbl/d of recycling facilities, 1.5 MMbbl of permitted pond storage and connection agreements with established saltwater disposal operators to dispose of overflow volumes. MWM is led by co-CEOs Matthew Morgan and Stephen Johnson. Morgan previously co-founded produced water mobile recycling company Poseidon Water Systems, and Johnson founded and served as vice chairman of water infrastructure developer WaterBridge Resources.

Aris Water boosts outlook on long-term contract with Chevron

Aris Water Solutions will provide produced water handling and recycling services for a portion of Chevron's core position in the Delaware Basin under a new long-term full-cycle water management agreement. The agreement with the supermajor and increased activity levels in the northern Delaware Basin prompted Aris to upgrade its 2022 EBITDA forecast and capex.

2022 EBITDA forecast increases by $15 million, but budget rises by $60 million.

The agreement will facilitate increased use of recycled water in Chevron's operations and reduce its use of groundwater. The scope includes acreage in Eddy and Lea counties, New Mexico, and Culberson and Reeves counties, Texas. Aris had contracts with Chevron before, but they were short term and didn't include both Aris' handling and re-use services, CEO Amanda Brock said during a May 10 earnings call.

For 2022, Aris is now projecting increased adjusted EBITDA of $165-175 million compared with the $150-160 million forecast made in February. However, Aris also increased its 2022 budget to $140-150 million from the previous $80-90 million based on the Chevron deal and other visible growth opportunities with current long-term customers. The company ended Q1 with $68 million in cash and an undrawn $200 million revolving credit facility.

Aris reported total water volumes of 1.2 MMbbl/d for Q1, a 45% YOY increase that the company attributed to increased activity levels from long-term contracted customers and continued adoption of its recycled produced water solutions. Recycled produced water volumes were 273,000 bbl/d for Q1, up 290% from 1Q21.

The Houston-based company posted a net loss of $6.6 million in Q1 owing to a $15.6 million impairment on assets held for sale, compared with net income of $6.4 million in 4Q21 and $2.8 million in 1Q21. Revenue was $71 million in Q1, $67 million in 4Q21 and $46.2 million in 1Q21. Aris did business as Solaris LLC until its $214 million IPO last October.

Contracts & Projects

PDC teaming up with Petrofac to decommission three GOM fields

Promethean Decommissioning Co., an Austin, Texas-based decommissioning pure-play, awarded Petrofac a $200 million contract to serve as the decommissioning services provider for three fields in the Gulf of Mexico. The contract is part of an alliance between London-listed energy infrastructure services company Petrofac and PDC to decommission the South Pass 60, South Pass 6 and East Breaks 165 fields.

The contract scope covers decommissioning of the fields and their assets, which include nine platforms, 200 wells and 32 pipeline segments. The $200 million contract is in line with the U.S. Bureau of Safety and Environmental Enforcement's estimated decommissioning cost.

As decommissioning operator, PDC is responsible for fulfilling the field decommissioning orders received from the BSEE in February. The alliance has selected Danos, a Gray, Louisiana-based offshore services provider, to support field operations and the decommissioning program. The project will be led from Houston, with the alliance using the latest digital software, including Petrofac's proprietary project management tool Turus, to deliver the decommissioning project with comprehensive dashboards, transparency and assurance.

Click for more!
Petrofac hopes for backlog boost after ADNOC lifts suspension

Reactivation costs cloud Valaris' Q1 as four rigs return to work

Valaris dipped back into the red in Q1 but confidently predicted better days to come. One factor holding the offshore driller back was $62 million in reactivation expenses for four floaters before they start contracts secured last year.

One of the four, semisubmersible Valaris DPS-1, started a 10-month contract with Woodside Petroleum off Australia in April. The other three are drillships: the DS-16 will start working for Occidental Petroleum in the Gulf of Mexico in May and the DS-4 for Petrobras off Brazil and the DS-9 for ExxonMobil off Angola in June. While working, the four rigs are expected to generate combined annualized EBITDA of more than $100 million even though they will work on contractual day rates set around 12 months ago, missing out on the latest phase of the market recovery.

$26.2MM, 2-well award off Angola at a day rate 'not seen in the past seven years,' CEO says.

Other offshore drillers have recently announced contract awards of $300,000/day or higher. "While many of these have been for shorter-term programs in the U.S. Gulf, more recently we have seen day rates at these levels offshore Australia, South America and West Africa," Valaris CEO Anton Dibowitz told analysts May 2.

The same day, Valaris announced that drillship DS-12 received a two-well contract with a major operator off Angola and the Republic of Congo for work starting in January and ending March 2023. The DS-12's contract is valued at $26.2 million, "a level not seen in the past seven years for drillship work offshore West Africa," Dibowitz said. Even if the DS-12 works every day of 1Q23, the contract's day rate comes to $291,000.

Average day rates for Valaris drillships at the end of Q1 were $203,000, the company's highest since 2Q21. However, day rates for semisubmersibles and jackups continued to decline, bringing the overall average for Valaris vessels to $108,000, down $3,000 from 4Q21 and $8,000 from 1Q21.

Valaris still has three drillships stacked, which it believes gives it special opportunities to take advantage of higher day rates. The company is pursuing work for them and expects to begin reactivation of at least one in the near term.

Revenue increased to $318 million in Q1 from $306 million in 4Q21 on higher utilization for the jackup fleet and higher average day rates for drillships. However, contract drilling expenses rose by $45 million sequentially to $331 million in Q1, due to the reactivation costs as well as higher personnel, repair and maintenance and mobilization costs. Net loss was $39.8 million in Q1. The net income of $27.7 million in 4Q21 was Valaris' first positive result since 2Q19.

Maha set to begin Mafraq drilling campaign in Oman

Maha Energy signed a binding letter of award with Global Business Services for a six-well drilling campaign on Block 70 onshore Oman, with a drilling contract expected to be finalized in the near future. The GBS-1, a 1,000-hp super single top drive rig, is expected to mobilize in June to drill the wells.

Maha's campaign will consist of two appraisal wells and four horizontal pilot production wells on the undeveloped Mafraq field. The company said its immediate goals are to obtain important reservoir information to assist in developing a full field development plan, including identifying the oil-water contact, petrophysical properties and possible water disposal zones. The four pilot production wells will be completed with progressive cavity pumps and placed on extended well tests to determine productivity.

Mafraq is a delineated heavy oil field that was extensively tested in 1988 and 1991 by Petroleum Development Oman, which ultimately did not develop the field. Mafraq is estimated to hold about 35 MMbo recoverable.

- Electric fracking provider Evolution Well Services and Appalachia-focused E&P firm CNX Resources Corp. will continue their partnership for another four years. The contract is an extension of the agreement that started in 2019, when CNX began utilizing Evolution's natural gas-fueled, gas turbine-powered fracturing fleets under the first long-term contract in the Appalachian Basin for this technology. As part of this extension, CNX and Evolution are introducing technologies that will further reduce emissions with natural gas into fracking operations. Financial terms were not disclosed.
- DOF Subsea construction support vessel Skandi Africa will be active until February 2024 after its client exercised an option to extend its contract. The new commitment will commence in direct continuation with the current commitment, which was already extended for two years in November 2020. Skandi Africa is a high-end subsea vessel designed for harsh-environment and deepwater subsea construction and flex-lay operations.

Finance

IPO reportedly on horizon for frac sand provider Atlas

Sand may be on the IPO horizon, according to sources who told Reuters that Austin, Texas-based frac sand provider Atlas Sand Co. LLC is considering going public and hired Goldman Sachs to lead the effort. Initial rumblings put the value of a public Atlas Sand at between $2 billion and $3 billion including debt, the sources said. The Atlas IPO would also be the first sand IPO since Smart Sand Inc. went public in 2016 and the first IPO for the overall oilfield services sector since last October's Aris Water Solutions public debut.

Though the frac sand industry was hit hard at the beginning of the pandemic when shale producers cut back production, there is now extremely high demand for sand as producers have ramped up in response to commodity prices and the Russian war.

The sources told Reuters that timing of the offering would depend on market conditions and that there was no guarantee of an IPO. Neither Atlas nor Goldman responded to Reuters' request for comment.

Contracts & Projects

Transocean sees opportunities as $300,000/day returns

From PG.1

Around 25-35 such rigs are stacked globally, but reactivating a cold-stacked rig will take at least 12 months and probably longer with supply chain issues. There are 17 newbuilds in shipyards or in the hands of investors, most of which Transocean believes still need more than $100 million in capex to start working, Thigpen said.

Two newbuild Transocean drillships are set to enter the GOM in the coming months. However, those vessels, the Deepwater Atlas and the Deepwater Titan, are already committed, specially designed for separate and historic 20,000 psi campaigns to be conducted by Beacon Offshore Energy and Chevron.

The drilling contractor vows to wait for contracts before it starts unstacking floaters.

"Historically, the Gulf of Mexico has served as a leading market indicator for other deepwater offshore drilling markets," Thigpen said. "As in the Gulf of Mexico, direct negotiations with customers continue to increase in multiple locations with improving contractual terms, higher day rates and longer durations reflecting customers' recognition that there is a looming shortage of rigs and therefore, limited time for tendering or lengthy negotiations."

In Latin America, 15 opportunities are expected through 3Q23. Petrobras issued multiyear tenders in late April for up to eight rigs. With no high-specification floater idle in Latin America, the rigs would have to come from other areas, where supply is tight.

In West Africa, Transocean sees 20 opportunities with program durations of greater than one year commencing within the next 18 months. Thigpen said the additional demand is driven by a return to activity in Angola and Ghana, the reactivation of major developments off Mozambique and Nigeria, and recent large discoveries in Namibia such as TotalEnergies' Venus 1-X find in the Orange Basin in February.

"There are opportunities for [managed pressure drilling] drillships in Asia, but there are no available MPD units in the region," Thigpen said. "We are also seeing increasing demand for Australia, which is most likely to occur in 2023. However, similar to what we are seeing in Asia, there is likely to be a rig shortage in Australia at that time."

Norway will likely be challenged in 2022 as a shortage of subsea equipment causes program delays. However, a record level of sanctioning is anticipated by YE22 as operators move projects forward to utilize expiring tax incentives, leading to a sold-out market in 2024, Transocean said. Adding to the shortage in Norway, a lack of warm assets in the U.K. will lure floaters from the Norwegian part of the North Sea.

Transocean has 12 stacked floaters that could ease the supply crunch and take advantage of rising day rates. However, the company will not unstack a rig on speculation but only with "a contract that generates a suitable return on investment," Thigpen said.

Transocean's results remained in the red after a mixed Q1. Contract drilling revenue decreased sequentially by $35 million to $586 million. The company's $175 million Q1 net loss narrowed significantly from 4Q21's net loss of $260 million.

WEST COAST

CALIFORNIA OPERATED ASSETS
23-Producing Wells.
WEST WHITTIER FIELD
LOS ANGELES COUNTY
Producing From Two Faulty Blocks
Above & Below Whittier Fault Zone
5-PDNP / PDBPs. 13-PUD Locations
Potential To Monetize Produced Gas
Avg 96.3% OPERATED WI (82.8% NRI)
Net Production (Feb-2022): 212 BOPD
Net Cash Flow (Jan-2022): $380,328
Deal ID: 13616

ROCKIES

BIG HORN OPERATED ASSETS
106-PDP Wells. 9,896-Net Acres.
PRIMARILY IN PARK CO., WYOMING
ALSO IN CARBON CO., MONTANA
Acreage - 100% HBP & ~100% Operated.
Targets Tensleep & Phosphoria Fms
~97% OPERATED WI (~82% NRI)
Net Production (Jun-2022): 829 BOPD
NTM PDP Cash Flow: $14,000,000
Upsides Include Operational Optimization
And Multiple RTPs Adding ~140 BOPD
BIDS ARE DUE JUNE 10, 2022
Deal ID : 13666

DJ BASIN OPERATED & NON-OP SALE
159-Hz Wells. 2,721-Net Acres. 156-NMA
PRIMARILY IN ADAMS & WELD COS.,
ALSO IN LARIMER CO., COLORADO
Targets Niobrara & Codell Formations
38-Operated & 121-Non-Operated Wells.
Near-Term Non-Op Undeveloped Locs
Net PDP Production: 7.5 MBOED
Net Cash Flow (May-2022): $16,100,000
Net Rsrvs (Non-Op Upside): 821 MBOE
BIDS ARE DUE MAY 24, 2022
Deal ID: 13658

DJ BASIN NON-OP & ROYALTY SALE
3-Sub-Packages. 689-PDP Wells.
WELD COUNTY, COLORADO
36,960-Gross Acres.
24-WIPs. 85-Approved Permits.
20-PUDs. 387-Drill-Out Locations.
Pckg-1 (Non-Op): 7,013-Net Acres.
Pckg-2 (AFIC Royalty):1,216-NRIA.
Pckg-3 (ORRI): 327-NRIA.
Net Prod (Jun-2022E): 2.976 MBOED
Net PDP CF (Jun-2022E): $5,600,000
Net NTM Cash Flow: $47,400,000
Net Total Reserves: 16.665 MMBOE
OFFERS WILL BE ENTERTAINED FOR
ALL ASSETS OR INDIVIDUAL PCKGS
BIDS ARE DUE MAY 24, 2022
Deal ID: 13651

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MID-CONTINENT

MID-CONTINENT

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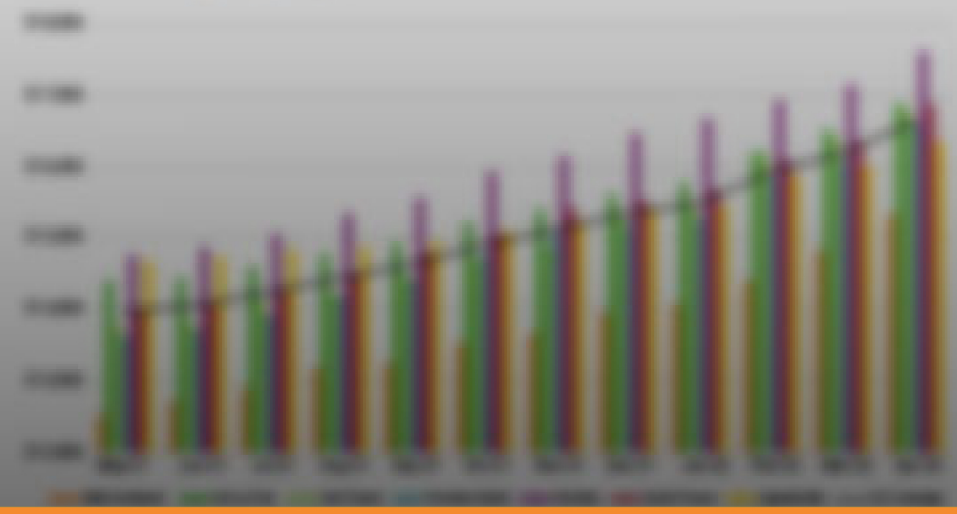

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