Why it will be easy to get a well drilled in 2013...and cheap

Oilfield Market Forecast

American Association of Drilling Engineers
Richard Spears, Spears & Associates, Tulsa
www.spearsresearch.com
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Oil-directed activity is up. Gas-directed activity is flat.

Completion services bottlenecks are gone.

Record idle frac horsepower is everywhere.

$90 oil/$3 gas in ’13...drilling & completion are both easy.

Is gas on its way back?

Summary
2011: +21%
2012: +10%
2013: +9%

2011: +19%
2012: +12%
2013: +9%
Completion Markets

2011: +44%
2012: +11%
2013: +8%

Production Equipment & Services Markets

2011: +24%
2012: +15%
2013: +13%
Challenges with the SUPPLY of services are no longer causing drilling activity to be slowed.
With pad drilling, rig count is less and less an indicator of demand.

What REALLY drives demand for equipment & services is the construction of horizontal wells.
And global new well drilling is rising ~5% per year.

The cost to drill & complete a well in the US has been falling for almost one year. And costs will be lower in 2013 for both drilling and completion services.
Land drillers grew strongly 2010-2011, but flattened in 2012. Pricing in 2013 might push the market down.

Directional drilling revenues, which grew strongly in 2011, are seeing slow growth in 2012 and 2013.

Completion equipment continues to rise. Sliding sleeve tools and other gear makes this market grow.

65 years of frac work around the world and North America still has ~90% of the market.
2005: 2,500 wells & 2 million HHP
2013: 18,000 wells & 13 million HHP

The relationship between horizontal drilling and frac horsepower demand is extremely tight.
Record demand for frac crews led to record horsepower additions 2011-2012. Now we have WAY too much and utilization is nearing 2009 levels.

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