

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

# Oilfield Market Forecast

Society of Petroleum Engineers – Gulf Coast / AADE

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[www.spearsresearch.com](http://www.spearsresearch.com)

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**Oil-directed activity is up. Gas-directed activity is flat.**

**Completion services bottlenecks are gone.**

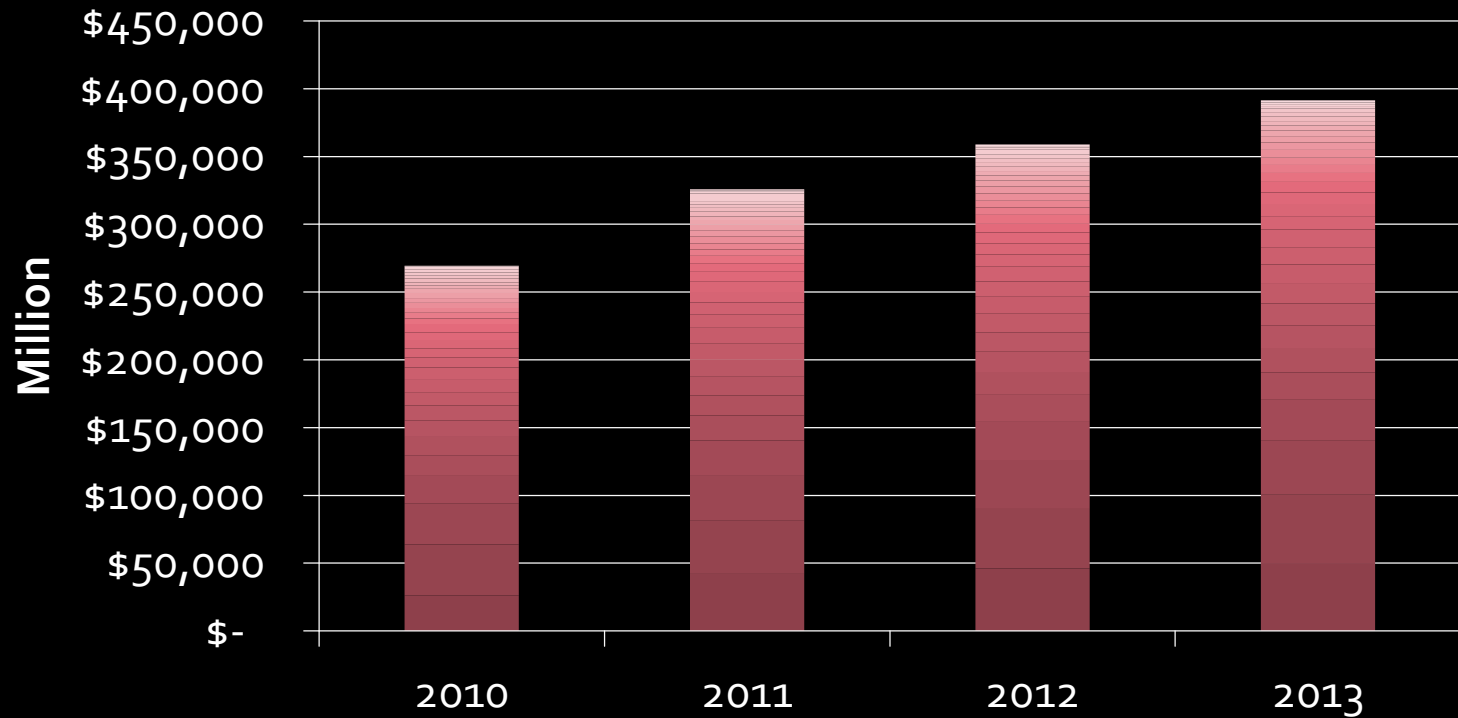
**Record idle frac horsepower is everywhere.**

**\$90 oil/\$3 gas in '13...drilling & completion are both easy.**

**Is gas on its way back?**

Summary

# Global Oilfield Equipment & Services Market

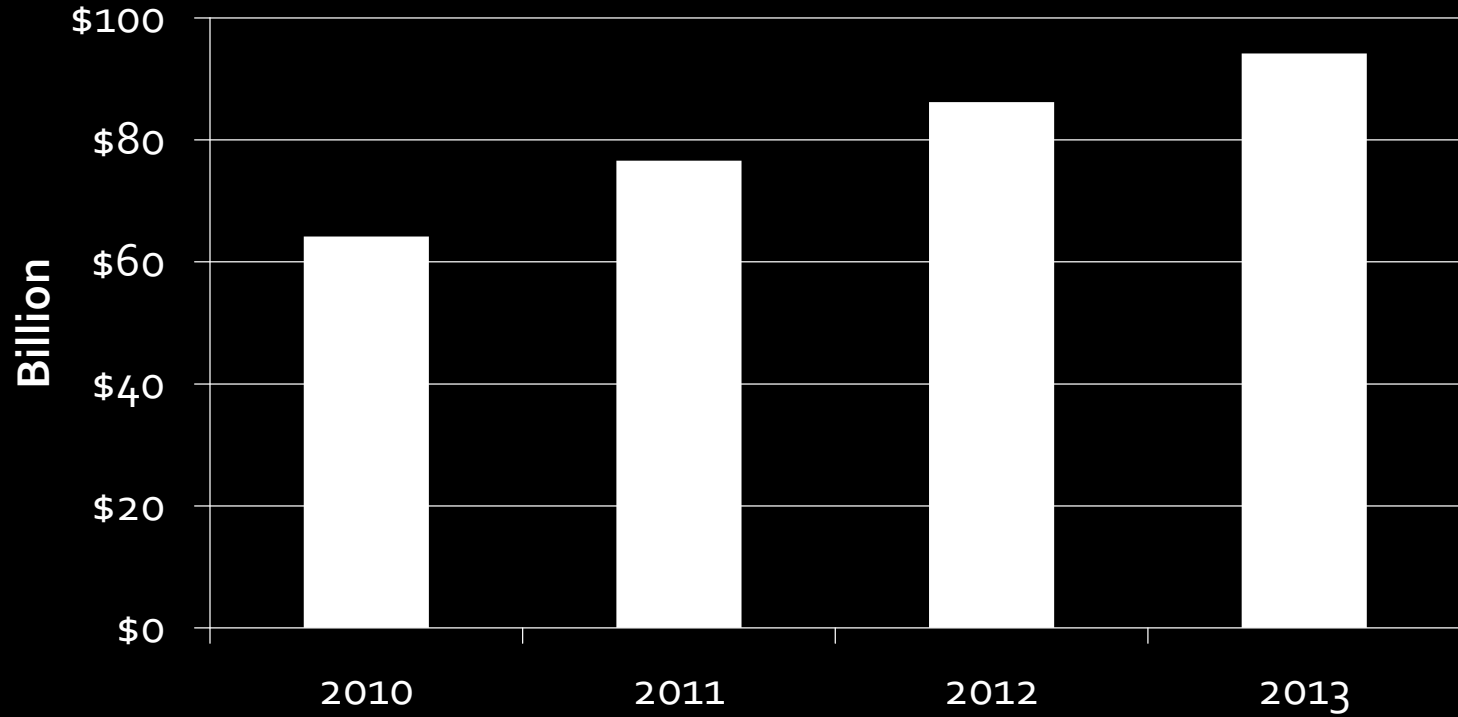


2011: +21%

2012: +10%

2013: +9%

# Well Construction Markets

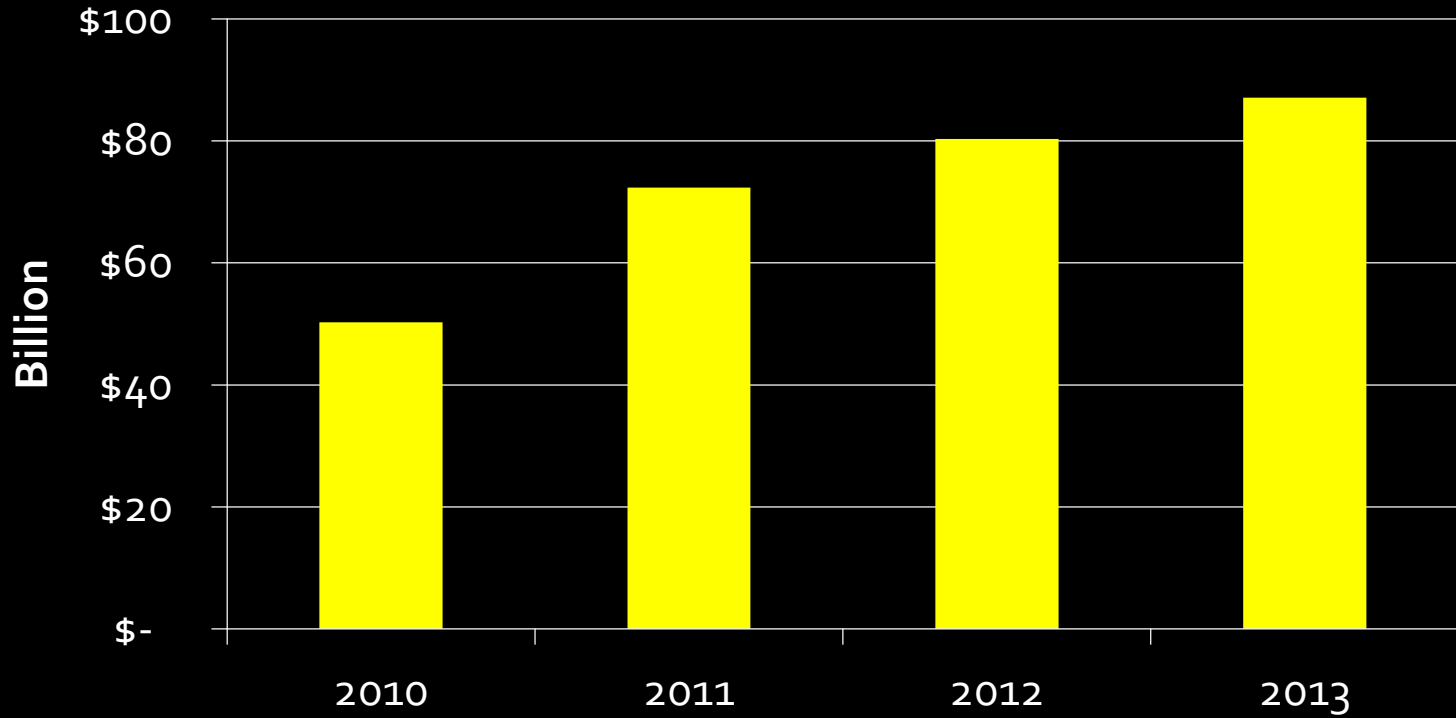


2011: +19%

2012: +12%

2013: +9%

# Completion Markets

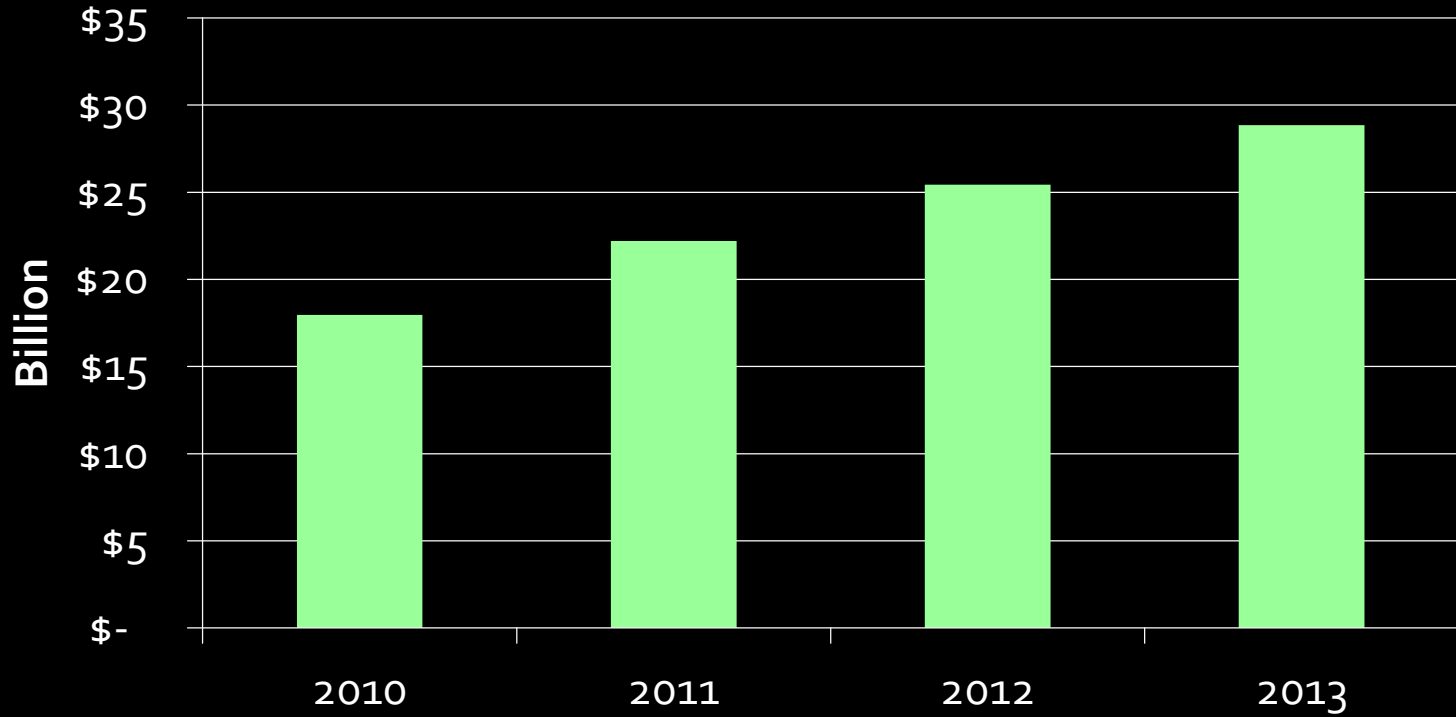


2011: +44%

2012: +11%

2013: +8%

# Production Equipment & Services Markets

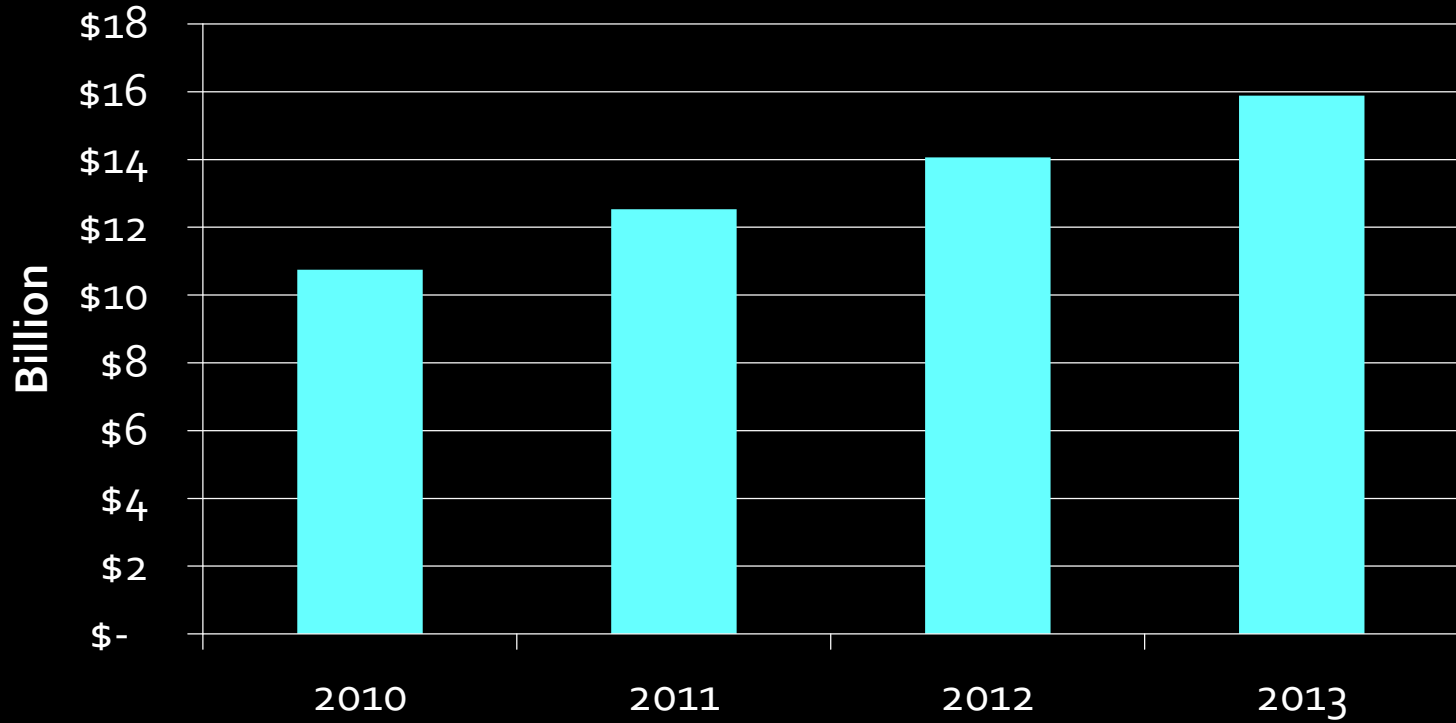


2011: +24%

2012: +15%

2013: +13%

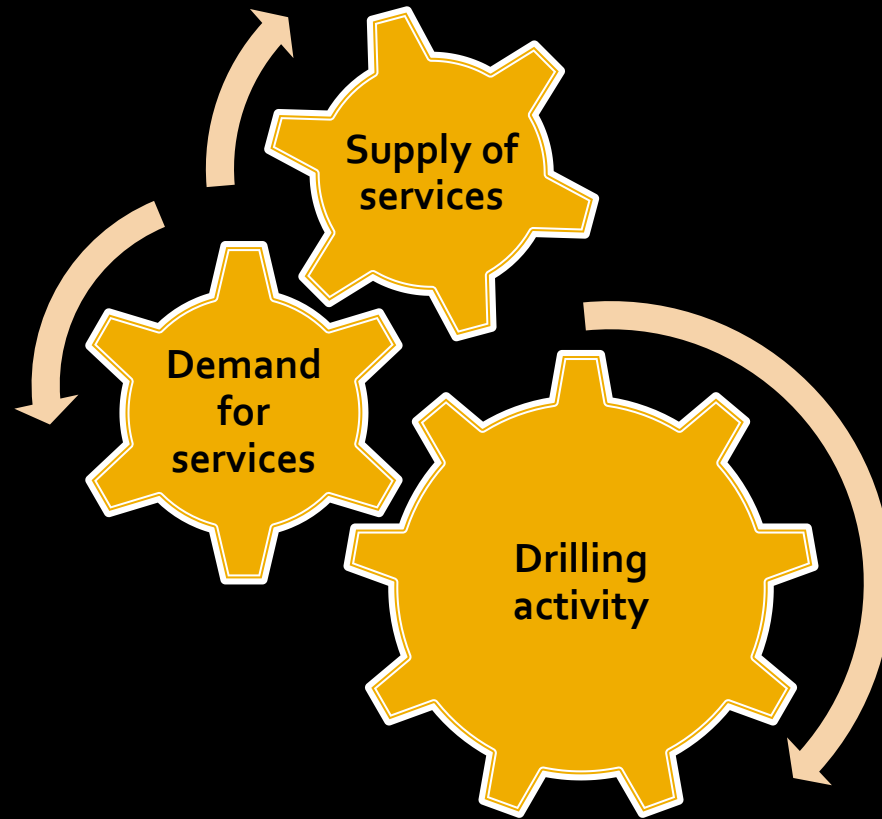
## Subsea Markets



2011: +16%

2012: +12%

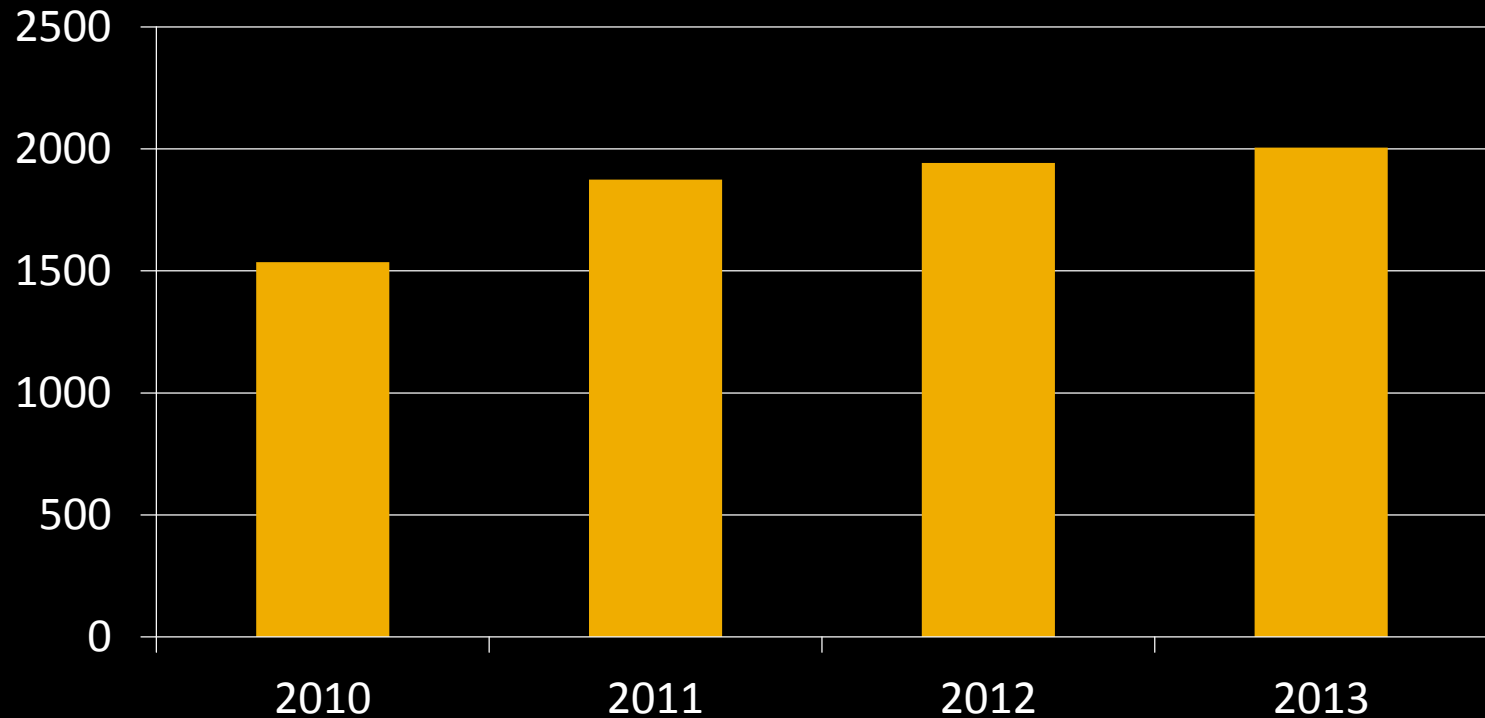
2013: +13%



Challenges with the SUPPLY of services are no longer causing drilling activity to be slowed.

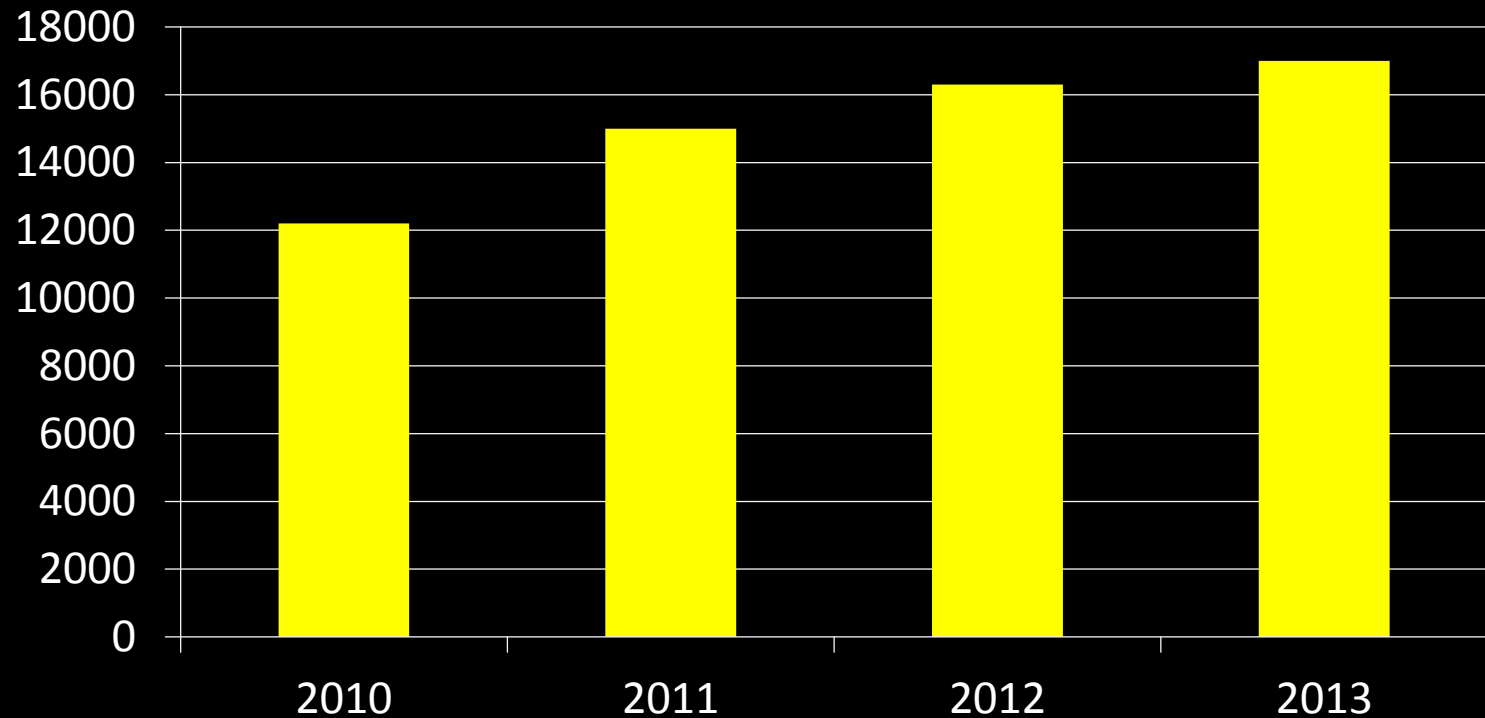


## Land US Drilling Rig Count



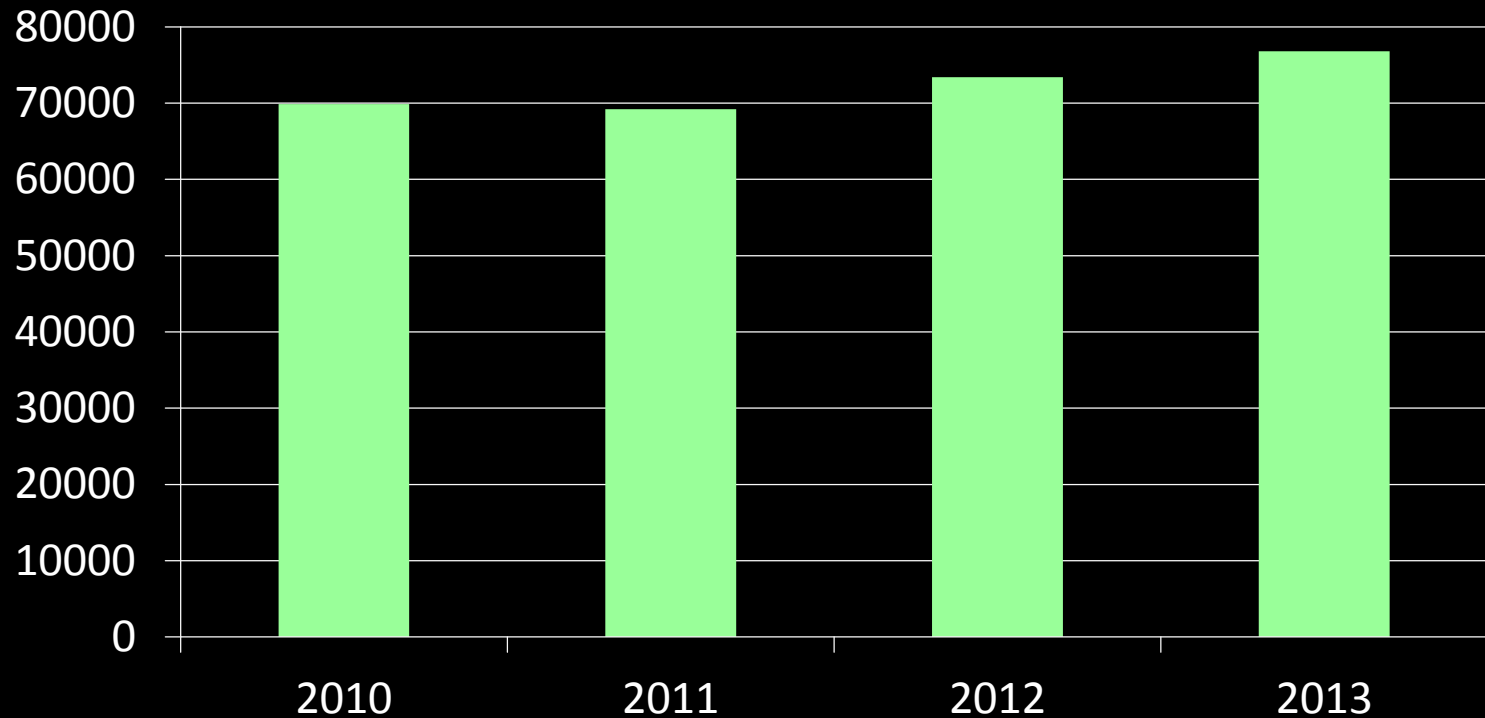
With pad drilling, rig count is less and less an indicator of demand.

## US New Horizontal Wells



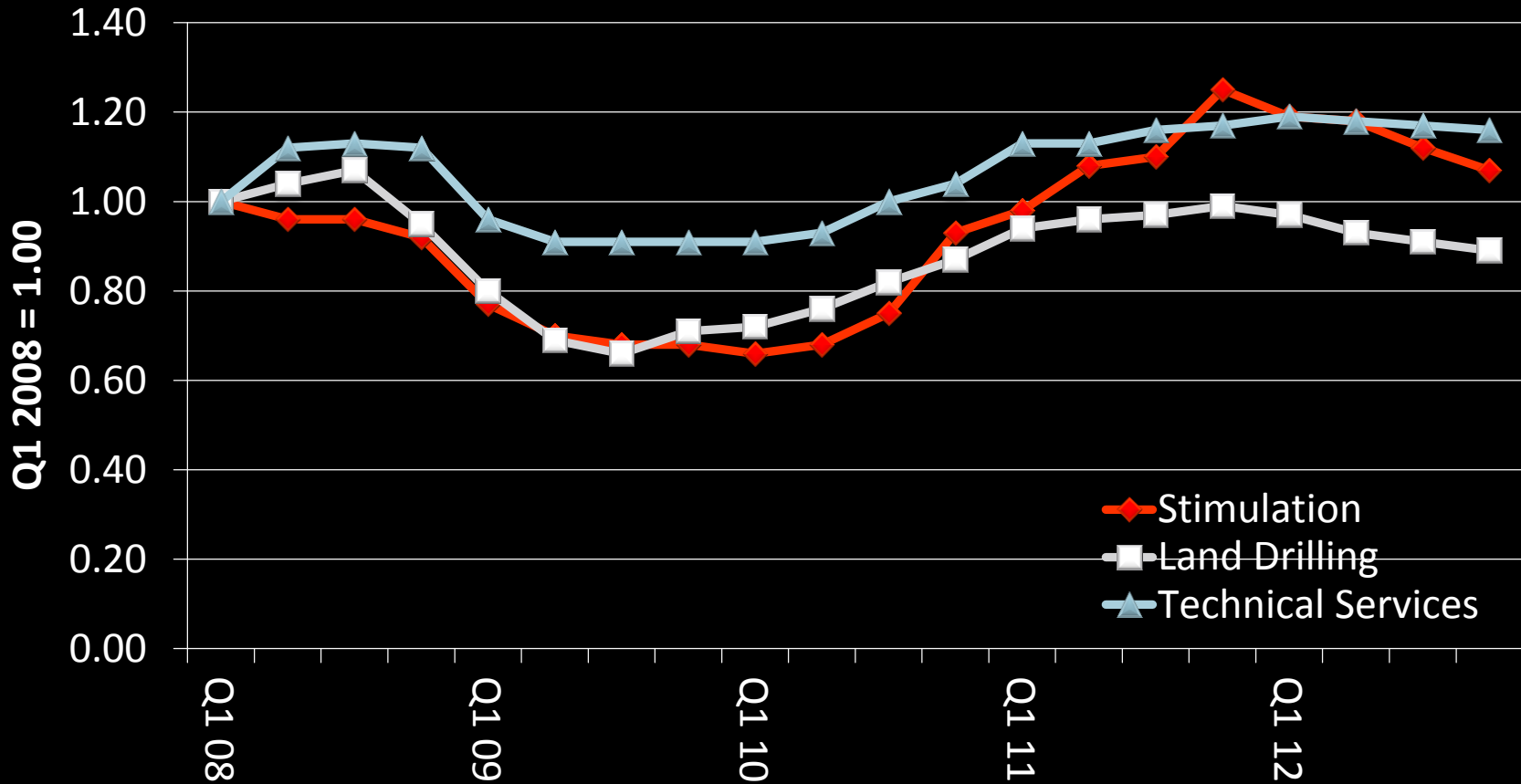
What REALLY drives demand for equipment & services is the construction of horizontal wells.

## Global New Well Drilling



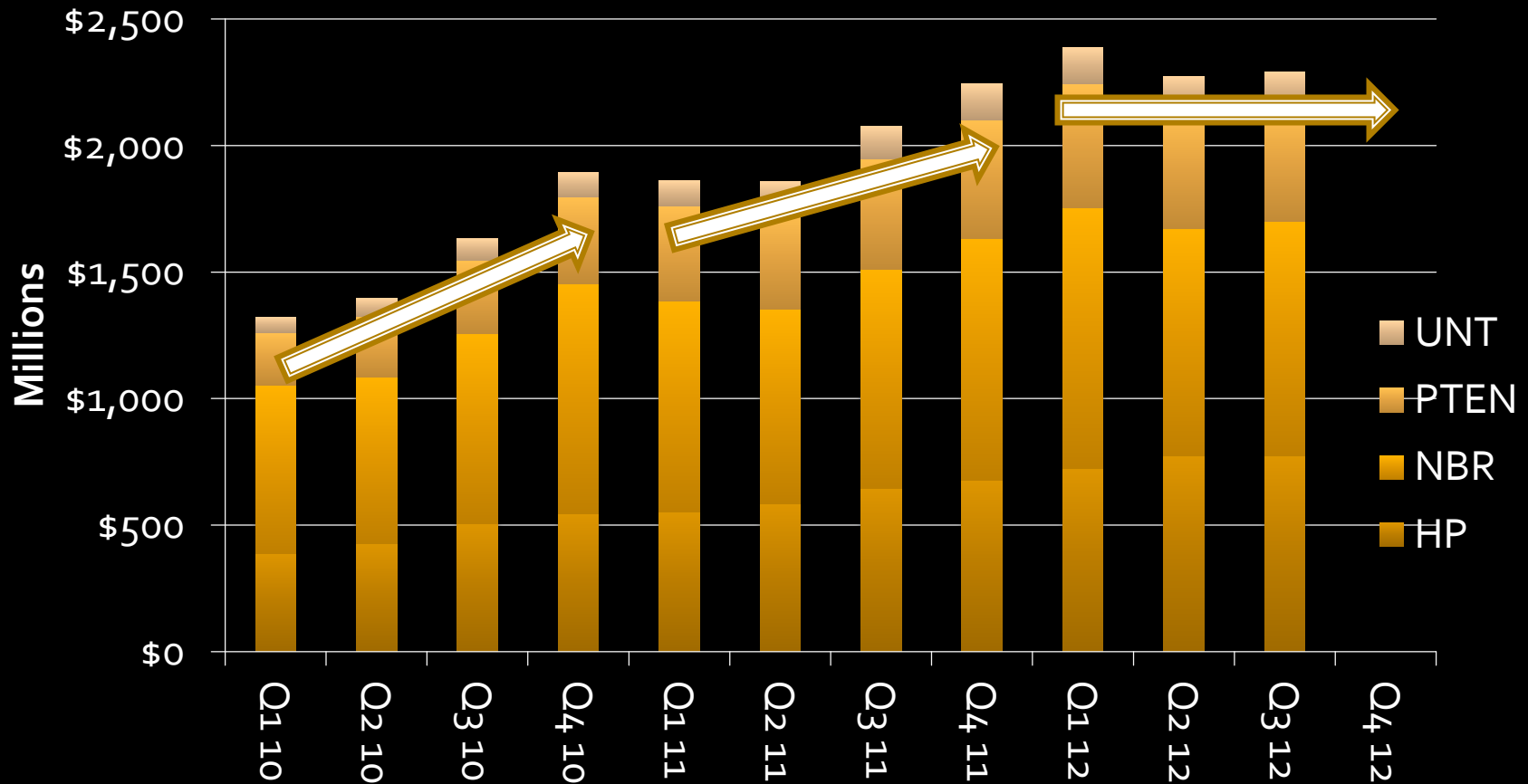
And global new well drilling is rising ~5% per year.

## US Drilling & Completion Cost Index



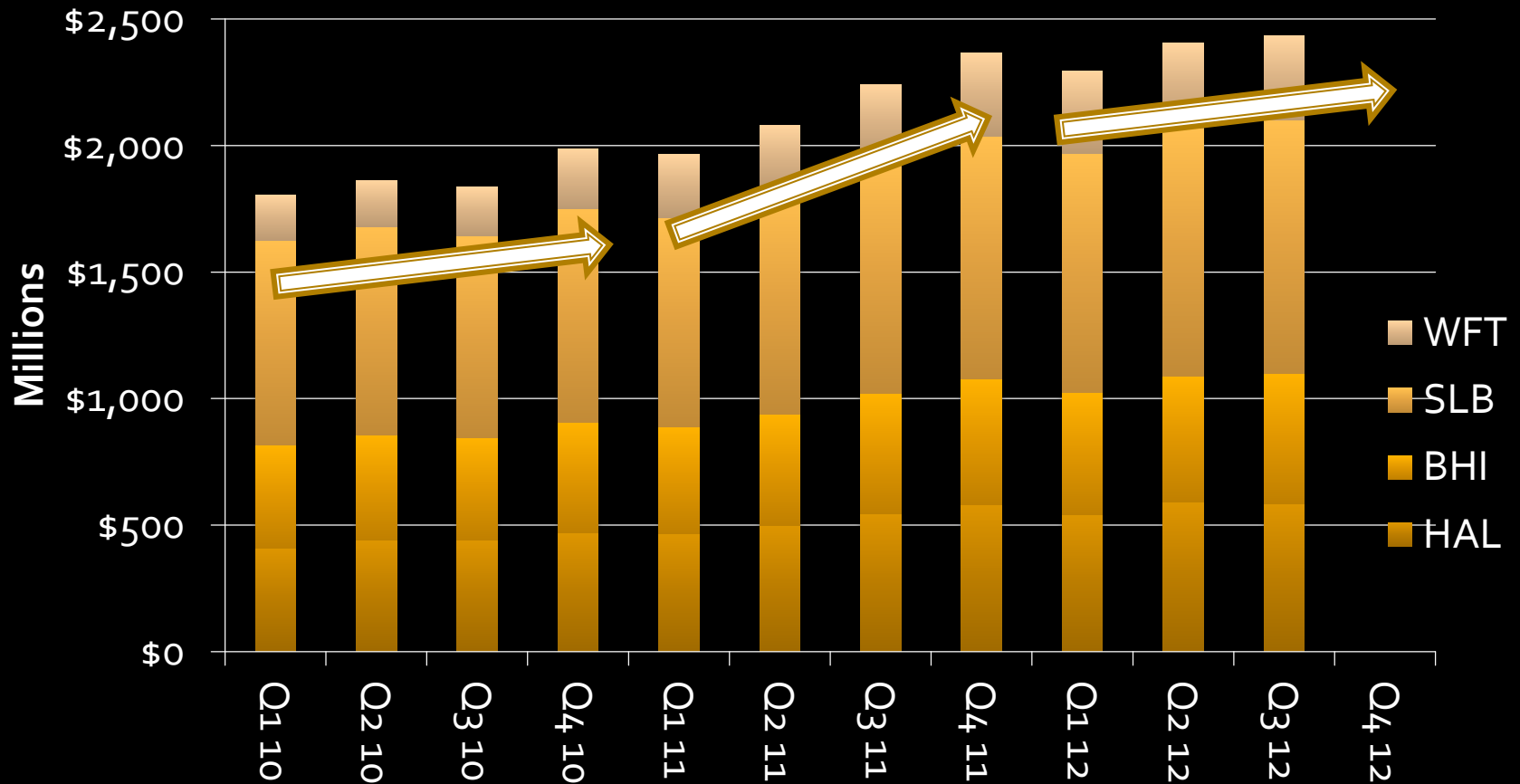
The cost to drill & complete a well in the US has been falling for almost one year. And costs will be lower in 2013 for both drilling and completion services.

## Quarterly Land Drilling Contractor Sales



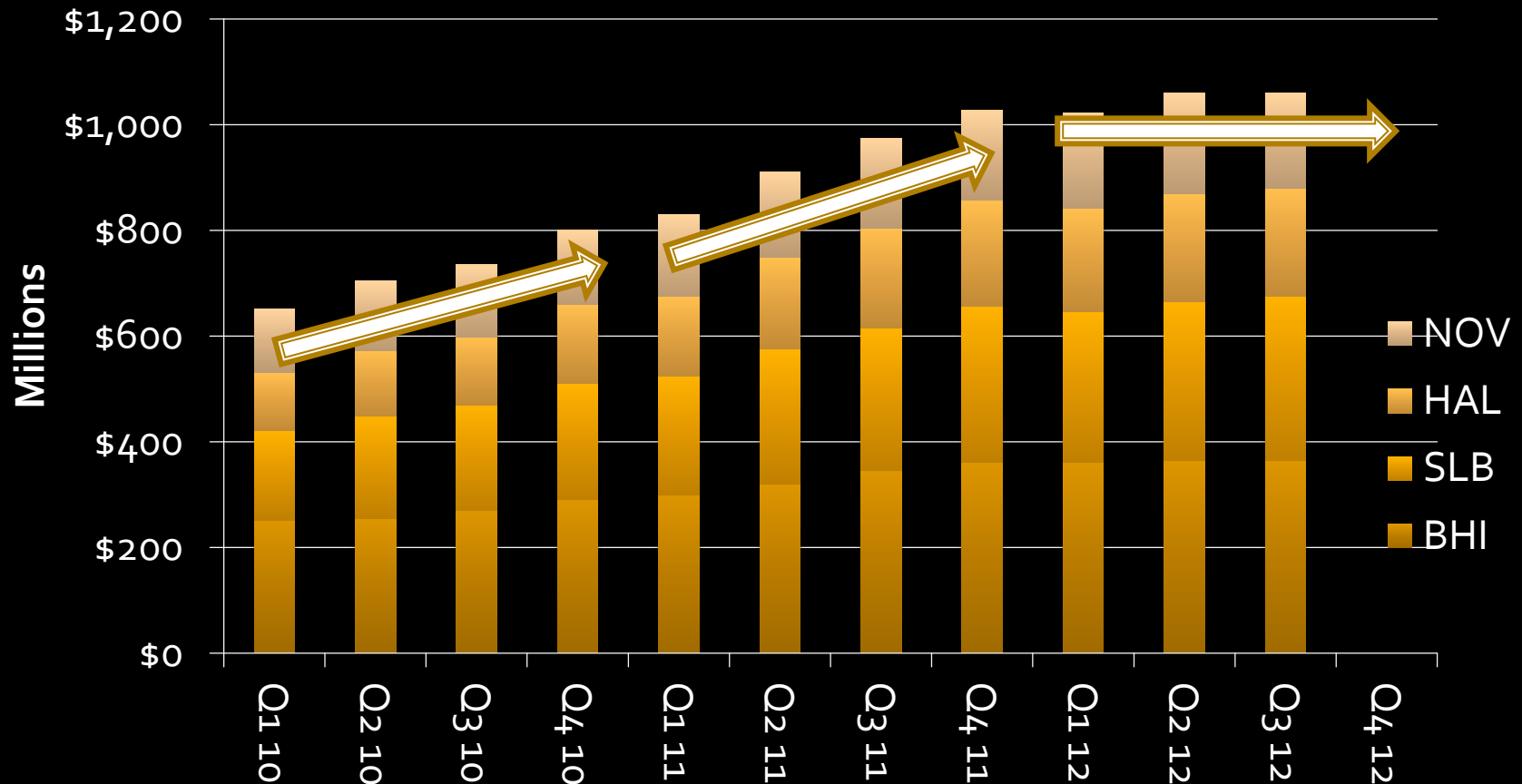
Land drillers grew strongly 2010-2011, but flattened in 2012. Pricing in 2013 might push the market down.

## Quarterly Directional Sales



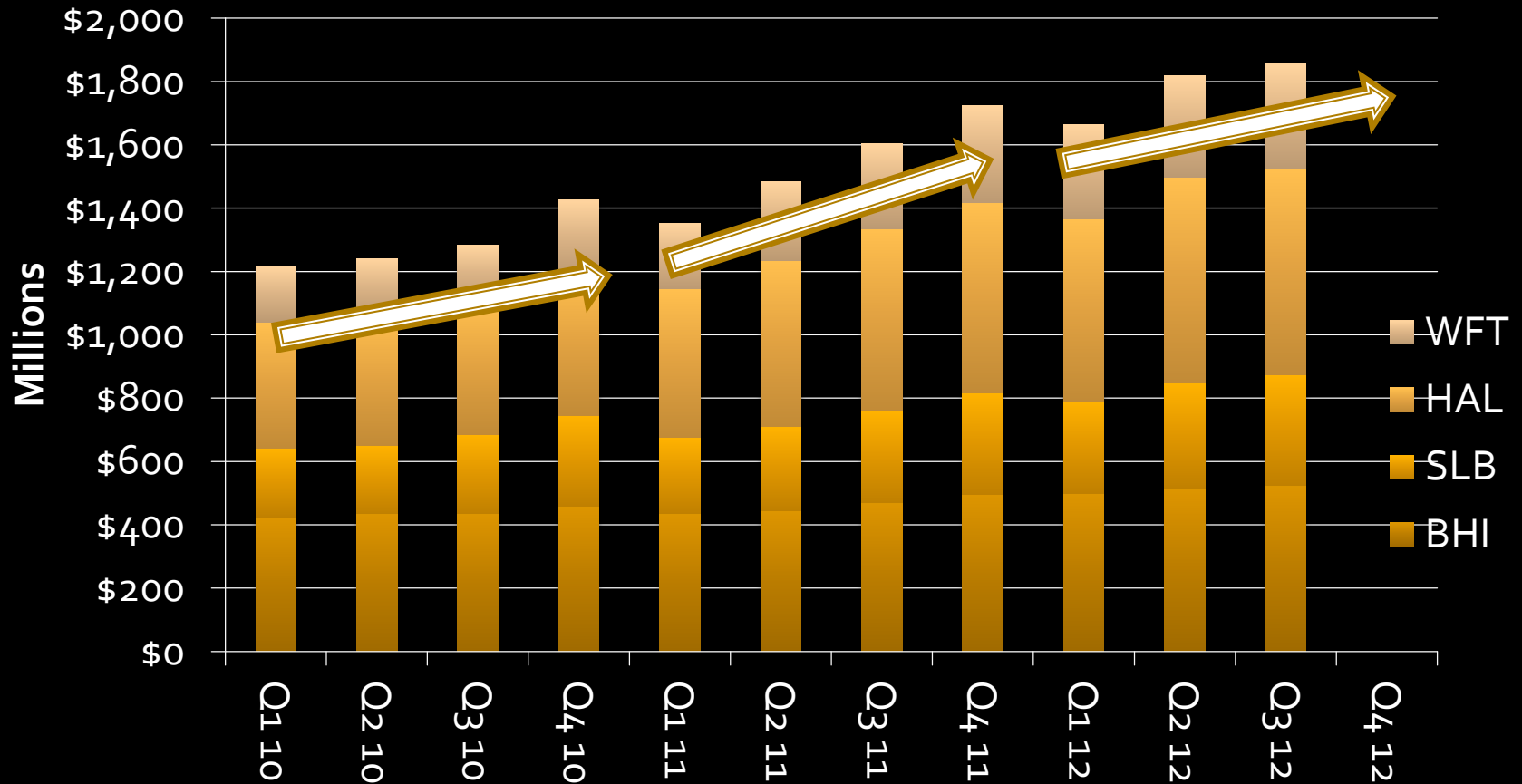
Directional drilling revenues, which grew strongly in 2011, are seeing slow growth in 2012 and 2013.

## Quarterly Drill Bit Sales



Drill bit sales grew smoothly from 2010-2011. Sales in 2012 flattened and might rise slowly in 2013.

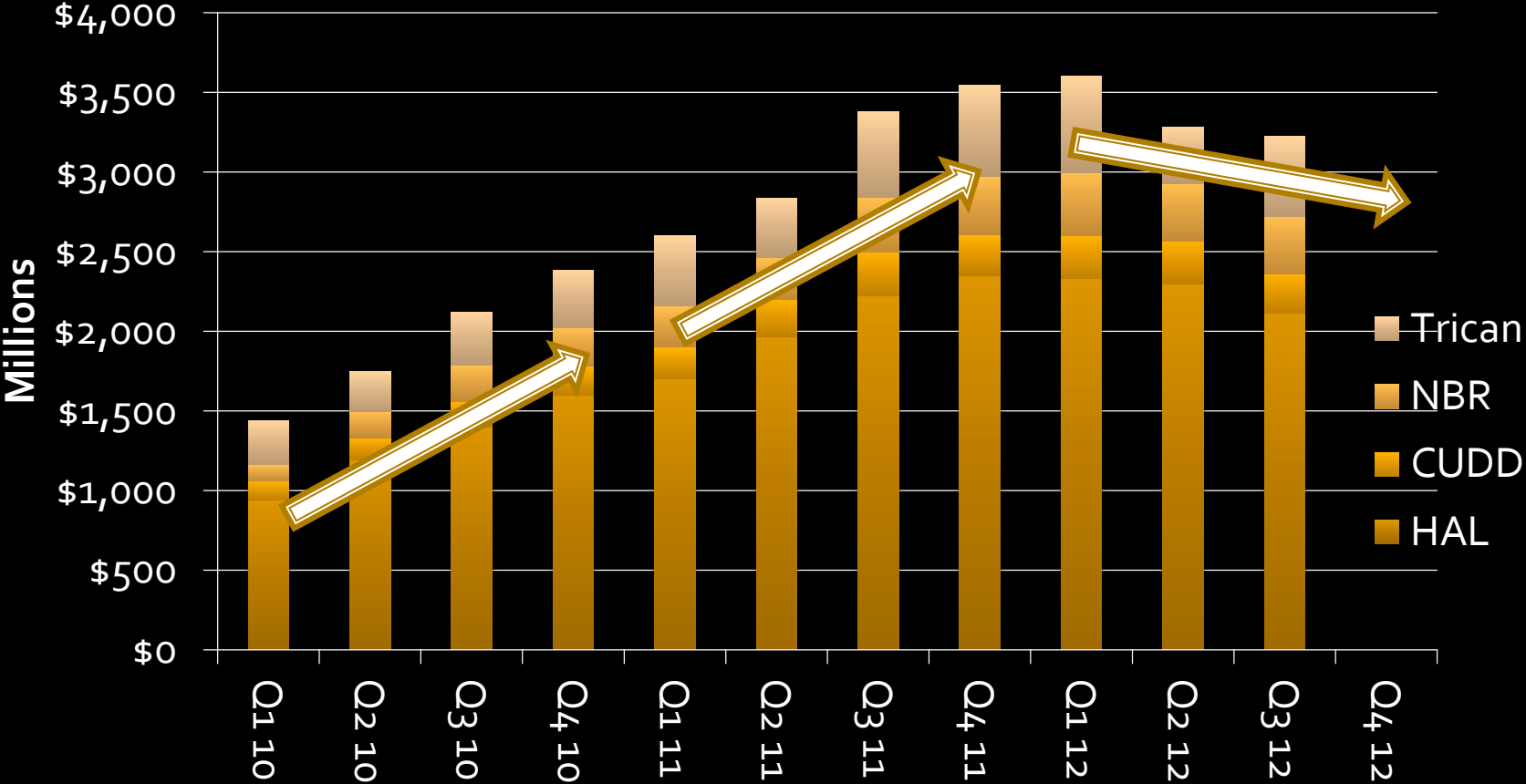
# Quarterly Completion Equipment Sales



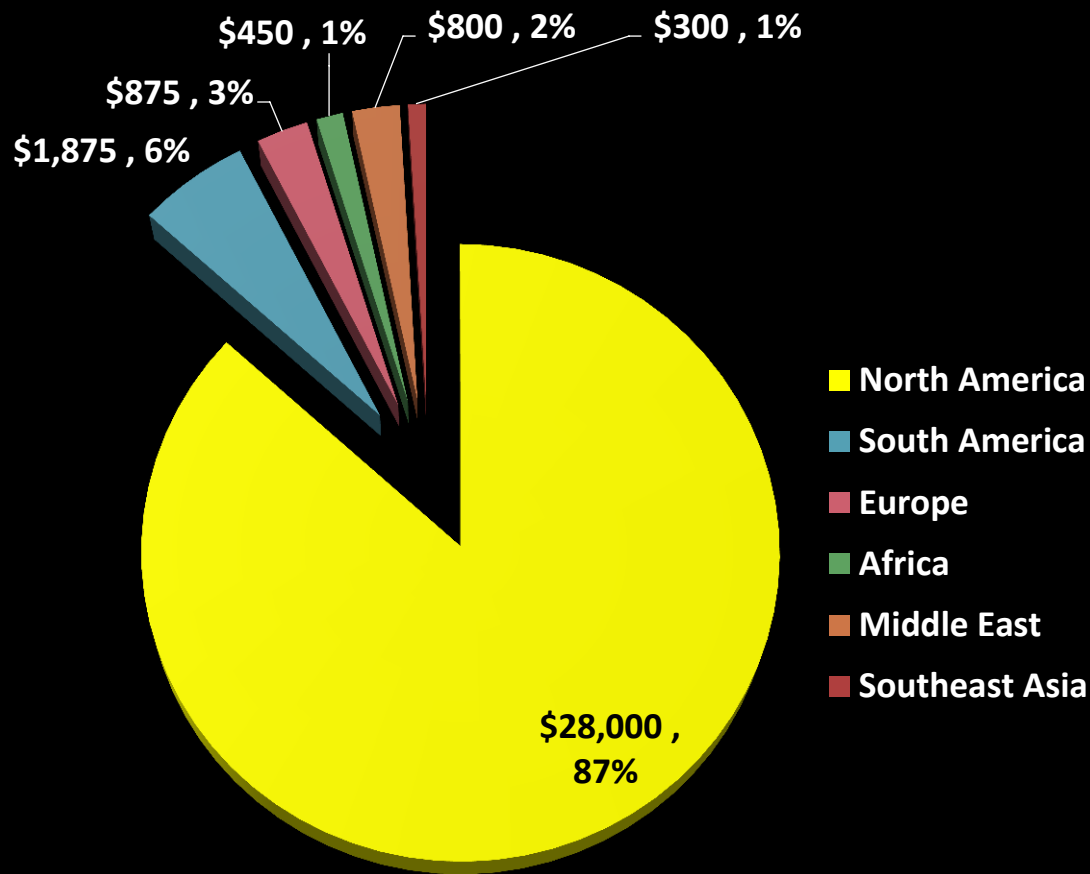
Completion equipment continues to rise. Sliding sleeve tools and other gear makes this market grow.



# Quarterly Pressure Pumping Sales



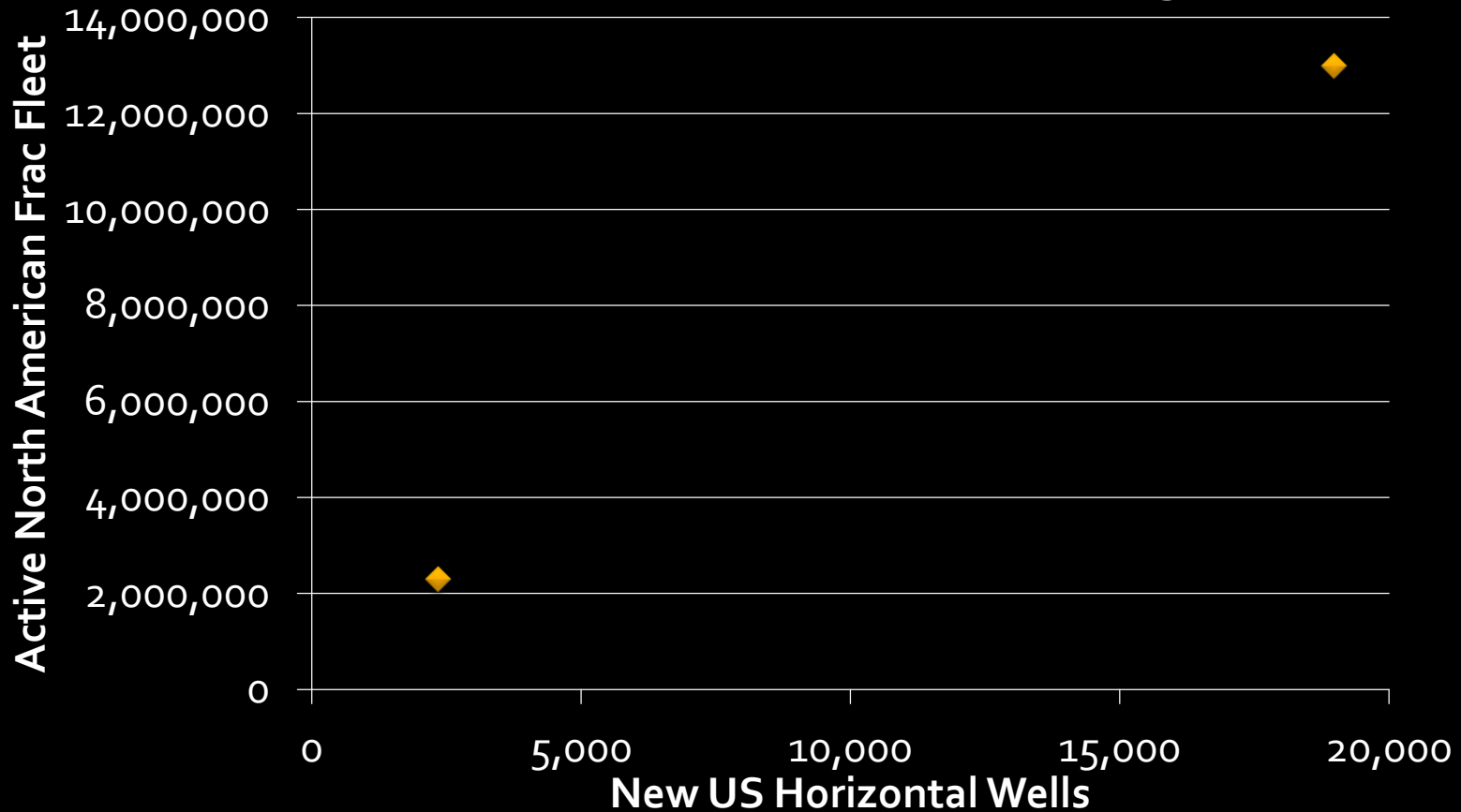
Strong growth 2010-2011. Market in decline in 2012 due to overbuilding of the North American fleet.



2012 Regional Markets

65 years of frac work around the world and North America still has ~90% of the market.

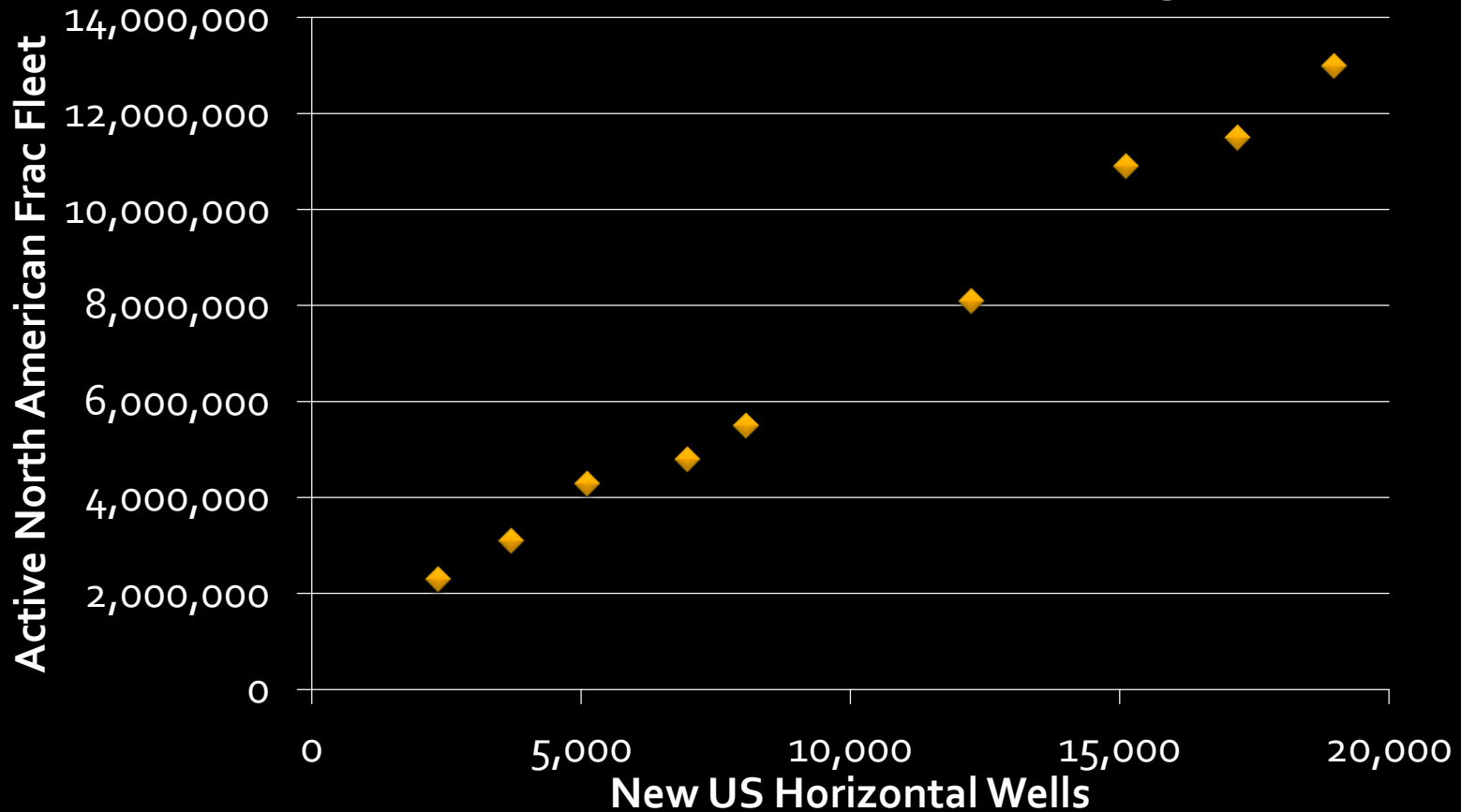
## Active North American Frac Fleet versus US New Horizontal Well Drilling 2005-2016



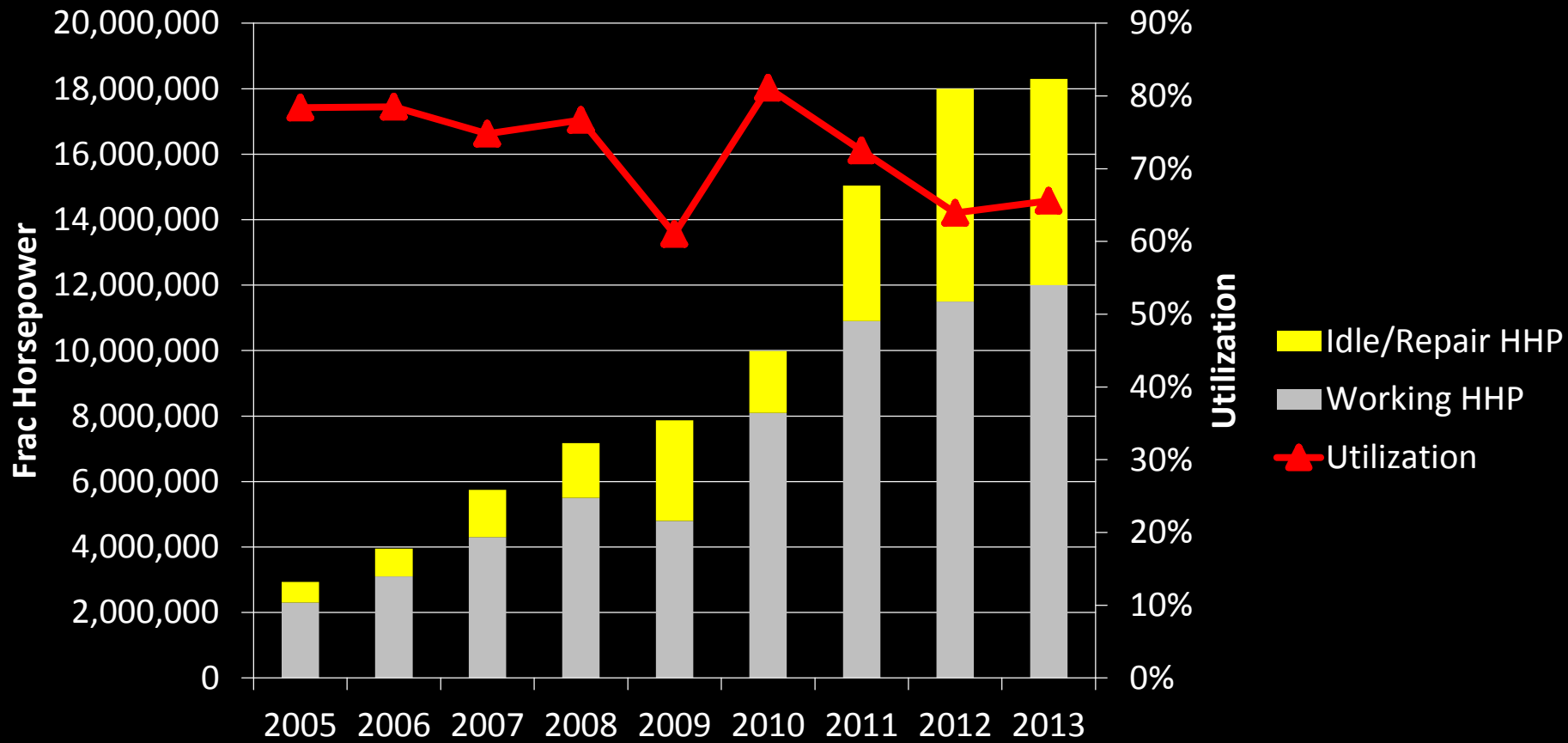
2005: 2,500 wells & 2 million HHP

2013: 18,000 wells & 13 million HHP

## Active North American Frac Fleet versus US New Horizontal Well Drilling 2005-2016



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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