ENVERUS

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Liberty ups capex to support new e-fracs and fleet restarts

Liberty Energy will start reactivating idle frac fleets that came over from its acquisition of Schlumberger's North American pressure pumping business OneStim, saying pricing has improved enough to justify the move. The Denver-based company also will order two new digiFrac electric fleets and has increased its 2022 capex budget by about $200 million to $500-550 million. The increases will add capacity to an industry that is nearing full utilization.

"Today, we are one of the few players in the market with the equipment available to support a rising demand for frac services," Liberty CEO Chris Wright said during a July 26 earnings call. "We are also one of the only players with the supply chain capacity to support these services as sand and other materials remain in short supply." Frac sand mines in the Permian were among the assets Liberty picked up in 2020's $452 million OneStim deal.

Liberty did not spell out how many fleets will be reactivated but said the additions will account for $50-60 million of the capex increase. The fleets to be reactivated use Tier 2 diesel engines and will not be upgraded to Tier 4 dual gas blend. They will go to long-term customers instead of the spot market, Wright said. ***Read more...***

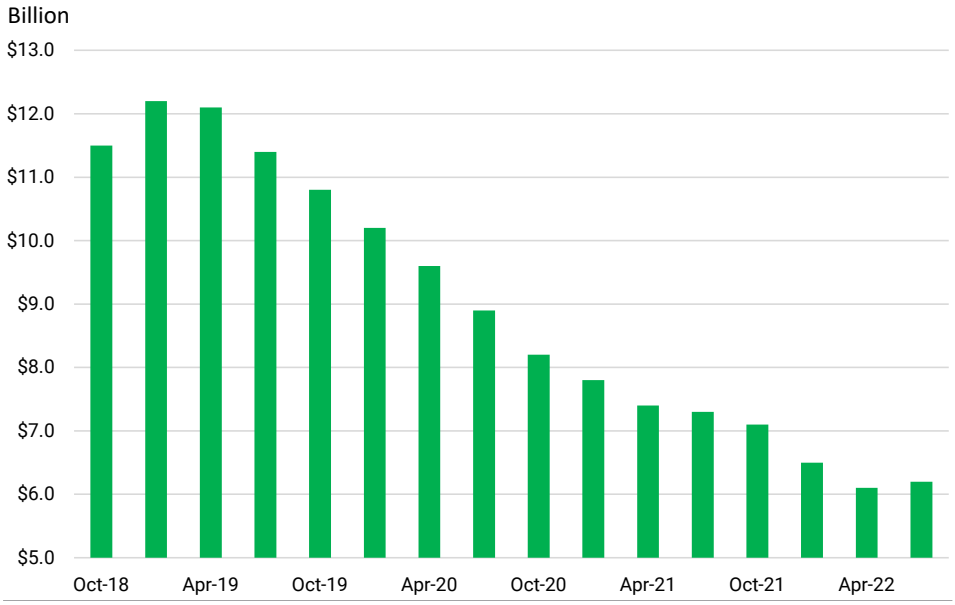
Transocean sees $400,000 day rates return in GOM and Brazil

Transocean secured two multi-year contracts for ultra-deepwater drillships, racking up a combined $1.24 billion addition to the company's backlog. Announced Aug. 1 and 2, the awards mark the return of day rates exceeding $400,000 for the drilling contractor. They came days after the release of Transocean's rosiest quarterly fleet status report in years showed $650 million in new contracts over the past three months, nearly quadrupling the total recorded in the previous six months combined.

Contract off Brazil adds $915MM to backlog and GOM deal valued at $321MM.

The Petrobras 10000 drillship received a 5.8-year contract for work off Brazil with a "national oil company," Transocean said. The work is expected to commence in October 2023 and end in August 2029, adding an estimated $915 million in backlog, which comes to about a $430,000 day rate. The estimated firm backlog excludes income associated with the customer's anticipated use of the company's patented dual-activity technology on the Petrobras 10000. ***Read more...***

Transocean Backlog Shows First Rise Since Ocean Rig Acquisition



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Activity Index

Contracts & Projects

RPC orders newbuild as its frac fleets start to show wear

RPC Inc. ordered a newbuild pressure pumping fleet for delivery in 1H23 and is refurbishing an existing fleet that will be placed in service in early 2023. The increased activity will be partly offset by the need to take active equipment offline for retirement or refurbishment. The Atlanta-based completion company also reactivated one horizontal pressure pumping fleet just before the end of Q2, bringing its total to nine, its first increase since 3Q21.

During 1H23, "we're projecting that we will either need to retire a fleet, just due to the wear and tear on it, or take it out of service and begin an additional refurbishment," CEO Ben Palmer said during a July 27 earnings call. Even with the 1H23 newbuild, the reactivated fleet and two additional fleets that can be taken out of stack if needed, RPC believes its retirement and refurbishment needs will keep its peak activity level next year to a maximum of 10 horizontal frac fleets.

The refurbishment caused RPC to increase its 2022 capex budget from $115 million to $150 million. RPC will defer until next year the spending for the new fleet, which will have a Tier IV dual-fuel gas blend engine.

Patterson-UTI reports hot super-spec rigs a hot commodity

All of Patterson-UTI Energy's Tier 1 super-spec rigs in the Southern U.S. are currently active as demand for rigs continue to increase. E&P companies that get an active rig are also holding onto them as short supply-high demand imbalance is expected to continue.

"The availability of fully crewed super-spec rigs is almost nonexistent as few customers are willing to give up rigs," Patterson-UTI CEO Andy Hendricks said during a July 28 earnings call. He said some operators are waiting to sign a contract because they want a hot super-spec drilling rig instead of one that needs to be reactivated, but he added "we don't have any visibility on any of our rigs coming available."

Patterson-UTI's average U.S. rig count for Q2 increased by six sequentially to 121 rigs. The company now has 127 active drilling rigs in the U.S. and five more committed to return to work in 2022. It also is finalizing contracts with operators to add rigs in 2023. Hendricks said these rigs could cost $4 million or more to reactive and upgrade, and Patterson-UTI is negotiating for term contracts with sufficient returns to cover those capital investments.

Q2 net income of $21.9MM is Patterson-UTI's first positive result since 4Q17.

In pressure pumping, Patterson-UTI reactivated another frac fleet in June, a Tier 4 dual-fuel spread that makes seven of its 12 spreads users of dual fuel. Hendricks said no more spread reactivations are scheduled.

The company posted net income of $21.9 million in Q2, its first positive result since 4Q17, while Q2 revenue of $622 million was a 22% sequential increase and its highest in three years. Patterson-UTI's average adjusted drilling rig margin per day increased by $2,220 from Q1 to $9,390 as average rig revenue per day increased by $2,770 to $25,900. Pressure pumping revenue was $238 million in Q2, an increase of 26% from Q1. Higher pricing and more favorable contract terms sent pressure pumping adjusted gross margin for Q2 to $46.9 million, a 46% increase. For Q3, CFO Andy Smith projected increases of $2,500 per day for drilling rig revenue and $250 million for pressure pumping revenue.

For the second straight quarter, Patterson-UTI increased its forecast for 2022 consolidated adjusted EBITDA, now expected to exceed $600 million. The company entered 2022 with a forecast of more than $450 million. It also increased its 2022 capex by $40 million to $390 million on increasing activity, long lead items for rigs that will return to work in 2023, and cost inflation.

USA Compression deploys Dual Drive on Callon's Eagle Ford ops

Austin, Texas-based USA Compression said it commenced service of its Dual Drive compressors on Callon Petroleum's Eagle Ford well sites, enabling the operator to contract for natural gas compression services powered by either natural gas or electricity. Sites can be permitted for electrical compression and have the option to switch off the grid at times of high demand, switching between an electric motor and a gas-driven engine to compress natural gas, depending on operating constraints. The flexibility results in lower operating expenses, increased reliability, improved runtime, substantially lower emissions of CO2 and methane, the mitigation of interconnect delays and optimized fuel costs, USA Compression said.

Operator can contract for compression services powered by either gas or electricity.

"With the growing focus on emissions reduction throughout the industry, this is an exciting time for USA Compression as we continue to invest in reconfiguring existing units in our fleet for Dual Drive capability," president and CEO Eric Long said. "Retrofitting certain of our large-horsepower units is a logical, practical, and proven solution which has the potential to drive GHG mitigation."

Callon is working to reduce its greenhouse gas intensity 50% by 2024. One measure the company is deploying in pursuit of that goal is electrifying its fields. The company plans to expand its electrification efforts across the Eagle Ford this year, releasing 30 diesel generators.

Contracts & Projects

NGS to electrify up to 100 compressor packages in six months

Natural Gas Services Group intends to convert up to 100 compressor packages from combustible gas engines to electric motors over the next three to six months. The initial conversions will focus on repurposing existing compression packages in the 200-250 hp range where the Midland-based company believes significant demand exists for electric units.

"Not only does this initial electrification commitment stand in support of our commitment of reducing our carbon footprint by reducing greenhouse emissions; it also addresses growing demand from our clients for electric compression options," interim CEO John Chisholm said July 20. "It also allows us to reinvent and redeploy equipment on terms that we believe will provide a meaningful contribution to revenue, EBITDA and cash flow."

The electrification of a current 200-250 hp combustion engine compressor is expected to cost $45,000-$60,000 and take up to one month to complete. Funding for the conversions will come from cash on hand.

One hundred compressor packages amount to roughly 5% of NGS's rental fleet, which had 2,023 compressor packages totaling 421,422 hp at the end of Q1. The company's rental unit utilization ended Q1 at 62.8%. NGS will provide an update on the progress of the electrification program on its Q2 earnings call, scheduled for mid-August.

Gravity to double its water volumes in Bakken after new pacts

Midland-based water infrastructure company Gravity signed two new produced water gathering and disposal agreements backed by long-term commitments in McKenzie County, North Dakota. It expects the agreements to double its Bakken volumes in the next 12 months.

To service these contracts, Gravity will construct more than 11 miles of new pipelines to gather produced water from "two of the largest operators in the Bakken," it said July 21. The new pipelines will connect to Gravity's existing disposal system in McKenzie County, allowing for bilateral flow of produced water for reuse or disposal. In conjunction with the new pipelines, Gravity is applying for new saltwater disposal permits near the customers' fields that will provide optionality to expand capacity to more than 100,000 bbl/d.

The new agreements "allow for us to organically expand our systems into strategic Tier 1 acreage growth areas that are in need of even more water midstream infrastructure to support future development," said Trace Hight, chief commercial officer of Gravity's water midstream business. Backed by affiliates of Clearlake Capital Group, Gravity currently owns and manages over 50 active saltwater disposal wells with more than 1.5 MMbbl/d of permitted disposal capacity in the U.S.

Valaris overcomes $428MM cancellation with increase in backlog

Valaris Ltd. lined up future work for four of its jackups and a floater, according to a July 28 fleet status report. The contract driller now has a backlog of $2.8 billion, up slightly from the $2.5 billion in its May fleet status report. The increase is significant given the company's loss of $428 million in backlog after Equinor canceled an eight-well contract at the North Platte development in the Gulf of Mexico for the Valaris DS-11 drillship.

Shell's Nigerian business exercised a six-month option for the Valaris DS-10 floater, in direct continuation of the existing firm program. An undisclosed operator exercised a one-well option off Australia for the heavy-duty modern jackup Valaris 107, adding an estimated 31 days of work at an operating rate of $112,000 per day. BP exercised a four-well contract extension for the heavy-duty modern jackup Valaris 106 off Indonesia, directly continuing its existing firm program with an estimated addition of 360 days.

In a new contract, Talos Energy hired the standard-duty modern jackup Valaris 144 for a one-well program in the GOM. Set to commence in Q4, the contract is expected to last at least 30 days at a day rate of $85,000. Lastly, in an agreement set to commence in August, ARO Drilling awarded Valaris a three-year bareboat charter for the standard-duty modern jackup Valaris 141. ARO is a JV of Valaris and Saudi Aramco.

Breakwater grows its Big Spring system with water offtake deals

Breakwater Energy Partners expanded its commercial and non-commercial Big Spring recycling system in Howard and Martin counties, Texas, with two additional multi-year produced water offtake and recycling agreements. Big Spring is one of the largest recycling networks in the Permian, currently recycling more than 4 MMbbl per month of produced water with aggregation, distribution and recycling capacity of up to 300,000 bbl/d, Breakwater said July 12.

Also began commercial operations at its Morita commercial recycling system.

The facility connects seven separate operator-owned produced water disposal networks into a central hub-and-spoke model to aggregate produced water and distribute recycled water through large-diameter pipelines. Breakwater paired this physical network with cloud-based data management and geographic information system tools, which promote water balancing and optimization across the multi-operator network. Big Spring physically serves two seismically sensitive areas of the Midland Basin near the cities of Stanton and Knott with sustainable water management solutions.

Breakwater also began commercial operations at its Morita commercial recycling system, which serves southern Howard and northern Glasscock counties. Morita is Breakwater's second facility commercially permitted by Texas Railroad Commission Division 6 H-11 for the receipt, storage, handling, treatment and transportation of produced and recycled water.

Houston-based Breakwater is also actively developing two additional commercial recycling facilities in the Midland Basin to serve central Midland, Glasscock and northern Upton counties. It currently owns or operates 14 recycling facilities and recycles about 500,000 bbl/d of produced water in the basin.

Contracts & Projects

Transocean sees $400,000 day rates return From PG.1

The Petrobras 10000 is currently earning $317,000 on a one-year contract with Petrobras that started in March. That will be followed by five months of work for Petrobras at $323,000.

The Deepwater Conqueror received a two-year contract from a "major operator" for work in the GOM at $440,000 per day with up to an incremental $39,000 per day for additional products and services, Transocean said. Excluding revenue associated with the additional products and services, the new contract adds an estimated $321 million in backlog and is expected to begin in December in direct continuation of the rig's current contract. The Deepwater Conqueror has been working since June for Chevron in the GOM at $367,000 per day.

Transocean CEO Jeremy Thigpen predicted in May that awards over $400,000 per day in the GOM were "very possible" in the near future, as the region's market was nearly sold out. While Transocean has four other ultra-deepwater drillships earning more than $400,000 per day in the GOM, all are on legacy contracts, the most recent of which started in September 2018. The new Brazil contract's $430,000 day rate would be more than any Transocean drillship earns outside the GOM.

New Deepwater Skyros day rates up 59% from current contract, down 46% from prior.

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

According to the fleet status report released July 25, Transocean's backlog rose by about $100 million to $6.2 billion during the quarter, its first sequential increase since February 2019 when the company acquired Ocean Rig UDW. The July backlog was $1.1 billion lower than at the same time last year and $6 billion lower than when the Ocean Rig deal closed.

The largest new contract went to the Deepwater Skyros drillship, for a 10-well job for TotalEnergies in Angola at $310,000/day. The work will start in December and should keep the rig active until May 2024. While the Deepwater Skyros has been working constantly off Angola for Total since 2018, its prior contracts show the offshore drilling sector's struggles. The contract that ran from December 2018 to last November paid $573,000/day; since December it has been earning $195,000/day.

Equinor hired the harsh-environment semisubmersible Transocean Spitsbergen once again for work in Norway. First, it exercised two single-well options at $305,000/day. After that work is completed in June 2023, the rig will start on a nine-well firm contract at $335,000/day, with a pair of one-well options at $375,000/day. The nine-well contract represents the semisub's third consecutive day rate increase with Equinor since it started earning $270,000/day in April.

Offshore Brazil, the Deepwater Mykonos drillship secured a 435-day contract, plus up to 279 additional days of options, at $364,000/day from an undisclosed client starting in August 2023. The drillship has been working for Petrobras off Brazil since November 2019 on a $218,000 day rate.

In the GOM, Woodside Energy awarded the Deepwater Invictus a two-well contract extension at $375,000/day starting this October. Woodside is currently paying the drillship $305,000/day.

Reliance Industries awarded the Dhirubhai Deepwater KG1 drillship an estimated 86-day contract extension offshore India at $330,000/day starting next June, plus up to four option wells that would be take about 270 days. The rate is an increase from what the drillship has been getting since March. Finally, the semisubmersible Paul B. Loyd Jr. will start work in December for Harbour Energy on a $175,000/day one-well contract off the U.K. with two options to drill individual wells and another option to plug and abandon eight wells.

Tenaris to provide casing to Petrobras' Buzios for four years

Brazil's state-controlled Petrobras awarded Tenaris a four-year contract to supply a comprehensive package of products and services for its pre-salt Buzios project in the Santos Basin, one of the largest deepwater oil and gas fields in the world. The total volume of the contract exceeds 100,000 tons of seamless and welded casing in carbon, sour-service and high-collapse steel grades.

"The pre-salt is one of the most challenging exploration and production environments in the world. … This is one of the most robust packages for complex offshore operations in the market," Tenaris' Brazil president Renato Catallini said.

Petrobras chose the tubular goods giant after validating the fatigue performance of conductor casing with TenarisHydril BlueDock weld-on connectors, Tenaris said. BlueDock connectors now come with the new Automatic Anti-Rotational Keys, designed to allow multiple automatic and hands-free activation without the use of special tools.

AKOFS support vessel secures $282MM in work from Petrobras

Akastor ASA affiliate AKOFS Offshore AS signed a firm contract for its vessel Aker Wayfarer to continue performing subsea equipment support services for Petrobras off Brazil for nearly four more years. Under the contract, valued in total at about $282 million, AKOFS will operate the Aker Wayfarer with partners Bravante providing marine services and Oceaneering providing ROV services from the vessel. AKOFS's $198 million share of the award will be included in its backlog, which stood at $328 million at the end of Q2.

The new contract has a duration of 1,415 days and will start in 1H23. The Aker Wayfarer's current five-year contract for Petrobras ends this December.

In addition to the Aker Wayfarer, Oslo-based AKOFS also operates the Skandi Santos, which also is under contract with Petrobras, and the AKOFS Seafarer, which started coiled tubing operations for Equinor in June. AKOFS Offshore is owned by Akastor (50%), Mitsui & Co. (25%) and Mitsui O.S.K. Lines (25%).

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