ENVERUS

Oilfield Pulse

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Contracts & Projects | Valaris backlog climbs to $4.31B but Aramco fires two rigs

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A&D | Wood left at altar again as Sidara bails after due diligence

Energy Transition | SLB's Aker Carbon wins FEED for Gulf Coast carbon removal

U.S. drilling not only factor as Tenaris warns of H2 sales slide

Steel pipe manufacturer Tenaris SA expects sales to decline by 10-15% in 2H24 compared to H1, to a range of $676 million to $1.01 billion, and the issues go beyond decreased U.S. drilling activity. What little pipe demand exists in the U.S. is disproportionately going to imports—a problem for Luxembourg-based Tenaris, which manufactures much of its OCTG in the U.S. In an Aug. 1 earnings call, CEO Paolo Rocca said 40% of U.S. oilpatch demand is fulfilled by imports, particularly from Asia, compared with 20% of demand from other steel-product users in the U.S. Tenaris partly attributed the disparity to hopes of a 2024 oilfield recovery that failed to arrive.

"The OCTG industry was somewhat tricked by some expectation of increased activity at the beginning of 2024," Tenaris U.S. president Luca Zanotti said. "And for this reason, distributors placed the imports order that has been flowing in during the first quarter and the second quarter of 2024. Now, as we all know, this expectation of increased demand did not materialize. And so these imports ended up remaining in the inventory." Zanotti said he expects the market to adjust, adding that imports already declined a bit in Q2. ***Read more...***

As frac upgrades swoop in, some see potential pricing pressure

Pressure pumping companies are expanding their dual-fuel and electric frac fleets, reporting continued high demand for this next-generation equipment. While lead fracking contractors have tried to keep horsepower steady by deactivating fleets powered by Tier 2 diesel engines, RPC Inc., the owner of Cudd Pressure Pumping, noted on July 25 that the new horsepower has made pricing discipline "challenging."

"Many of our peers, both smaller peers and even larger peers, are fiercely competing for business for their incrementally larger equipment," RPC CEO Ben Palmer said. "As we said, our intention is not to add capacity to the market, but net-net, at least in the short-term, with some of this e-fleet capacity coming onboard, it is creating more capacity in the market." Palmer added that his company has lost bidding opportunities to competitors offering "what we believe are lower prices than we're willing to work at."

RPC: 'Conditions could force less well-capitalized, smaller players out of the market.'

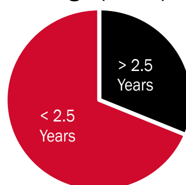
An abundance of frac equipment moving into the Permian from gassy basins has also contributed to pricing pressure. "This frac supply, coupled with ongoing operating efficiency gains, continue to keep pump hour capacity in the Permian ahead of demand," Palmer said. ***Read more...***

ProPetro Using Dual-Fuel and Electric to Ditch Diesel

TRANSFORMATION OF OUR FLEET

- One of the youngest and most desirable fleets in the industry with Tier IV DGB dual -fuel and electric technology

Fleet Age (1H24)



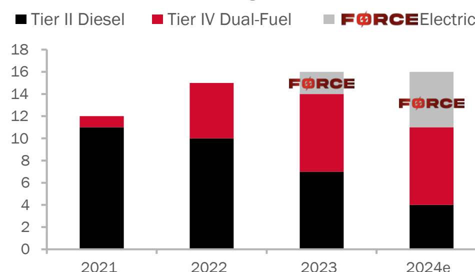
- Using natural gas can result in annualized savings of $10 million to $20+ million due to the diesel/natural gas cost differences
- Our fleets represent residual natural gas takeaway capacity for our customers

NOTE: "e" indicates management estimate.

DUAL-FUEL AND ELECTRIC FLEETS

- Tier IV DGB dual -fuel fleets that use natural gas
- **FORCE**SM electric-powered frac fleets with four fleets now under contract
- Lower capital intensity with higher operating efficiency
- Customers are willing to pay a premium for fuel savings and lower emissions

Fleet Configuration



Source | ProPetro Holding 07/31/24 presentation via Enverus docFinder

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Contracts & Projects

Transocean drillship locks up $485,000 day rate for three years

Transocean Ltd. added $531 million to its backlog in just one contract July 31 as BP hired its Deepwater Invictus drillship for 1,095 days in the U.S. Gulf of Mexico. The terms are equivalent to a $485,000 day rate. While Transocean recently received several contracts at higher day rates, all had less than half the BP contract's three firm years.

The Deepwater Invictus' program is expected to commence in 1Q25. The $531 million backlog total excludes a mobilization fee and additional services. The drillship has worked in the U.S. GOM since January for an unidentified client at an undisclosed day rate—an assignment scheduled to end in August.

The BP contract appears to mean a different Transocean drillship will fulfill a three-year contract on the Mexican side of the GOM, slated to commence in mid-2026. Awarded last July, the contract with an unidentified client included a day rate of $480,000. While Transocean had penciled in the Deepwater Invictus for the assignment, the contract allows the company to select one of five drillships to fulfill it.

Deepwater Invictus' new deal means another rig takes 3-year Mexico assignment.

Given current contracts, the Deepwater Conqueror seems the most likely option. The Mexico contract has a commencement window of Feb. 1 to Sept. 1, 2026, and the Deepwater Conqueror's current assignment in the U.S. GOM with Chevron ends in April 2025. Three drillships have contracts expiring within the commencement window, however, and Transocean has until Feb. 1, 2025, to make its choice.

Of Transocean's seven rigs that signed new contracts or extensions in the three months leading to the July 24 fleet status report, three signed for higher day rates than the Deepwater Invictus' $485,000. The longest firm assignment among these was the Deepwater Asgard's 365-day extension into June 2026 from Hess in the U.S. GOM at a day rate of $515,000.

The Deepwater Atlas signed the highest day rate, $650,000, for two optional high-pressure completions—the final piece of a large package of new work for the drillship. Beacon Offshore Energy, currently using the Deepwater Atlas at its high-pressure Shenandoah project in the U.S. GOM, agreed to keep using it for up to 18 additional months—until January 2027—at various day rates.

SLB OneSubsea to support Petrobras' Atapu and Sépia projects

SLB OneSubsea will provide its pre-salt subsea production systems and related services to Petrobras to support further development of its operated Atapu and Sépia oil fields in Brazil's Santos Basin. Other than labeling it "major," SLB did not give financial details about the contract, which was awarded after a competitive tender.

As part of the Phase 2 development of Atapu and Sépia, SLB OneSubsea will provide pre-salt vertical trees, subsea distribution units, subsea control systems and pipeline systems, along with related installation, commissioning and life-of-field services. Much of the technology and equipment to be deployed, including the vertical trees and subsea control systems, will be produced and serviced locally at SLB OneSubsea's facilities in Brazil.

SLB OneSubsea is a JV of SLB (70%), Aker Solutions (20%) and Subsea7 (10%). Timing of the work was not disclosed, but Phase 2 is scheduled to go online in 2029.

"Leveraging our proven, locally developed technology platform facilitates on-time delivery and maximizes local content from our Brazilian manufacturing and service facilities," SLB OneSubsea CEO Mads Hjelmeland said. "Brazil is a key market for us, and our continued in-country investments are key to support the growth we envisage for the region."

These projects add to Petrobras' material pre-salt investments and will enable the addition of two new FPSOs, the P-84 for Atapu and the P-85 for Sépia. They will each have production capacity of 225,000 bo/d and 350 MMcf/d.

Seatrium received contracts worth a combined S$11 billion ($8.3 billion) in May to build both FPSOs when Petrobras issued its FID on Phase 2. The P-84 will be connected to 13 wells and the P-85 to 14. Construction will start in 1Q25 with final delivery in 2029.

Borr jackup dumped by Aramco finds better deal with Petrobras

A Borr Drilling jackup suspended earlier this year during Saudi Aramco's offshore cutbacks secured a multi-year contract at a significantly higher day rate in Brazil. The Arabia I's contract is the largest of three new commitments totaling 1,779 days and $332 million in revenue, including mobilization and demobilization compensation, the company announced July 26.

While Borr did not disclose a specific dollar amount for the Arabia I's contract, chief commercial officer Bruno Morand said it was "a vast improvement over its previous contract with a day rate increase of over 60%." The new contract, expected to commence in 1Q25, is for four firm years plus a four-year unpriced option.

Saudi Aramco suspended its Arabia I contract in April—roughly halfway through a three-year firm assignment—as part of the fallout from Saudi Arabia canceling in January its plan to increase its maximum sustainable capacity from 12 MMbo/d to 13 MMbo/d by 2027. Saudi Aramco suspended contracts for nine other rigs as well: four from Shelf Drilling, four from China Oilfield Services Ltd. and one from Valaris.

While termed a suspension, Borr was free to seek alternative work for the Arabia I. The company has two other jackups still working off Saudi Arabia for Aramco. The Arabia II is also on a three-year contract, set to end in October 2025, while the Arabia III is on a five-year contract running until September 2028.

Borr's other two new commitments came from Southeast Asia and West Africa. The Gunnlod received a binding letter of award from an operator in Malaysia covering a firm scope of seven wells. Expected to commence in November, the award has an anticipated duration of 210 days. In July, the Gunnlod wrapped up a one-well commitment in Southeast Asia that started in May.

In Gabon, the Norve secured a 109-day extension with BW Energy. This extension will keep the Norve contracted until February, when it will start a contract with Marathon Oil in Equatorial Guinea, announced in May.

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