

## 2023 Capex on Track for High-Single-Digit Rise Year Over Year

Companies: DO, HAL, HP, LBRT, NBR, NE, NEX, PTEN, RIG, RNGR, SLB, TTI, VULNF

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### Research Question:

**What will be the effect of ongoing lower oil and natural gas prices on oilfield activity during the second half of 2023 and going into 2024, at current commodity price levels?**

### Highlights

- E&P capex expectations for 2023 are on track for high-single-digit increases year over year. The 2024 capex outlook is flattish.
- Patterson-UTI Energy Inc.'s (PTEN) recent M&A activity has led to its becoming the top North American oilfield service company, providing both drilling and pressure-pumping services. It is followed by Helmerich & Payne Inc. (HP) in drilling and Liberty Energy Inc. (LBRT) and Halliburton Co. (HAL) in pressure pumping.
- North American land drilling prices have slipped 5% to 10% quarter to quarter; pressure-pumping pricing is steady for now on term contracts in place, but pricing in both categories could strengthen if M&A activity in the industry continues.
- Demand for deepwater offshore rigs is growing internationally, benefiting drillers Diamond Offshore Drilling Inc. (DO), Noble Corp. PLC (NE), and Transocean Ltd. (RIG).
- A few oilfield service companies—such as Schlumberger Ltd. (SLB), Tetra Technologies Inc. (TTI), and Vulcan Energy Resources Ltd. (VULNF)—are benefiting from a trend in lithium extraction in the green-power markets.

### Mid-Year Review: 2023 E&P Capex Still on Track for High-Single-Digit Increase Year Over Year; 2024 Looking Flattish

Capital expenditures on U.S. oilfield activity in 2023 are expected to increase in the high single digits year over year, according to six E&P field sources and one industry specialist. The industry specialist said oil and gas prices appear to be range-bound in the near future at \$65 to \$85 per barrel for oil and \$2.50 to \$2.75 per mcf for gas. That's causing E&P companies to stick with similar expectations, as outlined in [Blueshift's May Energy Trends report](#). For the second half of 2023, expenditures will likely remain steady to slightly up compared with first-half spending, the six field sources said. Looking forward to 2024 capex expectations, four sources said overall expenditures at today's commodity price levels are likely to remain flat year over year.

Concerning capital spending projects for field activity, some sources said:

- "We're not planning on increasing the number of wells we originally put on the boards for the second half."
- "At \$70 oil and \$2.50 gas, our drilling will be steady for the remainder of the year."
- "It appears that E&P capex for North American field work may flatten after three years of increase as we move toward 2024."
- "I think we are looking at flat or slightly reduced capex for 2024, with commodity prices about the same as they are today."

### Patterson-UTI Energy Rises To Top North American Oilfield Service Provider (HAL, HP, LBRT, NEX, NBR, RNGR)

Patterson-UTI Energy has been front-and-center in recent merger and acquisition activity among North American oilfield service providers. The company is merging with well-completion/pressure-pumping competitor NexTier Oilfield Solutions Inc. (NEX) in a transaction expected to close by the end of this year. In addition, Patterson-UTI is acquiring Ultrerra Drilling Technologies LP, a privately held manufacturer of diamond drill bits.

Evaluating Patterson-UTI's strengths, the industry specialist said the company will market more than 170 high-end-technology drilling rigs; directional drilling services; a well-completion business with a deployed capacity of 45 active spreads with a total of 3.3 million hydraulic horsepower (HHP) pressure-pumping capacity, two-thirds of which is dual-fuel-capable; as well as numerous ancillary services, such as wireline, last-mile logistics, proppant handling, and cementing services.

Commenting on Patterson-UTI's involvement in these two transactions, other sources said:

- "These two companies' [PTEN and NEX] combined pressure-pumping fleet will likely compete head-on with Halliburton in North America."

- “The selling point on Patterson acquiring Ulterra’s operations is Ulterra’s extensive data on bit performance in various formations in various plays, which provides a technological edge.”
- “Patterson can now provide a greater range of background data tailored to specific regional drilling idiosyncrasies, which provide efficiency improvement for customers. It’s why Patterson has moved a nose ahead in an otherwise commodity drilling business compared to its peers.”

Concerning other oilfield service providers, sources said:

- “[Helmerich & Payne] has benefited greatly from the expansion in activity among privately held E&Ps that juiced the rig count last year, which is out of their historical pattern in which they traditionally have a major share of larger E&Ps. Consequently, the company will bear more of the burden of rig releases among large drillers this year as privately held E&Ps pull back.”
- “Nabors [Industries Ltd./NBR] seems to be drifting down a little on the domestic side, though their international contracts will likely offset any modest revenue declines in North America.”
- “Ranger [Energy Services Inc./RNGR] will probably get more business in the second half of this year. Some E&Ps may just rework older wells for cash flow reasons.”
- “Liberty and Halliburton are our two primary pressure-pumping companies, based on their keen technologies and service areas.”

## **Oilfield Pricing Slips in Drilling, Steady in Pressure Pumping Quarter Over Quarter**

Four sources hiring drilling rigs for upcoming work in the second half of this year said rig rates had declined 5% to 10% quarter to quarter, as demand had moderated since earlier this year, when commodity prices were higher and rig supply was tighter. An additional three sources said pressure-pumping prices were steady, with many well completion units still on contract from having been signed on term contracts. A few sources said pricing in both categories could hold steady or strengthen if consolidation in the industry continues.

## **Offshore Drilling Companies Are Racking Up New International Contracts in Recovery Cycle (DO, NE, RIG)**

Deepwater drilling contractors—such as Diamond Offshore, Noble, and Transocean—are benefiting from new international contracts. Sources at a recent networking event said some of these offshore contracts are record-breaking in length and day rates. “Transocean is always the one to watch. It’s always at the forefront of new work,” a source remarked.

## **Area to Watch:**

### **Oilfield Service Firms Now Entering Renewables Lithium Sector (SLB, TTI, VULNF)**

A few oilfield service companies are entering the lithium extraction side of the green-power renewables sector, including Schlumberger, Tetra, and Vulcan. “Since the process involves handling brine, some oilfield service firms feel comfortable extending their capabilities to the brine side of lithium extraction,” a source said. “These companies work with brine as a corollary to completion fluid-handling; and their capabilities include pumping, processing, and injecting fluids underground, all of which are translatable to lithium extraction from brine.”

## **Background**

Blueshift Research interviewed a U.S.-based industry specialist who is an expert on U.S. energy industry activities, six repeat sources who are E&P field representatives, and four sources who attended a June networking event in Houston that was sponsored by the American Association of Drilling Engineers.

## **Next Step**

In its next Energy Trends, Blueshift Research will interview a U.S.-based industry specialist and field representatives to check on companies benefiting from any changes in E&P or green-energy capital spending for the remainder of 2023, preferred providers for products and services of both E&P and green markets, and any new green or drilling efficiency technologies.

## **Report Coverage Areas and Companies**

Blueshift Research has been reporting on the following oil patch areas since Jan. 27, 2015, including coverage of the following public companies:

# Energy Trends

- Well Stimulation (HAL, LBRT, NEX, SLB)
- Well Services (RNGR)
- Onshore Drilling (HP, NBR, PDS, PTEN)
- Geophysical Services (DWSN)

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