

Some Oilfield Spending Planned for 2024 to Move into 2023

Companies: DO, EOSE, FLNC, HAL, HP, LBRT, NBR, NE, PTEN, RIG

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Research Question:

What trends in E&P or green-energy spending are emerging as the industry enters late 2023, and which companies are benefiting or losing?

Highlights

- Some E&P companies are pulling 2024 capex allocations into 2023 to take advantage of higher commodity prices coupled with lower service costs. Early indications suggest 2024 spending may increase 10% year over year.
- Land-drilling contractors Helmerich & Payne Inc. (HP) and Patterson-UTI Energy Inc. (PTEN) continue to lead in drilling, with Helmerich & Payne holding a slight edge due to the number of high-tech rigs available in its fleet.
- Halliburton Co. (HAL) is back on top as sources' preferred well-stimulation service provider, followed by Liberty Energy Inc. (LBRT) and Patterson-UTI Energy's NexTier division.
- Nabors Industries Ltd. (NBR) is differentiating itself on products and services offered in the geothermal, predictive, and electric-drilling-rig sectors.
- A recently held sale of offshore leases in the Gulf of Mexico, aimed at the wind-farm market, disappointed industry participants, though offshore drilling contractors such as Diamond Offshore Drilling Inc. (DO), Noble Corp. PLC (NE), and Transocean Ltd. (RIG) continue to benefit from record-breaking rig rates and contract longevity.
- Energy storage companies such as Eos Energy Enterprises Inc. (EOSE) and Fluence Energy Inc. (FLNC) continue to be cited by sources as leaders in green-energy initiatives.

End-Year/New-Year Capex Review: Some 2024 Oilfield Spending to Move Into 2023

Five field sources and an industry specialist said that in light of rising oil prices and lower service costs, some projects originally slated to take place in early 2024 will move into late 2023. This spending trend is occurring mainly among privately held operators and somewhat reverses the trend mentioned in Blueshift's [July report](#), which found 2023 spending set to show a high-single-digit gain year over year and 2024's spending outlook to be flat. Meanwhile, early indications for 2024 spending mentioned by sources suggest that capex could increase 10% year over year.

Concerning 2024 capital spending moving into late 2023, some sources said:

- "After the great wind-down in rig activity and completion work during the first nine months of 2023, look for a reversal in Q4 as budgets slated for 2024 kick in to get a running start on the new year, with most advances occurring toward the back end of the quarter."
- "At \$90-plus oil, we plan to reinvigorate our budget with more field drilling and workovers before year's end."
- "E&Ps are in the 'sweet spot' for spending, with lower pricing for services at the same time revenue is increasing from higher oil prices."
- "Service providers are unanimous in pointing to the strength and durability of the current up-cycle, especially now that higher commodity prices support plans for greater capex."
- "Our fourth-quarter budget is likely to increase, but mainly on inflation and the higher price of supplies."
- "We have used \$77 oil and \$2.75 gas prices in 2023 budgets but will revisit these price levels for 2024 work."

Helmerich & Payne and Patterson-UTI Energy Called the Top North American Drilling Contractors (HP, NBR, PTEN)

Sources named Helmerich & Payne and Patterson UTI Energy the top North American drilling contractors, with both set to benefit from an uplift in demand late in the fourth quarter into early 2024. Besides top drilling technology, sources continue to praise Patterson-UTI's merger with NexTier Oilfield Solutions Inc. and Ulterra Drilling Technologies LP. Meanwhile, Q3 overall pricing in the category has stabilized quarter over quarter after slipping somewhat earlier in 2023.

Concerning top drilling contractors in North America, sources said:

- "Helmerich & Payne and Patterson will be the main beneficiaries in the recovery. Both have inventories of high-technology rigs to provide to customers, with H&P being the clear leader with more high-tech rigs available."

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- “Patterson-UTI plans to reactivate between four to eight rigs in the fourth quarter to meet increased demand and is well-placed in pressure pumping to take advantage of market bifurcation between dual fuel and electric fleets.”

Never Count Out Halliburton in Well Stimulation (HAL, LBRT, PTEN)

In recent interviews, E&P sources mentioned Halliburton in well stimulation more often than in recent Blueshift reports. Sources cited the company’s technical expertise, quality of personnel, and availability of equipment as reasons for using the company in recent well stimulation activities, especially in the Permian Basin. Liberty Energy got a close second in the number of mentions by sources, followed by Patterson-UTI Energy. All service providers in the category were commended on being vertically integrated with proppant provision, transportation capabilities, and integrated marketing of well site chemicals.

Concerning the top three well stimulation providers, sources said:

- “We prefer Halliburton, thanks to its strong suite of technology offerings, exemplary service support including personnel, and its demonstrated success in improving completion times on large-scale simultaneous fracture stimulation jobs and pricing.”
- “Liberty is giving Halliburton a run for the money in terms of reputation, quality of service, technical capability, and pricing but remains a distant second.”
- “Patterson-UTI, through its merger with NexTier, has a reputation for solid technology, though there is some question about its reach with technical support, though it seems to be improving lately.”

Nabors Industries Differentiates Itself in Drilling-Market Niches (NBR)

Three sources mentioned different product lines or services that Nabors Industries offers to differentiate itself outside of its longstanding drilling services. One new service mentioned by an E&P source: Replacing diesel-driven drilling rigs with rigs powered by electricity generated directly from the power grid to control emissions. Another source at a recent networking event said, “Nabors is leading the pack of drilling companies investing in geothermal technology.” A third source said Nabors was a key player in predictive drilling using artificial intelligence and robotics in certain well locations.

Areas to Watch:

Offshore Gulf of Mexico Wind Farm Lease Sale Disappoints; Offshore International Drilling Setting Records (DO, NE, RIG)

A recently held offshore lease sale offering acreage in federal waters off Galveston, Texas, and Lake Charles, Louisiana, was a disappointment to many companies eager to capture new business that could be generated by the installation of wind turbines or other services, such as service vessels, or equipment aimed at the wind markets. None of the leases offered offshore in Texas received any bids, and only one bid was received offshore in Louisiana. Meanwhile, offshore-drilling companies such as Diamond Offshore Drilling, Noble, and Transocean continue to receive record-breaking lengthy, high-dollar contracts mostly in international locales.

Energy Storage on Deck (EOSE, FLNC)

Two sources at recent networking events mentioned energy storage as a growing area of interest. “The sector appears to be a leading sector when compared to all other sectors in the energy transition niche,” one source said. The other source explained that energy storage is a market-driven phenomenon characterized by rising demand for energy storage applications, usually for solar or wind applications, and includes support and ancillary services surrounding energy storage. “An additional driver is the recently passed Inflation Reduction Act, which provides monetary stimulus for the sector,” a source said. Companies mentioned as leaders in the category include Eos Energy Enterprises and Fluence Energy. “Both companies are differentiated vs. general peers through specific expertise in technology, digital integration, manufacturing processes, and service delivery,” one source said.

Background

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

Next Step

Energy Trends

In its next Energy Trends, Blueshift Research will interview a U.S.-based industry specialist and field representatives to check on companies likely to benefit from 2024 capital spending, 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:

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

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