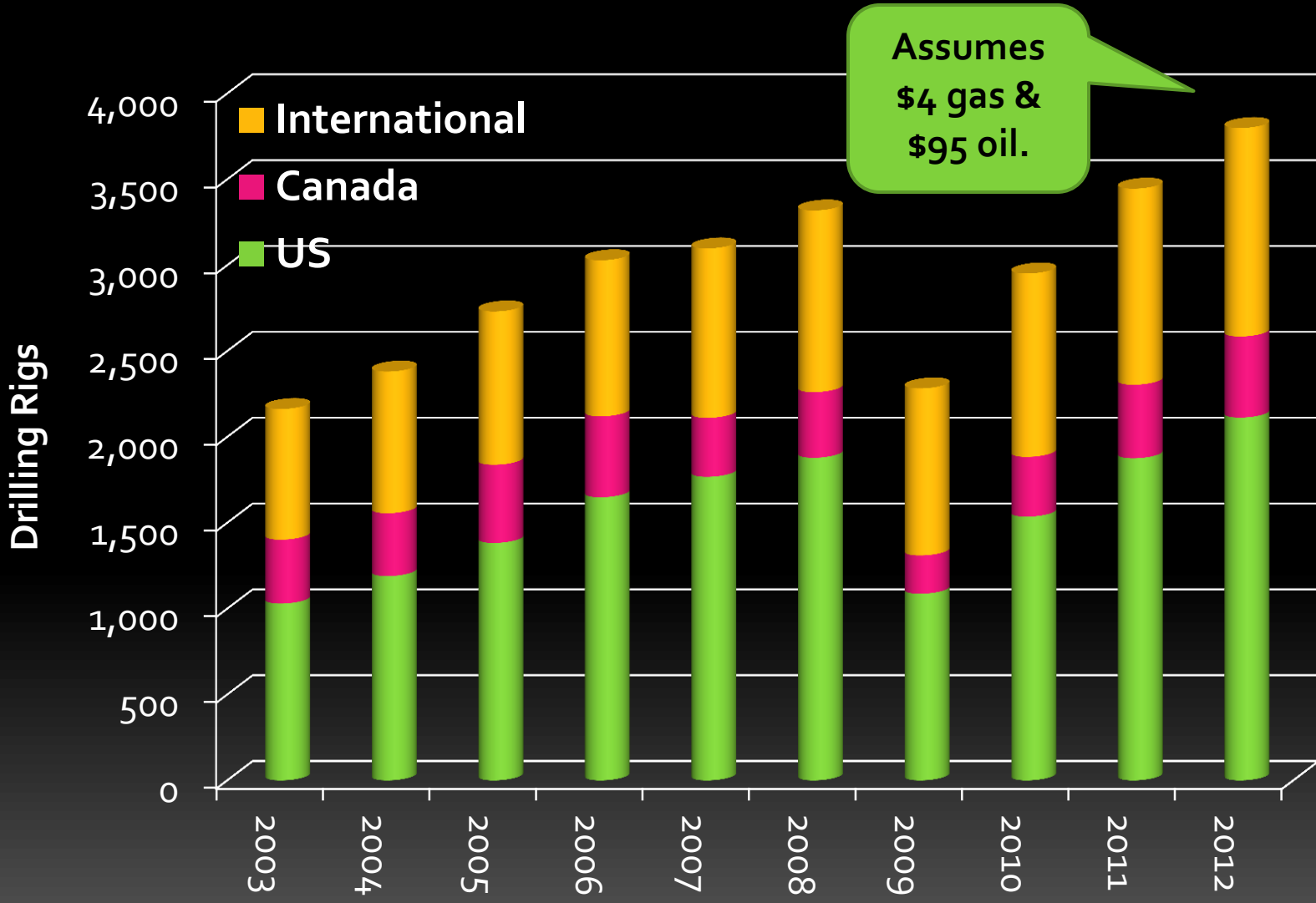


PREPARED FOR Enercom – San Francisco 2012  
By Spears & Associates, Inc.

# **OUTLOOK FOR OILFIELD EQUIPMENT & SERVICES**

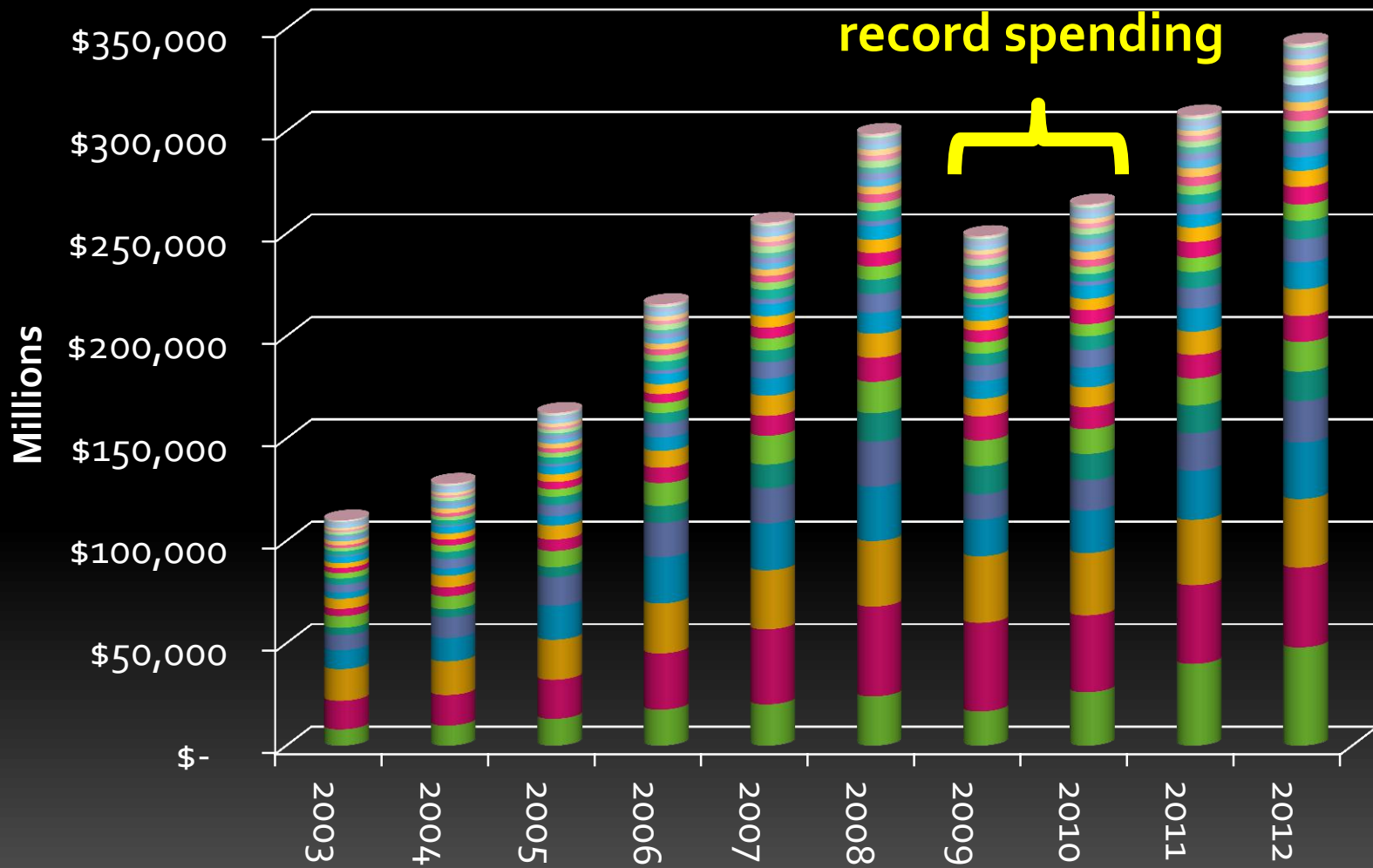
# Global drilling hits record in '12



Source: Drilling & Production Outlook

# Global Oilfield Market

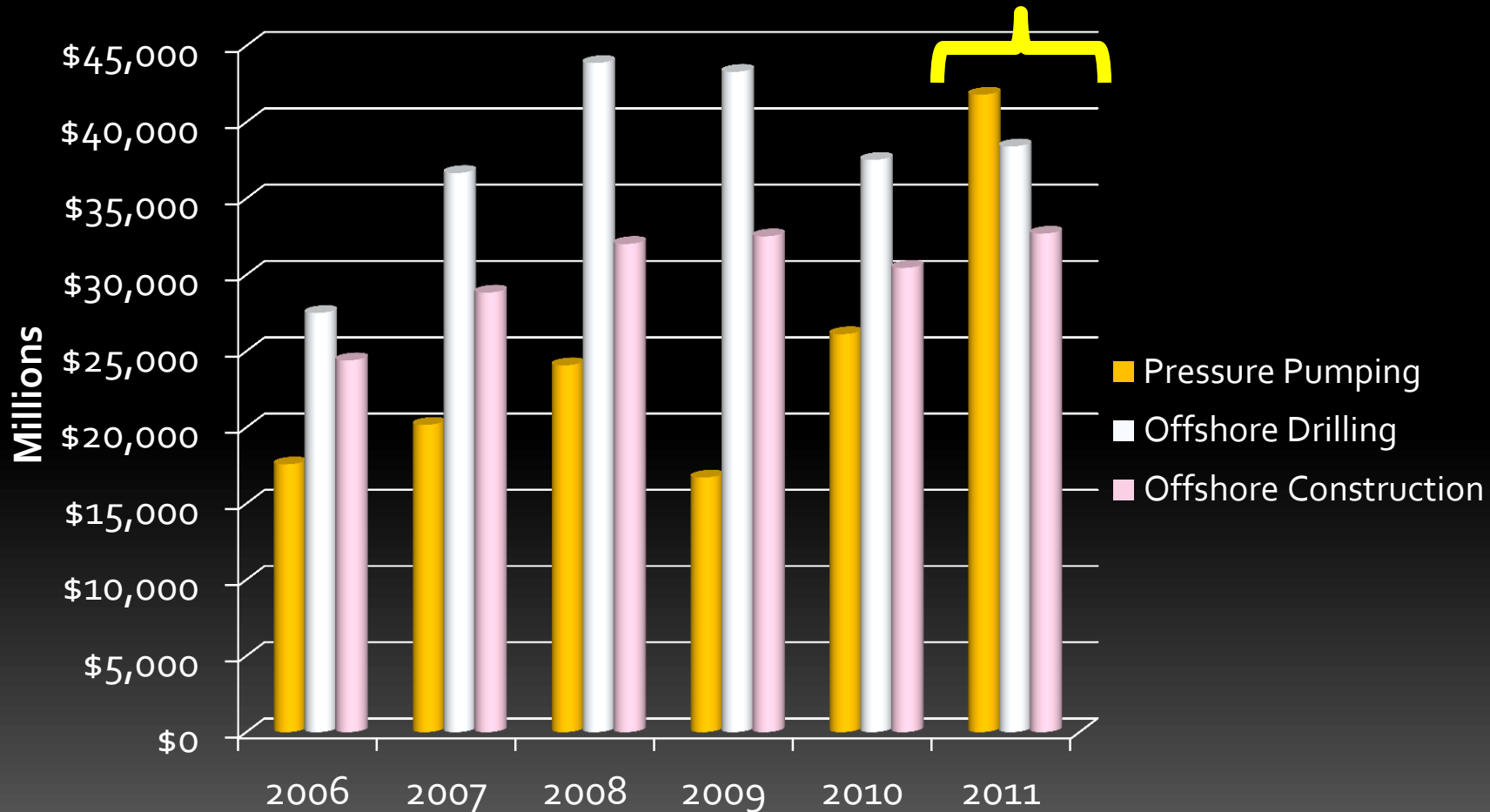
Only 2 years without record spending



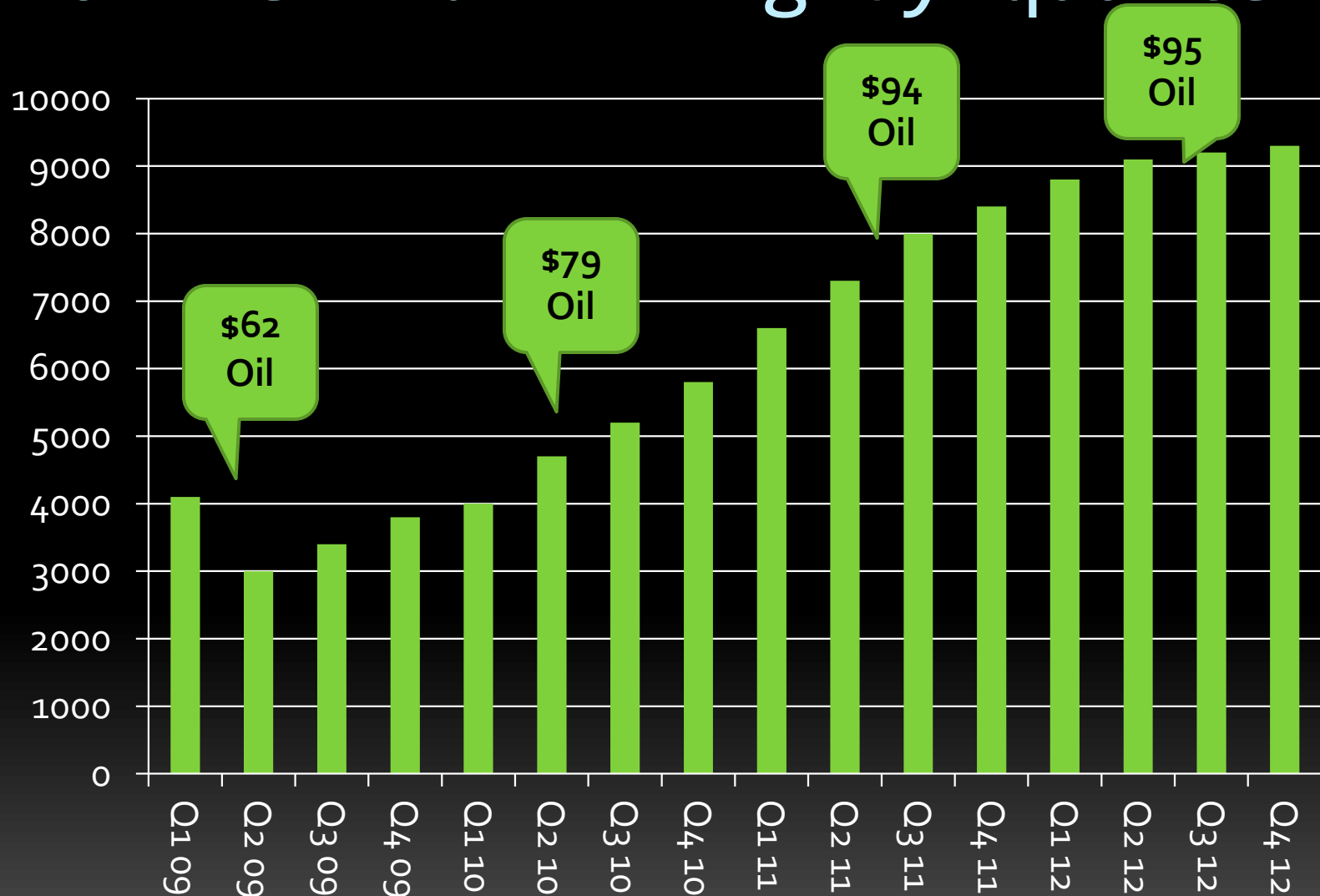
Source: 2011 Oilfield Market Report

# 3 Largest Oilfield Markets

More money is spent on pressure pumping than on anything else.



# US oilwell drilling by quarter



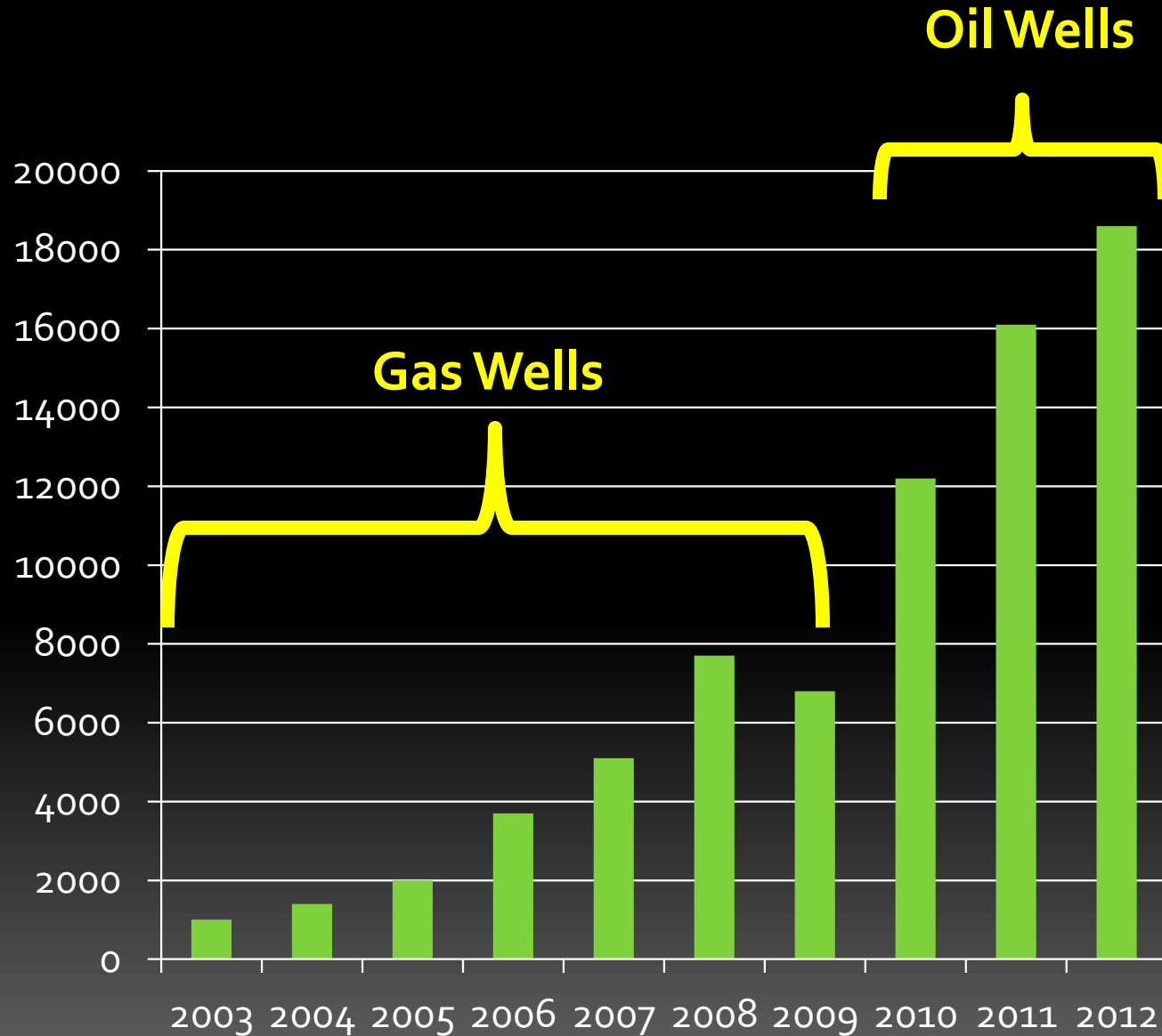
Source: Spears & Associates research

# US gaswell drilling by quarter

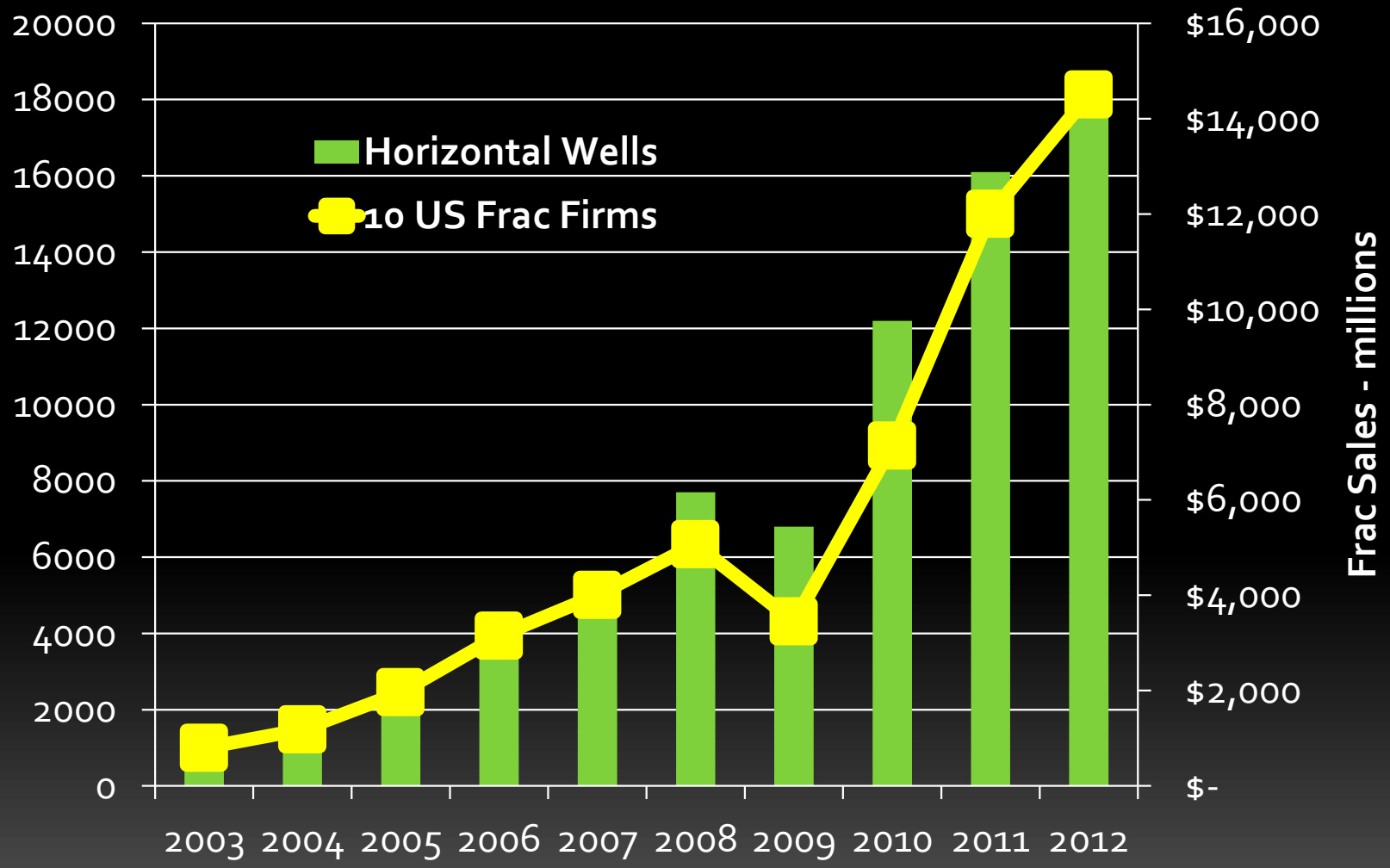


Source: Spears & Associates research

# US horizontal wells are growing

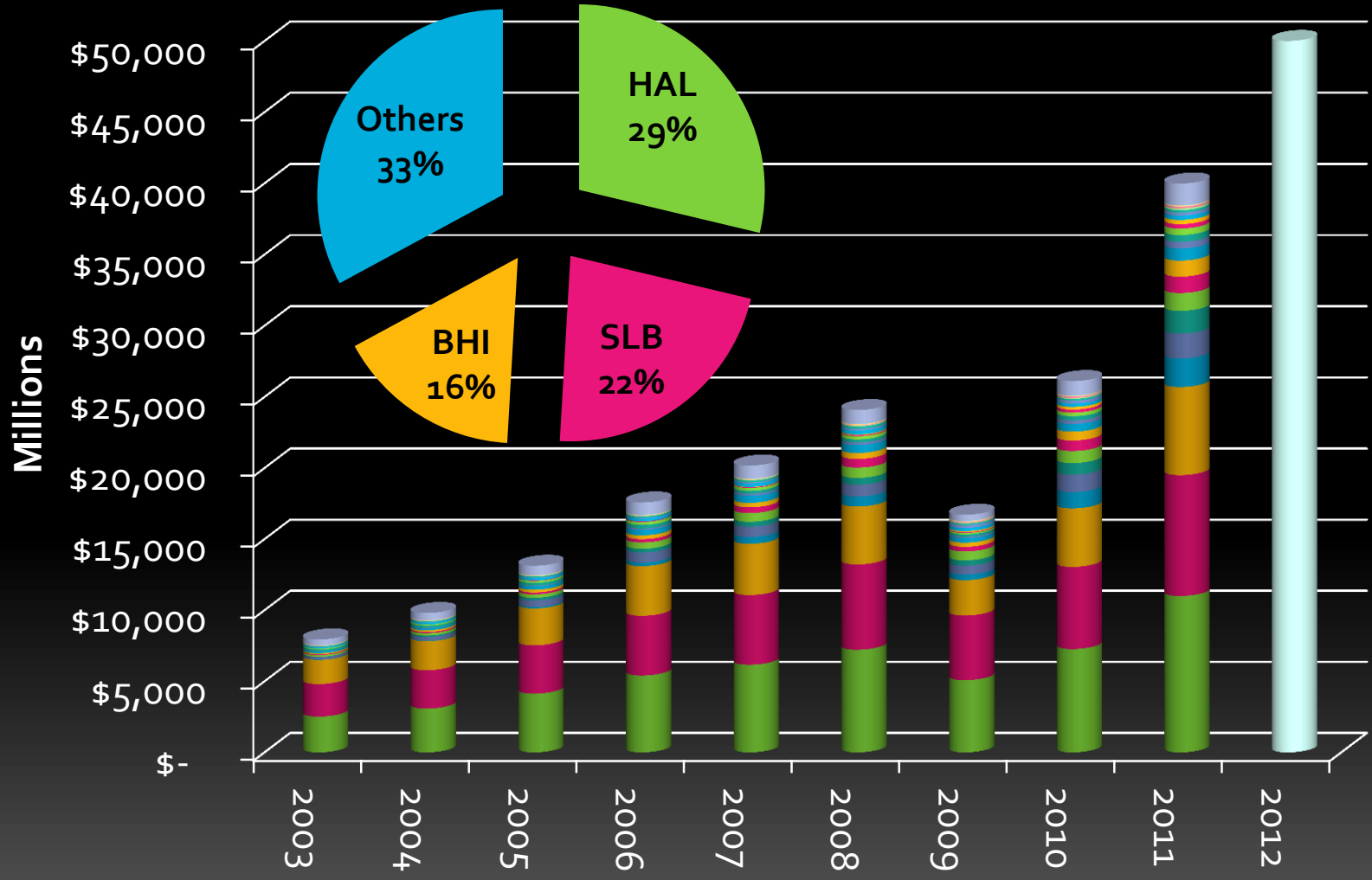


# Horizontal drives frac demand



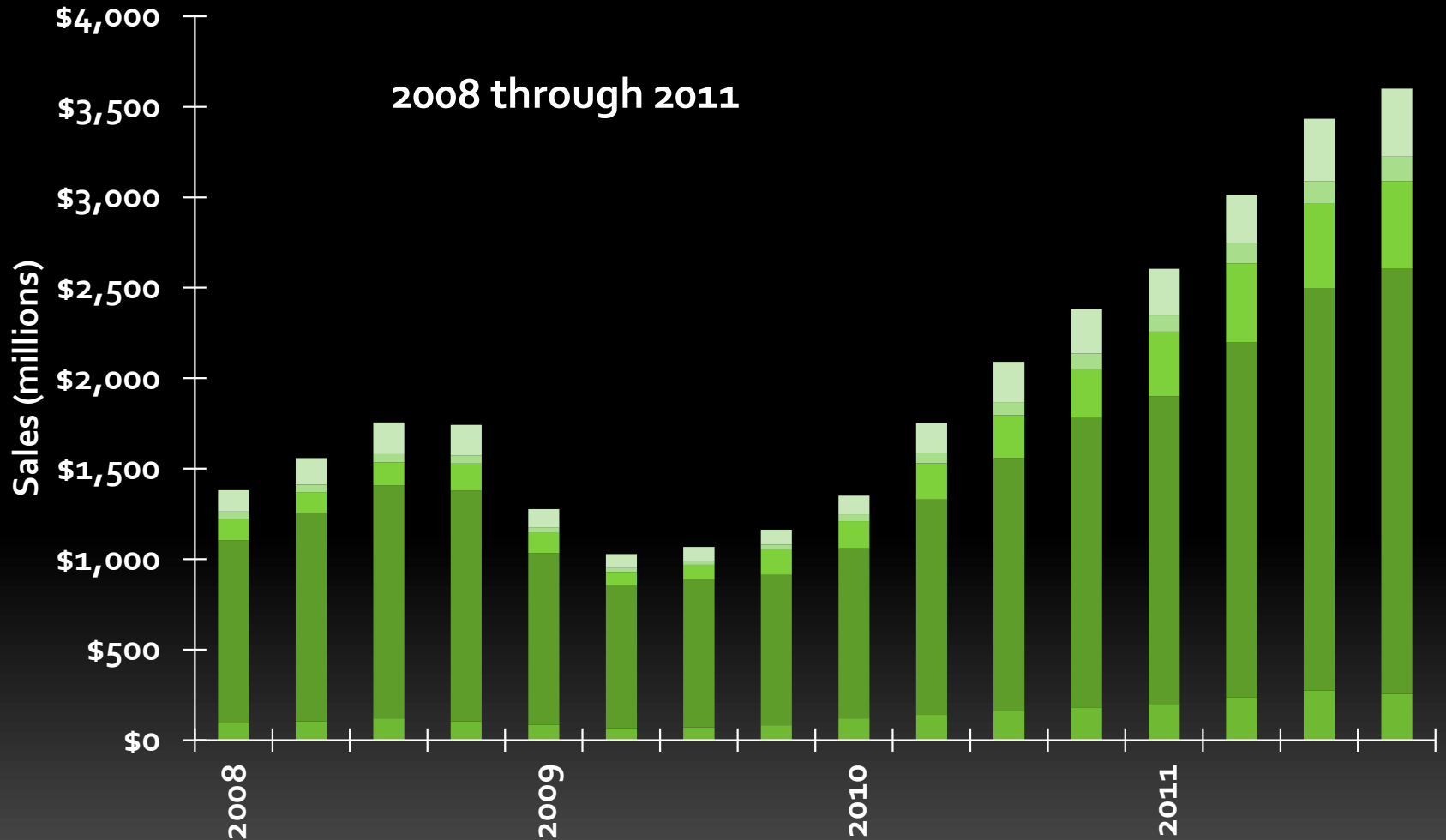
Source: Spears & Associates research

# Pressure pumping \$50b in 2012



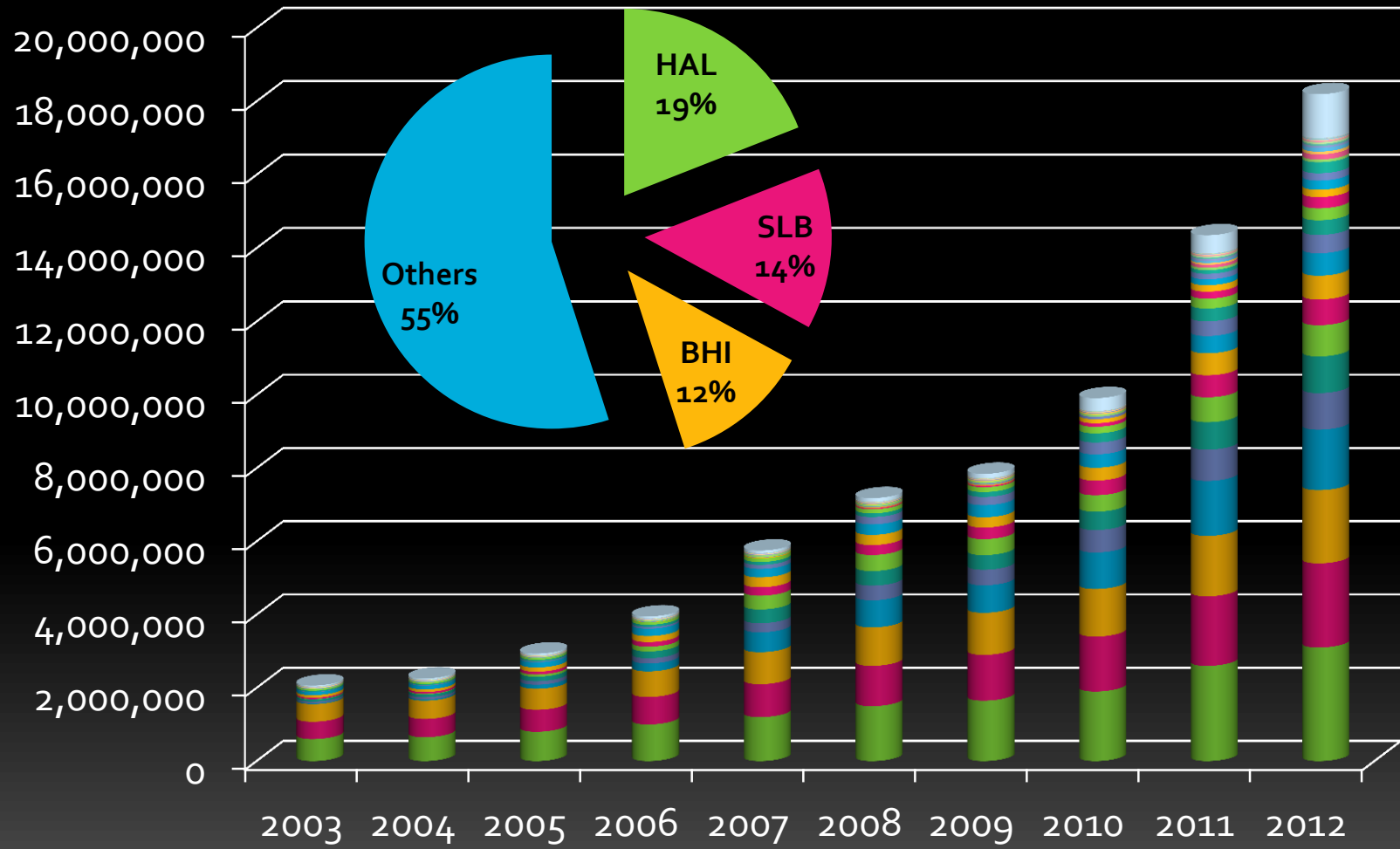
Source: Spears & Associates research

# Quarterly sales of 5 frac firms



Source: Spears & Associates research

# Frac HHP >18 million in 2012



Source: Spears & Associates research

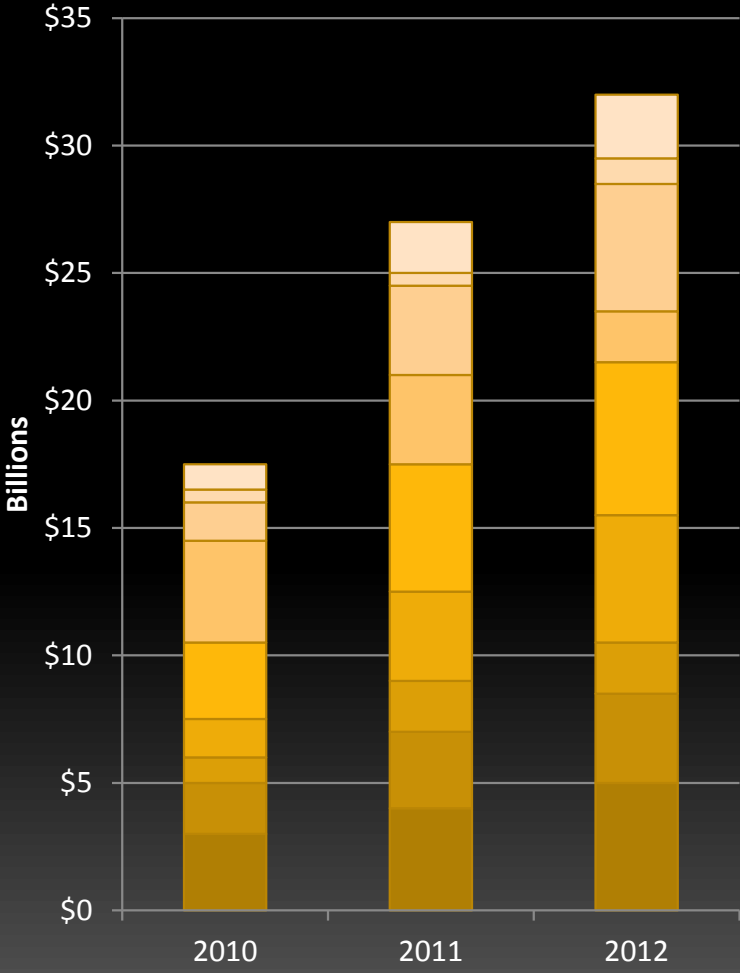
# Hydraulic fracturing pricing (US)



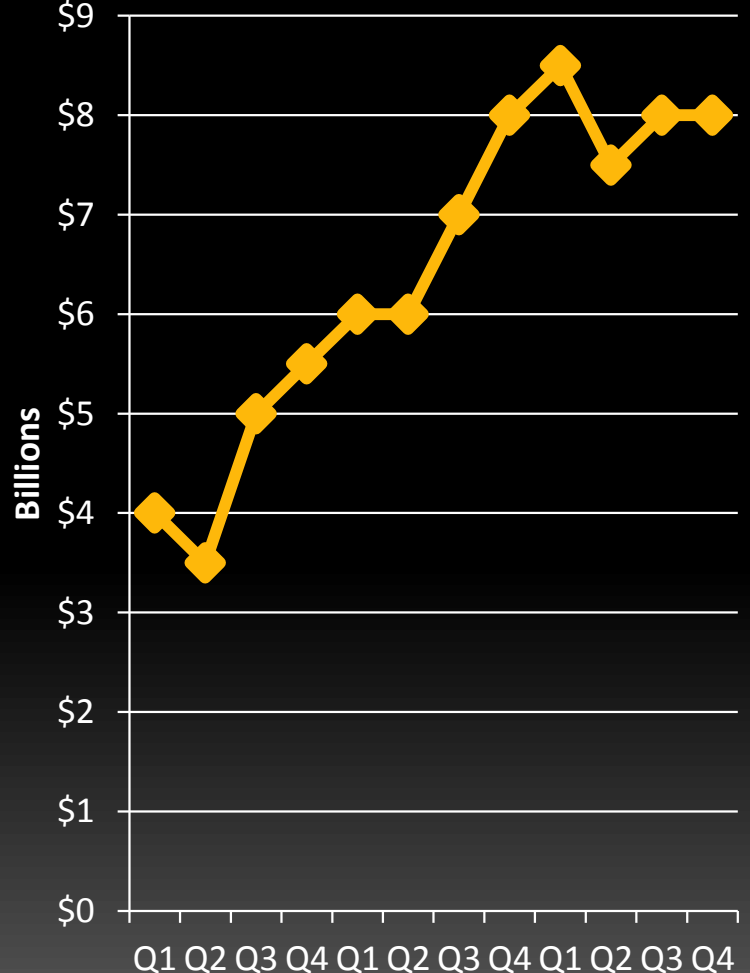
Source: Spears & Associates research

# North American Frac Market

### Annual Frac Market

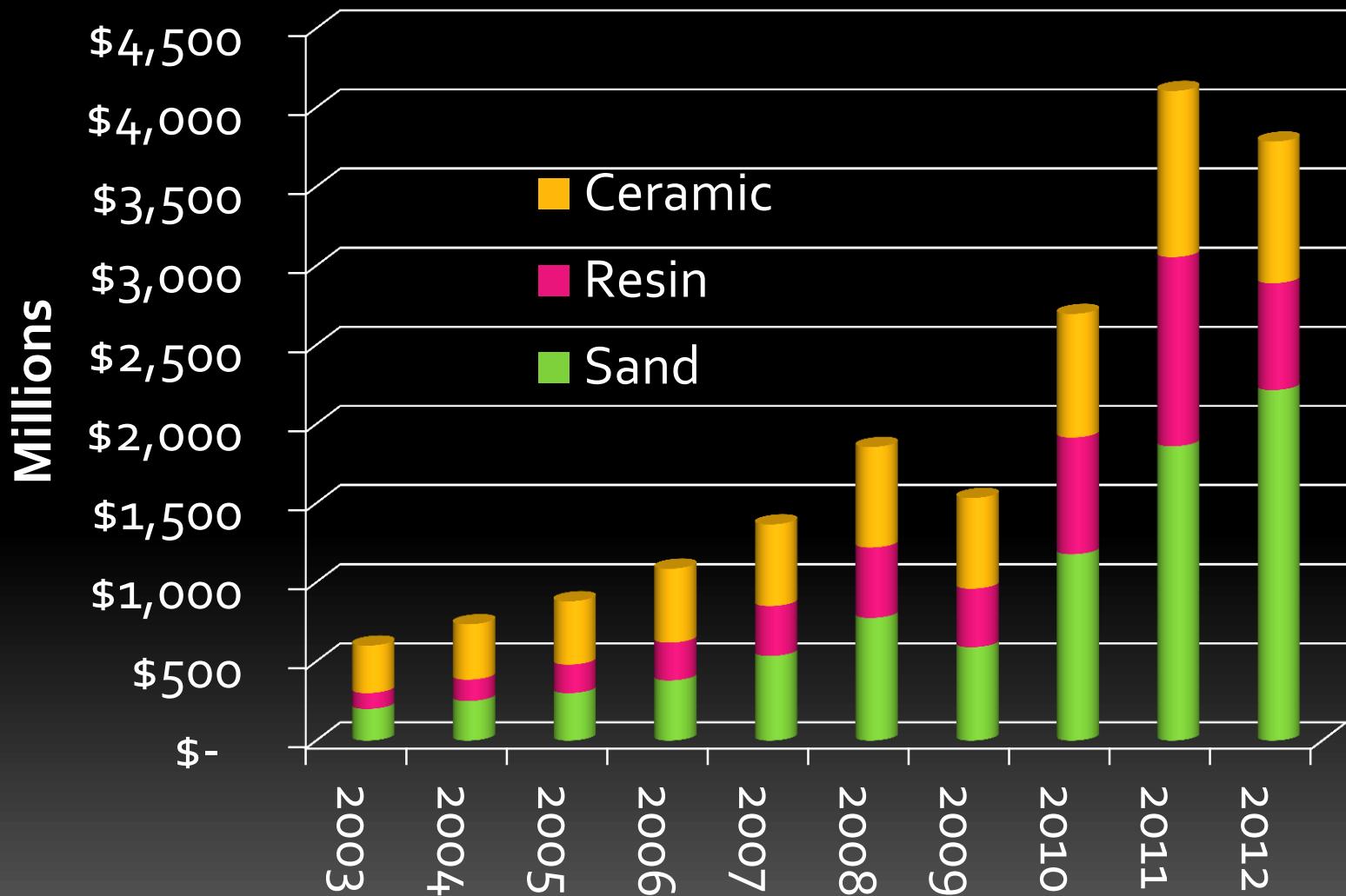


### Quarterly Frac Market



Source: Spears & Associates research

# Proppant market is changing



Source: Spears & Associates research

# Main Points

Global drilling.....+10<sup>0</sup>% in 2012

Oilfield spending...+11<sup>0</sup>% in 2012

Frac spending..... +20<sup>0</sup>% in 2012

Quarterly frac.....transition year

# Spears & Associates, Inc.

Spears & Associates is an oilfield equipment and service market consulting company. We were founded in 1965 and currently have ~400 clients around the world. About half are oilfield service companies and steel mills, a quarter are E&P companies, and a quarter are financial firms.

*Spears has several subscription-based services:*

**Drilling and Production Outlook.** Est. in 1982, this is a 50-country forecast of drilling activity. Most clients are service companies.

**Oilfield Market Report.** Est. in 1996, this tracks product line sales for ~250 oilfield service companies. Most clients are financial.

**PipeLogix.** Established in 1985, this tracks the price and demand for OCTG and line pipe. Clients are E&P and financial.

**Oilfield Market Intelligence.** Est. 2008. Includes all Spears' market research. Clients are financial and international E&P.

**Drilling & Completion Cost Service.** Est. 2008. Tracks by US basin costs to drill and complete wells. Clients are E&P and financial.

*Spears also supports oilfield merger/acquisition transactions:* Spears provides market-focused due diligence on 30-50 oilfield M&A transactions annually. Clients are generally private equity firms.

*Lastly, Spears conducts bespoke market research:* We have completed ~2,000 oilfield market research engagements around the world since our founding.

Spears & Associates has three partners, all based in Tulsa:

**John Spears, president.** Responsible for the Drilling & Production Outlook and the Drilling & Completion Cost Service.

**Richard Spears, vice president.** Responsible for the Oilfield Market Report and the Oilfield Market Intelligence series.

**Kurt Minnich, publisher.** Responsible for our PipeLogix OCTG and line pipe division.

Spears' partners do not invest in public oilfield securities. Partners will occasionally invest in private oilfield service companies that may compete with the firm's clients. In that event, Spears & Associates will not provide consulting services during the period of the investment. Additionally, Richard Spears is on the board of directors of four oilfield service companies. The list of our investments and the list of boards we sit on is available upon request.