



DUFF & PHELPS

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INDUSTRY INSIGHTS

Energy Sector Update

Spring 2020



The bottom half of the image shows a red and white offshore supply vessel, likely a tugboat or support ship, navigating through dark blue water. In the background, the yellow legs of an offshore oil rig are visible, extending into the sea. The sky is a mix of blue and white clouds.

Energy Update: Digital Oilfield

The Oil and Gas Industry Looks to Digitize and Automate its Processes to Become More Efficient

The OPEC price war and economic effects of COVID-19 have engulfed markets, media outlets and the world's attention. Recent industry trends and company initiatives have been put on hold as the world takes stock of these events and evaluates how to move forward. With that in mind, this article was written before the OPEC price war and before COVID-19 had spread throughout the world. Although capital spending may be dramatically curtailed in the short-term, the issues discussed herein are no less relevant than they were a month ago.

As producers pivot from dealing with capital spending increases to living within operating cash flow, digital technology has witnessed early adoption, largely in part due to the falling cost of acquiring and storing data. Data analytics, cloud computing, predictive maintenance and artificial intelligence have the ability to transform the oil and gas industry.

Several high-profile partnerships with big tech have been announced along with oil and gas tech start-ups, paving the way for continued adoption across the industry. Schlumberger, Chevron and Microsoft announced the collaboration in September 2019 to accelerate the creation of innovative petrotechnical and digital technologies. Amazon Web Services and Google are also providing cloud services to the industry, which, until recently, had stored much of its data on internal servers.

Digital technology adoption has the potential to revolutionize the industry, while also contributing to a reduction in upstream capital investment as machine learning and artificial intelligence increase efficiency. Oil and gas companies that successfully integrate digital technology into their operations will be those that have buy-in at all levels from management to the operating level, effective gathering, structuring and analysis of data and combining operating knowledge with data analytics capabilities.

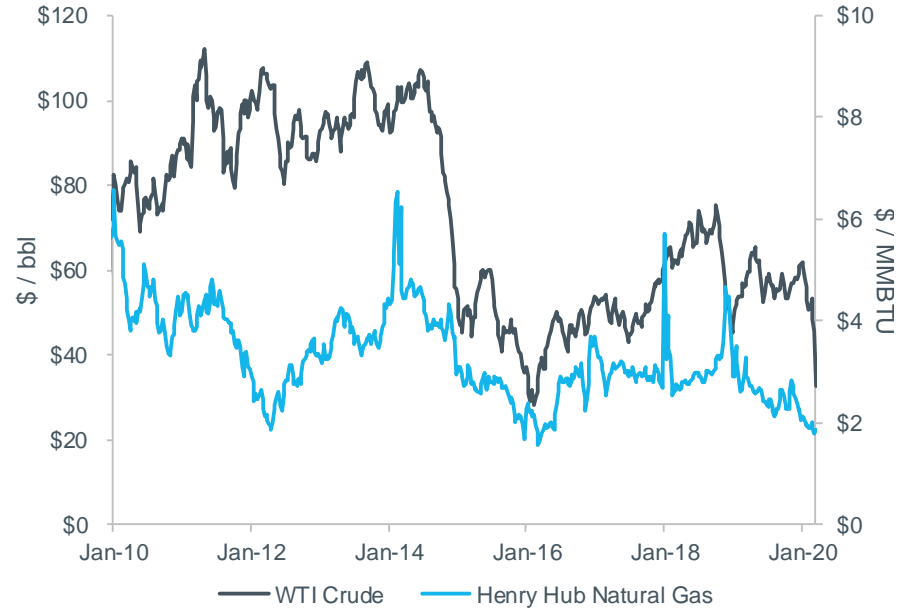
Market Review

OSX Index - Last 12 Months through 3/20/2020



Source: Capital IQ

Crude Oil & Natural Gas Spot Prices - 2010 to 3/13/2020



	WTI Crude Oil \$/bbl	Henry Hub Natural Gas \$/MMBTU
March 13, 2020	\$32.39	\$1.87
Year Ago	\$57.81	\$2.89

Source: EIA

Market Review

North American Rig Count as of 3/20/2020

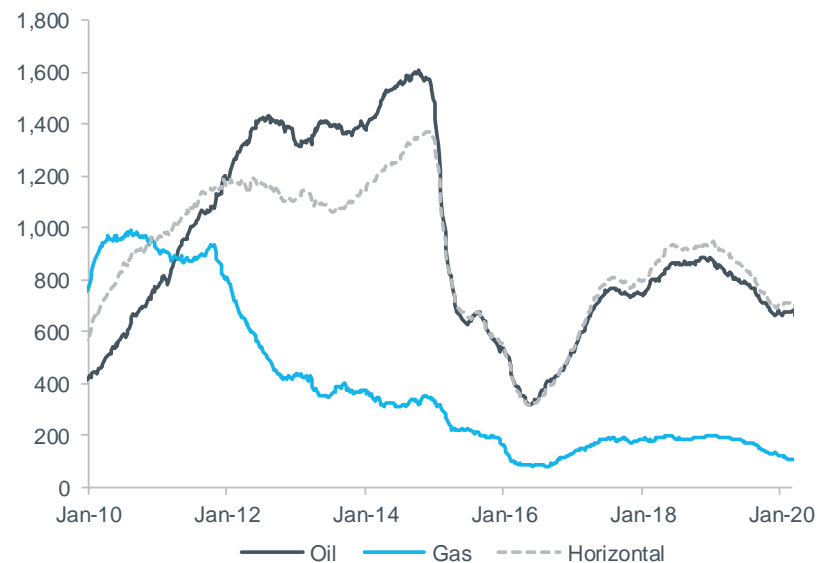
Location	This Week	+/-	Last Week	+/-	Year Ago
Land	751	(20)	771	(242)	993
Inland Waters	2	0	2	(1)	3
Offshore	19	0	19	(1)	20
United States Total	772	(20)	792	(244)	1,016

Gulf Of Mexico	19	0	19	(1)	20
Canada	98	(77)	175	(7)	105
North America	870	(97)	967	(251)	1,121

U.S. Breakout	This Week	+/-	Last Week	+/-	Year Ago
Oil	664	(19)	683	(160)	824
Gas	106	(1)	107	(86)	192
Miscellaneous	2	0	2	2	0
Directional	49	1	48	(14)	63
Horizontal	696	(17)	713	(204)	900
Vertical	27	(4)	31	(26)	53

Source: Baker Hughes

U.S. Historical Rig Count - 2010 to 3/20/2020



% of Total U.S. Rig Count

	Oil	Gas	Horizontal
March 20, 2020	86.0%	13.7%	90.2%
Year Ago	81.1%	18.9%	88.6%

Source: Baker Hughes

Digital Oilfield: Acquisitions, Capital Raises and Other Headlines

2/20/2020 **Enverus** acquired **RS Energy Group**, a provider of upstream-focused analytics, data-driven intelligence, and research.

2/18/2020 **Quorum Business Solutions**, backed by **Thoma Bravo**, has acquired **EnergyIQ**, a provider of well lifecycle data management SaaS for upstream E&P companies.

2/14/2020 **BV Partners**-backed **GeoLOGIC Systems**, a provider of several software products including production forecasts, mapping, charting, data analysis, well planning and more, is seeking acquisitions after a successful recapitalization last year.

2/4/2020 **Ambyint**, a developer of AI-powered production and artificial lift optimization solutions, has raised \$15 million in Series B funding led by existing investor **Cottonwood Venture Partners** to fund several new products.

11/17/2019 **Seismos** raised \$10.5 million of Series B funding in a deal led by **Quantum Energy Partners**. The company's subsurface intelligence platform provides completion diagnostics, enabling companies to take real-time data-driven actions.

10/3/2019 **Intelligent Wellhead Systems** secured investments from **Pason Systems** and **Werklund Growth Fund** of CAD \$25 million and CAD \$10 million, respectively. The company's technology allows operators to have a digital window into the pressure control stack.

9/11/2019 **Cold Bore Technology**, a provider of completion optimization technology, secured a second round of strategic growth funding from **Rice Investment Group**. Proceeds will be used to scale the teams and technology to meet the market demand for its platform.

5/17/2019 **Novi Labs**, a developer of a cloud-based software platform designed to optimize shale asset field development decisions, raised \$7 million in debt and Series A venture funding led by **Cottonwood Venture Partners** and **Bill Wood Ventures**.

4/4/2019 **OAG Analytics**, a developer of a predictive analytics platform leveraging artificial intelligence to offer insights about pre-drill production, development strategies, forecasting and reserve reports, raised \$7.2 million of Series A funding from **Rice Investment Group**.

Sources: Capital IQ, Mergermarket, Pitchbook

Select Recent Transactions

Sell Side Advisor



has executed a majority recapitalization with



Transaction Description

Duff & Phelps served as the exclusive financial advisor to Saber Power Services, LLC in its majority recapitalization with Oaktree Capital Management L.P.'s GFI Energy Group.

Saber Power Services, LLC is a leading provider of high voltage electrical testing, construction & engineering, electrical studies and safety training services. Headquartered in Houston, TX, the Company focuses on serving leading midstream pipeline, downstream refining & petrochemical, and utility customers in the greater Gulf Coast region, as well as throughout the U.S.

Sell Side Advisor



has been acquired by



Transaction Description

Duff & Phelps served as the exclusive financial advisor to Flow-Zone, LLC in its sale to The Reynolds Company, a wholly-owned subsidiary of McNaughton-McKay Electric Company.

Flow-Zone, LLC is the premier distributor of pipe, valves, fittings, instrumentation, controls and measurement equipment for the upstream, midstream and downstream oil and gas markets throughout Texas and New Mexico. Serving the oil and gas industry for over 20 years, The Company operates from seven strategic locations in the Permian Basin, Delaware Basin and Eagle Ford Shale with corporate headquarters located in Houston, Texas.

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