



Oilfield Service Update OFS Newsletter | August 2017

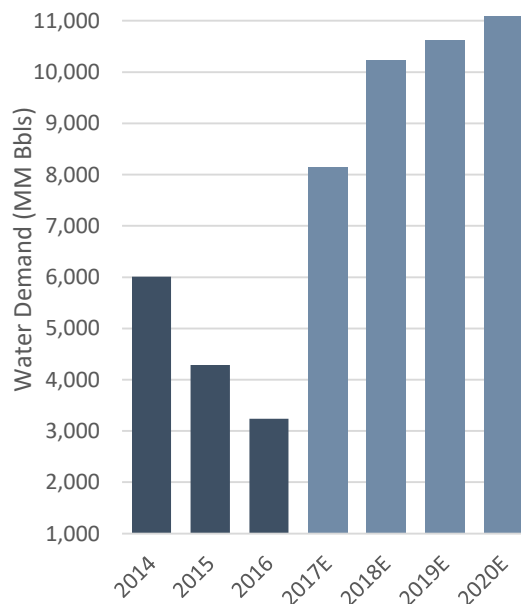
► Introduction

In this edition of the OFS quarterly update, we will discuss one of the key themes developing in the OFS market - the influx in water usage and the evolving focus on water management. We have seen a number of transactions occur in the space this year and believe the tailwinds that have emerged are here to stay. We will provide readers with an update on the water market, discuss the key drivers of the industry, and profile two of the largest deals to happen in the sector this year.

► Water – Market Update

Water demand related to the oilfield is expected to increase 1.5x in 2017 compared to 2016 levels. This demand is perpetuated by the increased use of hydraulic fracturing for horizontal and multi-well pads, and an increase in rig count. In 2017 alone, the oilfield industry is expected to use 8.2 billion barrels of water for fracking, up 146% from the year before. Several other water related services are benefitting from this increase in frac demand; water transportation, water storage, and the water sourcing markets are all expected to grow almost triple digits in 2017. Industry professionals believe that the water management industry could grow to be a \$35 billion market by 2020.

U.S. Water Demand (MM Bbls)



► Notable & Quotable

Holli Ladhani, the CEO of Rockwater Energy, noted on a conference call in July 2017 that the water tailwinds are here to stay:

“The industry continues to relentlessly increase frac intensity, [which will continue to drive] the demand for creative solutions to water-related issues.”

On the following page, we will discuss several of the major themes developing in the industry: growth in horizontal and multi-well pad drilling, an increase in reused and reproduced water, and the buildout of turnkey water management solutions.

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“The industry continues to relentlessly increase frac intensity, [which will continue to drive] the demand for creative solutions to water-related issues.”

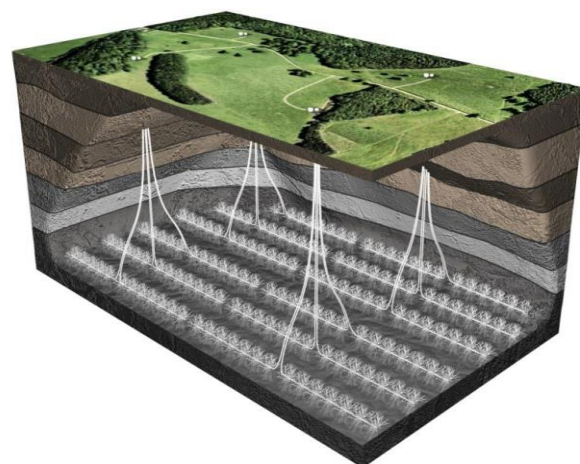
Holli Ladhani,
 CEO, Rockwater Energy

Water Management – Key Industry Trends

► The Rise of Multi-well pads

Multi-well pads refer to a drilling technique employed by operators, in which multiple wells are drilled using one rig. The byproduct of this technique is more efficient oil extraction, which leads to lower breakeven prices for producers. Five-years ago, multi-well pads made up less than 10% of the total wells drilled, however, in 2017 it is estimated that 70% of the new wells being drilled are multi-well pads. This shift in technique has increased water usage from about 5,000 barrels for a single-stage frac on a vertical well to more than 500,000 barrels of water for a multiple-stage frac job on a horizontal well. Public companies such as Devon Energy and Chevron have cited that multi-well pads are the new industry norm, especially in a low price environment where efficiency and cost reduction are a top priority. We believe that this continued shift to multi-well pads will be a driver of water usage in the years ahead.

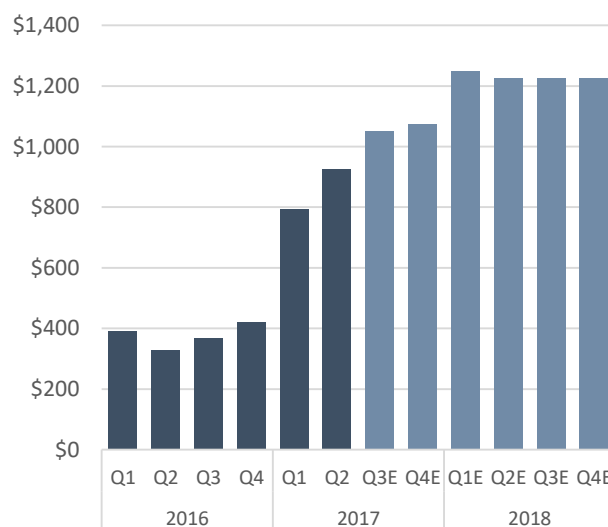
Multi-well pad diagram



► Increasing Focus on Recycled / Reused Water

The increased use of recycled water in the oilfield has been a key development in the water management industry. The water treatment market has grown at a three year CAGR of 23%, and is expected to grow another 40% by 2020. This trend has been put in motion as regulations surrounding water transfer and water disposal have tightened, and the costs associated with sourcing water have increased. These issues have impacted certain basins more so than others; those operating in the Marcellus for instance have found that treating the water can reduce water disposal costs by 70% due to regulations and fines associated with hauling and sourcing new water in the state of Pennsylvania. Texas basins are also combatting regulation for sourcing water from shallow water wells, and have found that recycling water can reduce the burdensome costs associated with sourcing and hauling fresh water to the job site. Industry professionals believe that competition for fresh water will continue to improve the economical case for recycling.

U.S. Water Treatment Services Market (\$MM)



► Building Turnkey Water Solutions through Acquisition

With water becoming more of an integral piece of the oil completion and production process, E&P companies are looking for turnkey water solutions that offer transportation, fresh water sources, and recycling/treatment options. Currently, the market is bifurcated, with the top 10 suppliers owning an estimated 20% - 25% of the total market. In order to build out these turnkey solutions, we have seen several acquisitions this year as companies look to build out their product offerings. We believe M&A activity in this space will continue to look attractive as mid-sized players look to add scale. Two of the most notable transactions that occurred this year are Crescent Companies, acquired by Rockwater, and Rockwater, which was acquired by Select Energy Services. On the proceeding page we will profile these companies and provide highlights regarding the strategic relevance of the deals.

Notable 2017 Water M&A Transactions



2017 – Major Water Transactions

CRESCENT COMPANY

Transaction Date	Implied Enterprise Value	Implied Multiple	Est. EBITDA	Buyer	Seller
3/31/17	\$207MM	N/A	N/A	Rockwater	White Deer

Transaction Details: Rockwater Energy Solutions (“Rockwater”) acquired Crescent Companies (“Crescent”) from the private equity group White Deer Energy for \$207MM. The combination of Crescent and Rockwater brought together two complementary companies that share the same vision of a fully-integrated oilfield water management and logistics company.

Strategic Rationale:

- Combines the intellectual property and industry expertise of both companies
- Creates greater size and scale for both companies to combine and leverage their competitive advantages to better compete in the industry
- Gives financial strength and flexibility to the combined company through a balance sheet with low leverage and sufficient liquidity enabling future growth and acquisitions

About the Buyer: Rockwater Energy Solutions, Inc. is a Houston, TX company that provides fluid management, logistics, and environmental solutions to the oil and gas industry in the United States and Canada.

About the Seller: Crescent Companies, backed by private equity group, White Deer Energy, is an end-to-end water management company covering everything from sourcing and transfer, to recycling and disposal of water.

ROCKWATER

Transaction Date	Implied Enterprise Value	Implied Multiple	Est. EBITDA	Buyer	Seller
7/18/2017	\$516MM	7.2x	\$72MM	Select Energy	SCF Partners

Transaction Details: Rockwater Energy is the leading provider of complete water management solutions and chemical products . It represents a presence in all major U.S. basins and is an industry leader with over 2,000 employees. It merged with Select Energy Services (NYSE: WTTR) on July 18, 2017, in a noncash deal, with the expectation for \$15MM-\$20MM of synergies in 2018.

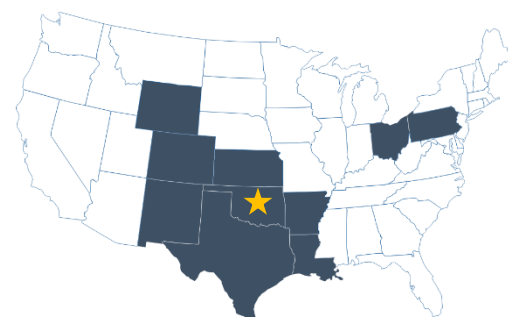
Strategic Rationale:

- Rockwater Energy gives Select Energy Services continued scale in its operations, with expansions into additional basins
- With notable synergies, the combined entity becomes the largest publicly traded pure-play water management company in the United States
- Branded prestige will help it maintain its position as the leading turnkey water management solution

About the Buyer: Select Energy Services is headquartered in Gainesville, TX and services the oil and gas industry. It operates with three major segments: water solutions, accommodations and rentals, and wellsite completion and construction services.

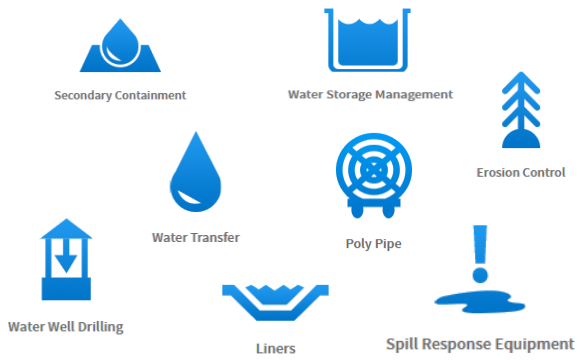
About the Seller: Rockwater, backed by private equity group SCF Partners, aims to provide customers with customized fluids and environmental solutions to maximize oil and gas production and reduce costs.

Map of Service Areas

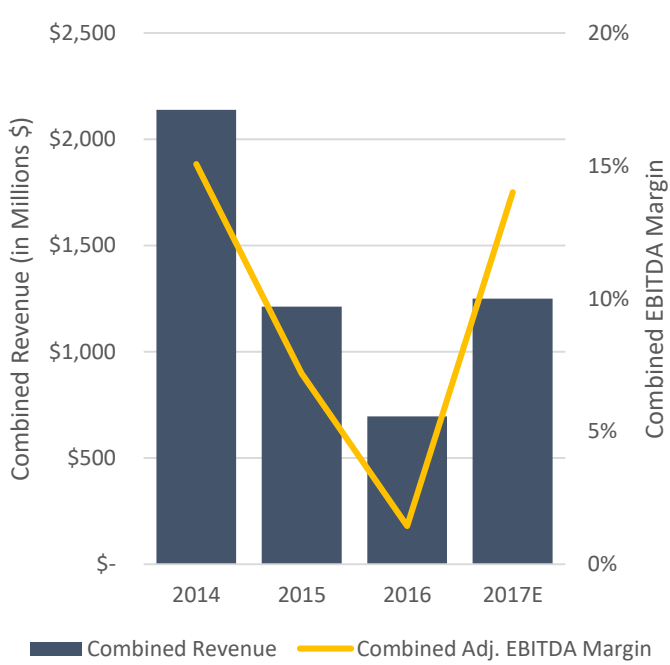


★ Headquarters

Crescent Company Service Offerings



Select Energy + Rockwater Combined



Recent Oilfield Service Transactions

Announced Date	Target Name	Buyer Name	Target Business Description
08/14/2017	Tesco Corporation (NasdaqGS:TESO)	Nabors Industries Ltd. (NYSE:NBR)	Tesco Corporation engages in the design, assembly, and service delivery of technology-based solutions for the upstream energy industry in the United States and internationally.
08/09/2017	Wyatt Water Solutions, LLC	Goodnight Midstream, LLC	Wyatt Water Solutions, LLC provides water gathering and disposal system services to oil and gas producers.
08/07/2017	PDI Solutions, LLC	GATE Energy	PDI Solutions, LLC provides maintenance and inspections services to the oil and gas industry.
07/28/2017	Conquest Completion Services, LLC	Undisclosed Buyer	Conquest Completion Services, LLC offers oilfield services.
07/21/2017	Stronghold Ltd. and Stronghold Specialty, Ltd.	Quanta Services, Inc. (NYSE:PWR)	Stronghold Ltd. and Stronghold Specialty, Ltd. offers fabrication, piping, specialty tank designing, inspection, electrical, maintenance and construction, and turnaround services to refining and petrochemical industry.
07/18/2017	Rockwater Energy Solutions, Inc.	Select Energy Services, Inc. (NYSE:WTTR)	Rockwater Energy Solutions, Inc. provides fluids management services and environmental solutions to the oil and gas industry in North America.
07/10/2017	W-G Seals, Inc.	Mesa Industries Inc.	W-G Seals, Inc. designs and manufactures seal systems and rim mounted foam dams for floating roof storage tanks.
07/06/2017	Edge Manufacturing And Technology, LLC and Crossfire Sales & Service, LLC	Tri-Point Energy Services, Inc.	Edge Manufacturing And Technology, LLC and Crossfire Sales & Service, LLC represents the combined operations of EDGE Manufacturing & Technology, LLC and Crossfire Sales and Service, LLC in their sale to Tri-Point Energy Services, Inc.
07/05/2017	Summit ESP, LLC	Halliburton Company (NYSE:HAL)	Summit ESP, LLC engineers, manufactures, and services electrical submersible and surface pumping systems for the oil and gas industry.
07/05/2017	ESCO Leasing, LLC	Ranger Energy Services, LLC	ESCO Leasing, LLC provides equipment leasing and water well drilling and services to the oil and gas industry.

Trading Statistics

Ticker	Company Name	Stock Price 8/17/2017	% of 52-Week			Enterprise Value	2016 Revenue	2016 EBITDA	Enterprise Value /		2017P		Enterprise Value /	
			High	Low	Market Cap				2016 Revenue	2016 EBITDA	Revenue	EBITDA	2017 Revenue	2017 EBITDA
Integrated OFS (Big 3)														
NYSE: SLB	Schlumberger Limited	\$ 63.71	72.5%	101.1%	\$ 88,523.6	\$ 101,589.6	\$ 27,922.2	\$ 6,426.3	3.6x	15.8x	\$ 30,588.0	\$ 6,969.5	3.3x	14.6x
NYSE: HAL	Halliburton Company Weatherford	\$ 39.32	66.9%	100.5%	\$ 34,271.1	\$ 43,255.1	\$ 15,947.8	\$ 2,119.9	2.7x	20.4x	\$ 20,164.1	\$ 3,464.8	2.1x	12.5x
NYSE: WFT	International plc	\$ 3.91	55.1%	115.3%	\$ 3,867.1	\$ 11,030.1	\$ 5,787.7	\$ 277.0	1.9x	39.8x	\$ 5,805.2	\$ 521.2	1.9x	21.2x
	Min	\$ 3.91	55.1%	100.5%	\$ 3,867.1	\$ 11,030.1	\$ 5,787.7	\$ 277.0	1.9x	15.8x	\$ 5,805.2	\$ 521.2	1.9x	12.5x
	Median	\$ 39.32	66.9%	101.1%	\$ 34,271.1	\$ 43,255.1	\$ 15,947.8	\$ 2,119.9	2.7x	20.4x	\$ 20,164.1	\$ 3,464.8	2.1x	14.6x
	Mean	\$ 35.65	64.9%	105.6%	\$ 42,220.6	\$ 51,958.3	\$ 16,552.6	\$ 2,941.1	3.2x	25.3x	\$ 18,852.4	\$ 3,651.8	2.5x	16.1x
	Max	\$ 63.71	72.5%	115.3%	\$ 88,523.6	\$ 101,589.6	\$ 27,922.2	\$ 6,426.3	3.6x	39.8x	\$ 30,588.0	\$ 6,969.5	2.1x	21.2x
Onshore Service Providers														
NYSE: RIG	Transocean Ltd.	\$ 7.58	45.5%	101.5%	\$ 2,965.2	\$ 7,930.2	\$ 3,761.9	\$ 1,887.4	2.1x	4.2x	\$ 2,885.3	\$ 1,316.5	2.7x	6.0x
NYSE: ESV	EnSCO plc Diamond Offshore Drilling, Inc.	\$ 4.28	35.5%	102.9%	\$ 1,300.9	\$ 4,201.3	\$ 2,610.6	\$ 1,167.4	1.6x	3.6x	\$ 1,825.5	\$ 578.4	2.3x	7.3x
NYSE: DO	Noble Corporation plc	\$ 10.48	46.3%	104.2%	\$ 1,438.1	\$ 3,258.6	\$ 1,565.5	\$ 653.6	2.1x	5.0x	\$ 1,476.3	\$ 589.3	2.2x	5.5x
NYSE: NE	Rowan Companies plc Mammoth Energy Services, Inc.	\$ 3.23	38.6%	101.3%	\$ 791.0	\$ 4,927.5	\$ 1,971.8	\$ 892.0	2.5x	5.5x	\$ 1,185.2	\$ 489.8	4.2x	10.1x
NYSE: RDC	ProPetro Holding Corp.	\$ 9.19	42.4%	100.0%	\$ 1,167.7	\$ 2,539.1	\$ 1,759.3	\$ 835.3	1.4x	3.0x	\$ 1,211.7	\$ 462.8	2.1x	5.5x
NASDAQ: TUSK		\$ 11.37	46.3%	104.5%	\$ 494.4	\$ 551.8	\$ 224.7	\$ 38.0	2.5x	14.5x	\$ 452.9	\$ 79.0	1.2x	7.0x
NYSE: PUMP		\$ 11.41	74.6%	105.3%	\$ 945.0	\$ 936.4	NA	NA	N/A	N/A	\$ 944.8	\$ 142.3	1.0x	6.6x
	Min	\$ 3.23	35.5%	100.0%	\$ 494.4	\$ 551.8	\$ 224.7	\$ 38.0	1.4x	3.0x	\$ 452.9	\$ 79.0	1.0x	5.5x
	Median	\$ 9.19	45.5%	102.9%	\$ 1,167.7	\$ 3,258.6	\$ 1,865.5	\$ 863.7	2.1x	4.6x	\$ 1,211.7	\$ 489.8	2.2x	6.6x
	Mean	\$ 8.22	47.0%	102.8%	\$ 1,300.3	\$ 3,477.9	\$ 1,982.3	\$ 912.3	2.0x	6.0x	\$ 1,425.9	\$ 522.6	2.2x	6.8x
	Max	\$ 11.41	74.6%	105.3%	\$ 2,965.2	\$ 7,930.2	\$ 3,761.9	\$ 1,887.4	2.5x	14.5x	\$ 2,885.3	\$ 1,316.5	4.2x	10.1x
Offshore/Subsea Equipment & Service Providers														
NYSE: NOV	National Oilwell Varco, Inc.	\$ 29.94	68.6%	100.1%	\$ 11,378.4	\$ 13,131.4	\$ 7,183.7	\$ 255.7	1.8x	51.4x	\$ 7,299.3	\$ 602.3	1.8x	21.8x
NYSE: FTI	TechnipFMC plc	\$ 25.89	71.6%	100.5%	\$ 12,096.4	\$ 8,687.9	\$ 12,769.1	\$ 1,416.7	0.7x	6.1x	\$ 12,738.7	\$ 1,486.6	0.7x	5.8x
NYSE: OII	Oceaneering International, Inc.	\$ 22.18	69.1%	106.9%	\$ 2,179.6	\$ 2,493.1	\$ 2,288.4	\$ 372.9	1.1x	6.7x	\$ 1,952.0	\$ 236.5	1.3x	10.5x
NYSE: DRQ	Dril-Quip, Inc.	\$ 38.15	55.0%	100.3%	\$ 1,443.5	\$ 1,006.5	\$ 548.3	\$ 140.6	1.8x	7.2x	\$ 453.9	\$ 48.6	2.2x	20.7x
NYSE: SPN	Superior Energy Services, Inc.	\$ 8.59	44.3%	100.6%	\$ 1,315.0	\$ 2,424.4	\$ 1,435.2	\$ 39.6	1.7x	61.3x	\$ 1,927.0	\$ 190.6	1.3x	12.7x
TSX: ESI	Ensign Energy Services Inc.	\$ 6.51	62.6%	105.0%	\$ 1,015.3	\$ 1,729.6	\$ 844.5	\$ 181.7	2.0x	9.5x	\$ 1,047.8	\$ 209.7	1.7x	8.2x
NYSE: BAS	Basic Energy Services, Inc.	\$ 15.28	34.1%	101.3%	\$ 397.7	\$ 617.4	\$ 547.6	\$ (28.8)	1.1x	N/A	\$ 863.6	\$ 57.5	0.7x	10.7x
	Min	\$ 6.51	34.1%	100.1%	\$ 397.7	\$ 617.4	\$ 547.6	\$ (28.8)	0.7x	6.1x	\$ 453.9	\$ 48.6	0.7x	5.8x
	Median	\$ 22.18	62.6%	100.6%	\$ 1,443.5	\$ 2,424.4	\$ 1,435.2	\$ 181.7	1.7x	7.2x	\$ 1,927.0	\$ 209.7	1.3x	10.7x
	Mean	\$ 20.93	57.9%	102.1%	\$ 4,260.8	\$ 4,298.6	\$ 3,659.5	\$ 339.8	1.5x	17.2x	\$ 3,754.6	\$ 404.5	1.4x	12.9x
	Max	\$ 38.15	71.6%	106.9%	\$ 12,096.4	\$ 13,131.4	\$ 12,769.1	\$ 1,416.7	2.0x	61.3x	\$ 12,738.7	\$ 1,486.6	2.2x	21.8x

Earnings Release Calendar

October

Date	Company Name	Vertical
10/23/2017	Halliburton Company	Integrated Equipment & Service Providers

November

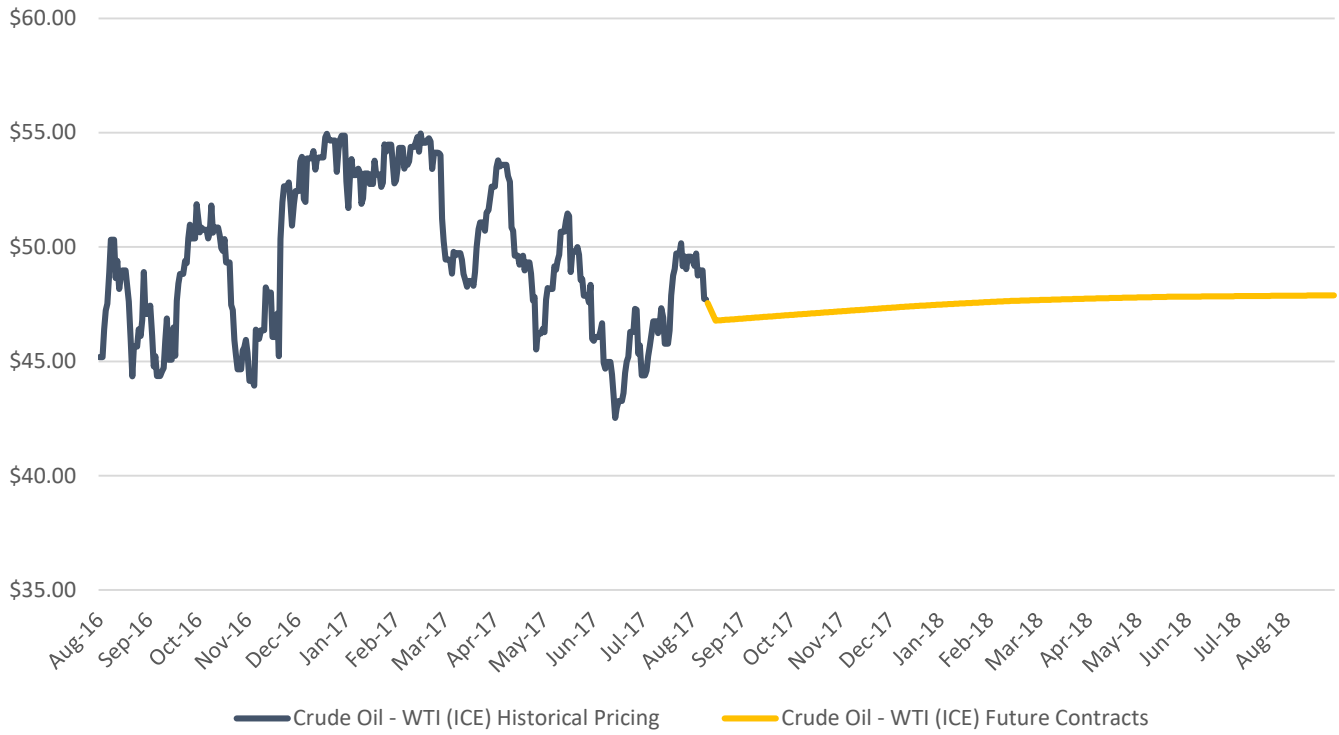
Date	Company Name	Vertical
11/9/2017	TETRA Technologies, Inc.	Service Providers

TBD

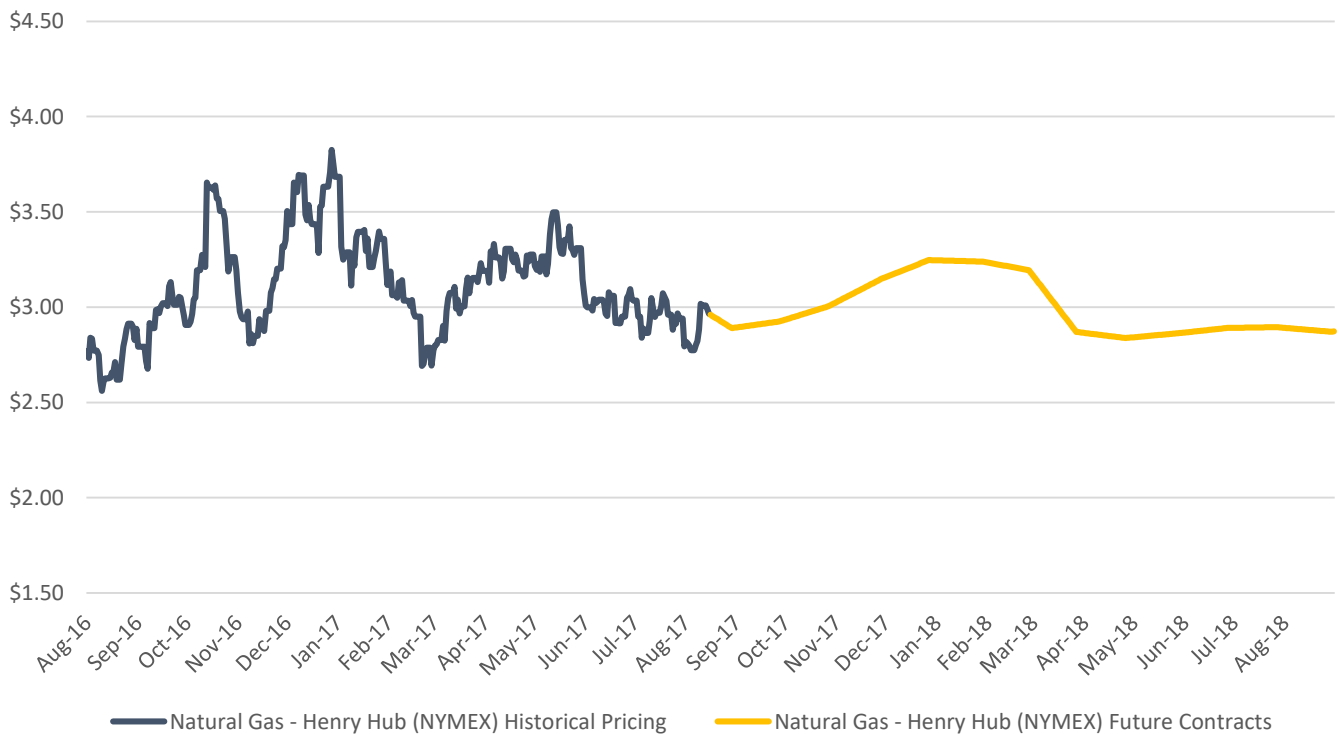
Date	Company Name	Vertical
TBD	Weatherford International plc	Integrated Equipment & Service Providers
TBD	Diamond Offshore Drilling, Inc.	Offshore Drillers
TBD	National Oilwell Varco, Inc.	Equipment & Technology
TBD	Ensign Energy Services Inc.	Service Providers
TBD	Oceaneering International, Inc.	Equipment & Technology
TBD	Noble Corporation plc	Offshore Drillers
TBD	Patterson-UTI Energy, Inc.	Land Drillers
TBD	Forum Energy Technologies, Inc.	Equipment & Technology
TBD	Oil States International, Inc.	Equipment & Technology
TBD	Pioneer Energy Services Corp.	Land Drillers
TBD	Basic Energy Services, Inc.	Service Providers
TBD	Superior Energy Services, Inc.	Service Providers
TBD	Nabors Industries Ltd.	Land Drillers
TBD	Trican Well Service Ltd.	Service Providers
TBD	Frank's International N.V.	Service Providers
TBD	Calfrac Well Services Ltd.	Service Providers
TBD	TechnipFMC plc	Equipment & Technology
TBD	Rowan Companies plc	Offshore Drillers
TBD	Transocean Ltd.	Offshore Drillers
TBD	Dril-Quip, Inc.	Equipment & Technology
TBD	Tesco Corporation	Service Providers
TBD	Enscopl	Offshore Drillers
TBD	RPC, Inc.	Service Providers
TBD	Helmerich & Payne, Inc.	Land Drillers

Commodity Prices

➤ WTI Oil \$/bbl

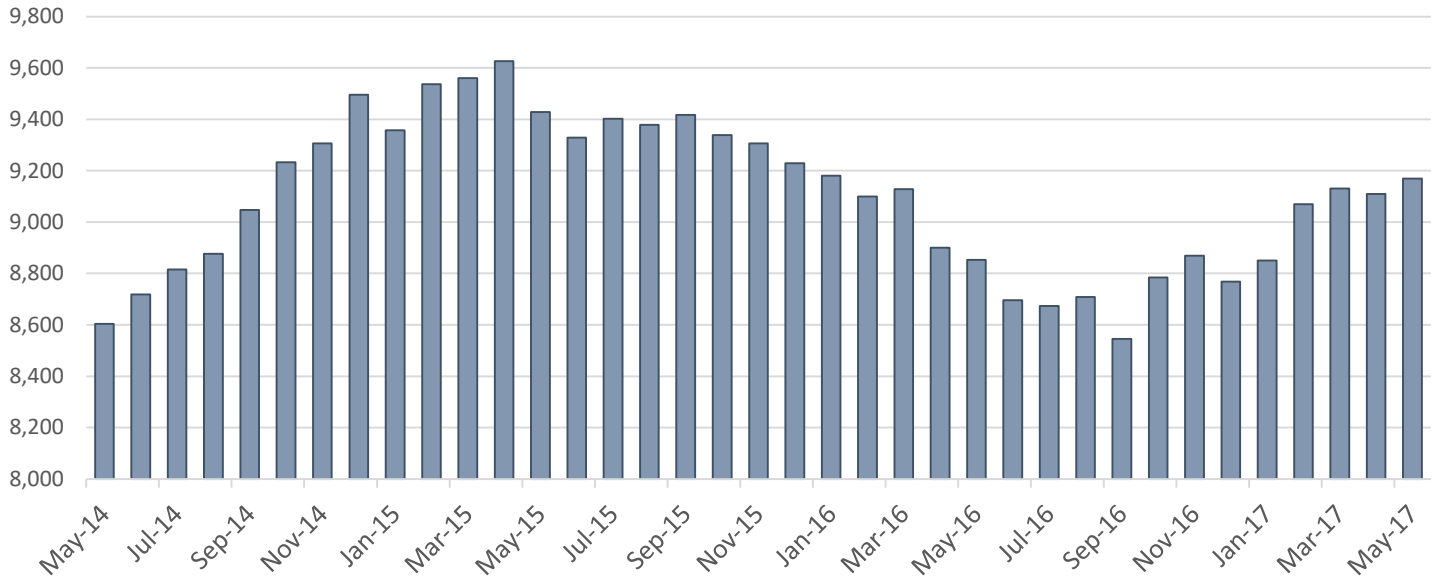


➤ Natural Gas \$/MBtu



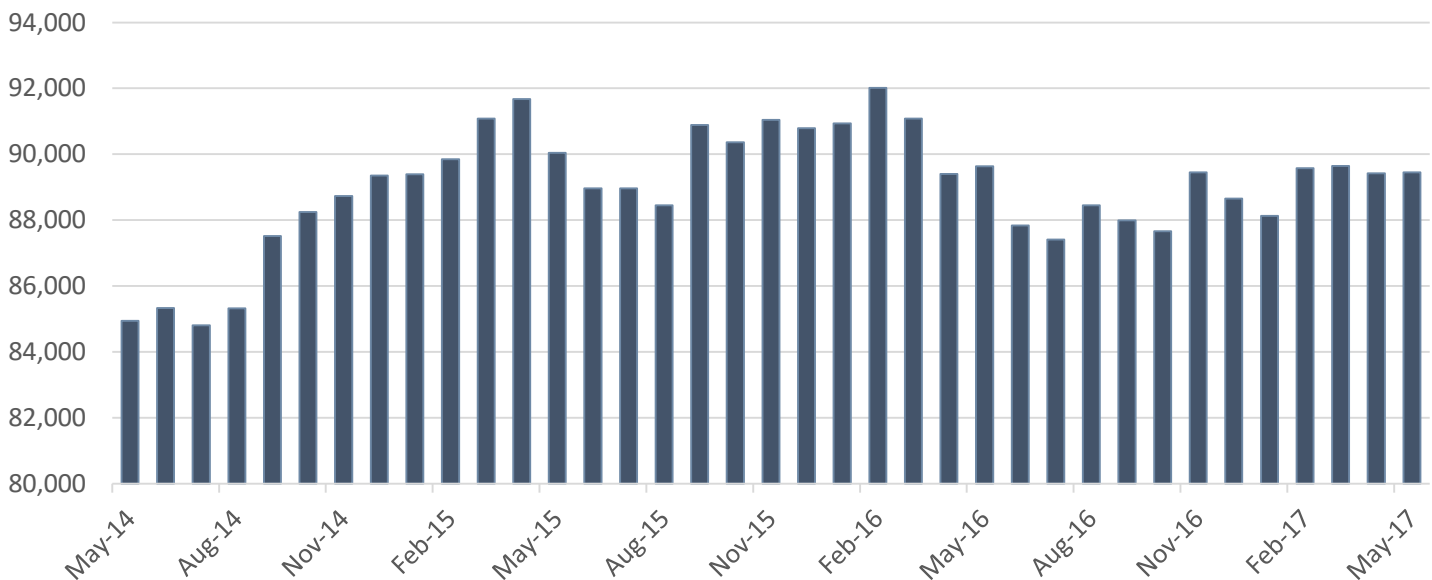
Production Data

➤ U.S Crude Oil Production



Crude Oil	Thousands of Barrels per Day			Change From	
	Current	Prior Month	Prior Year	Prior Month	Prior Year
	9,169	9,110	8,853	0.6%	3.6%

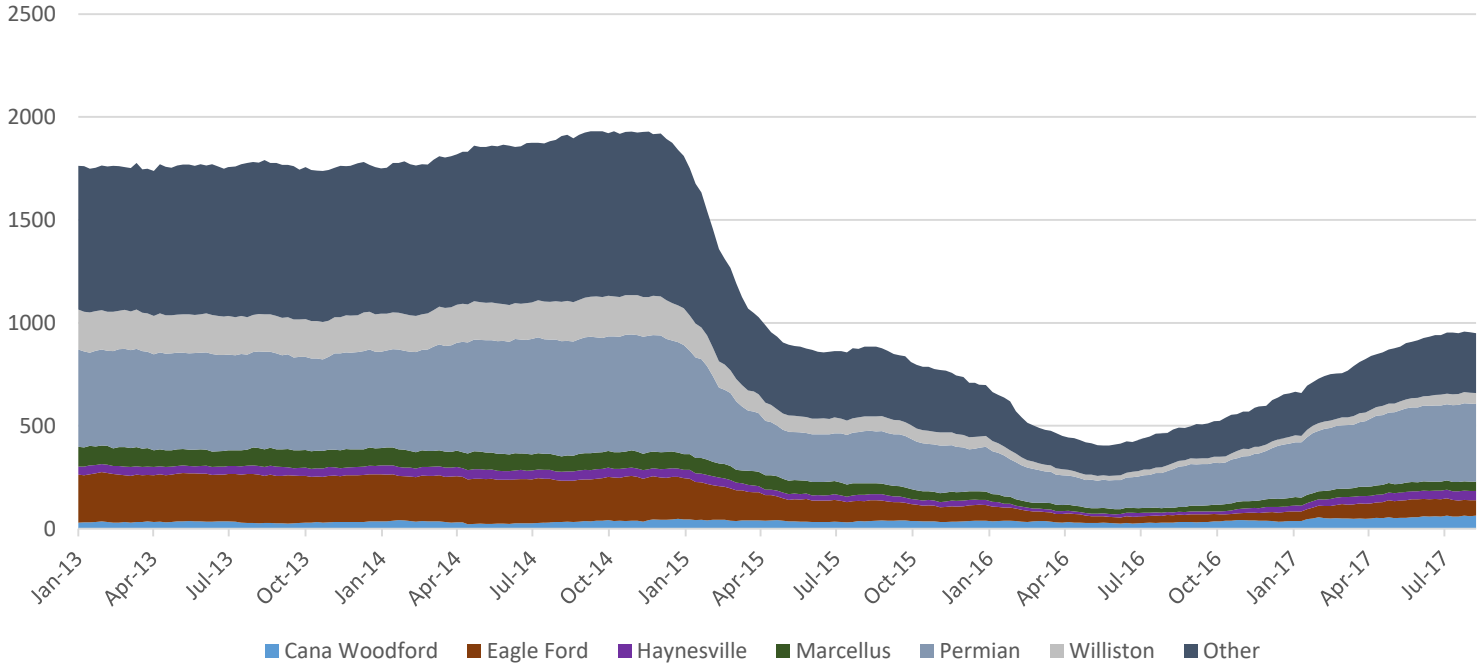
➤ U.S Natural Gas Production



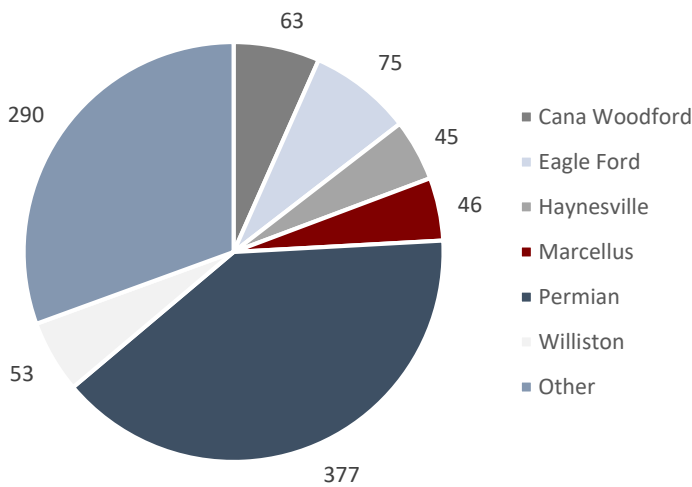
Natural Gas	Million Cubic Feet per Day			Change From	
	Current	Prior Month	Prior Year	Prior Month	Prior Year
	89,451	89,424	88,453	0.03%	1.1%

Rig Counts by Basin

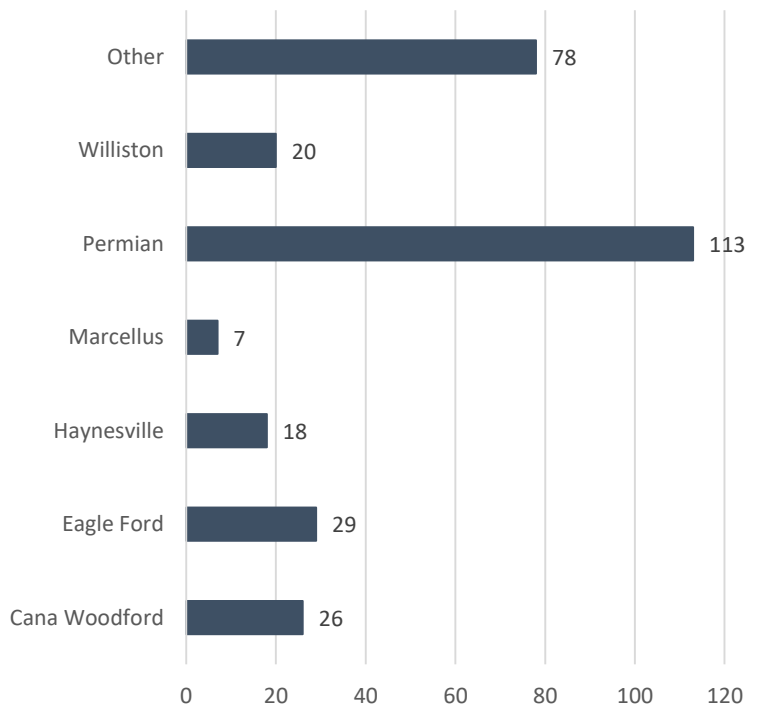
➤ U.S Rig Count by Basin Analysis



U.S Rig Count by Basin

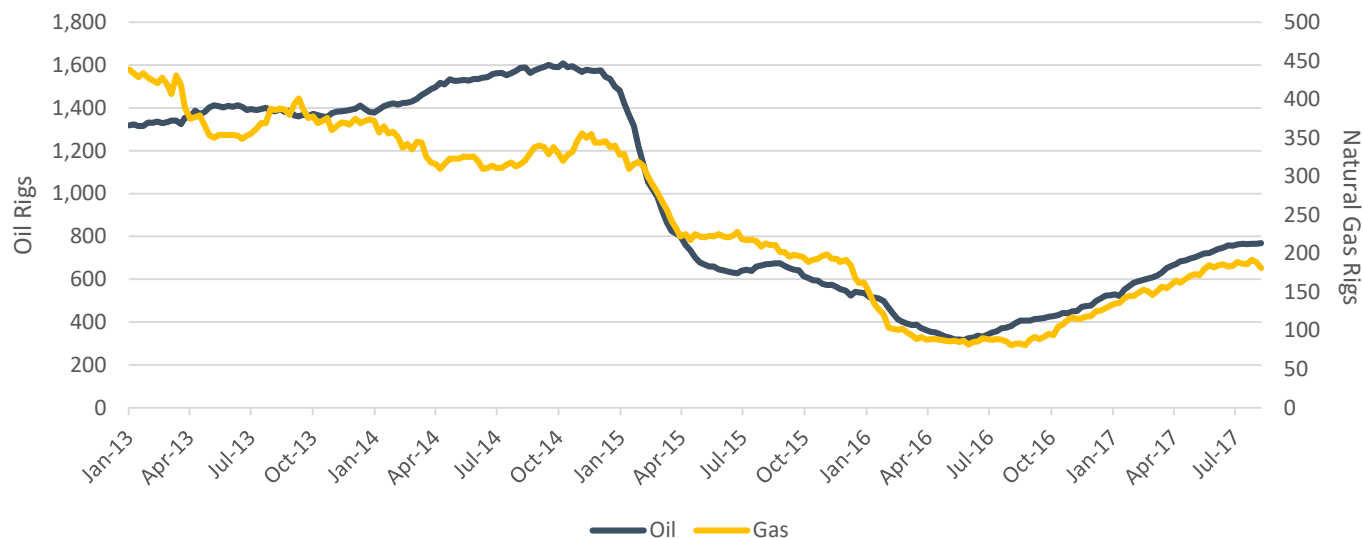


U.S Rig Count by Basin YTD Increase



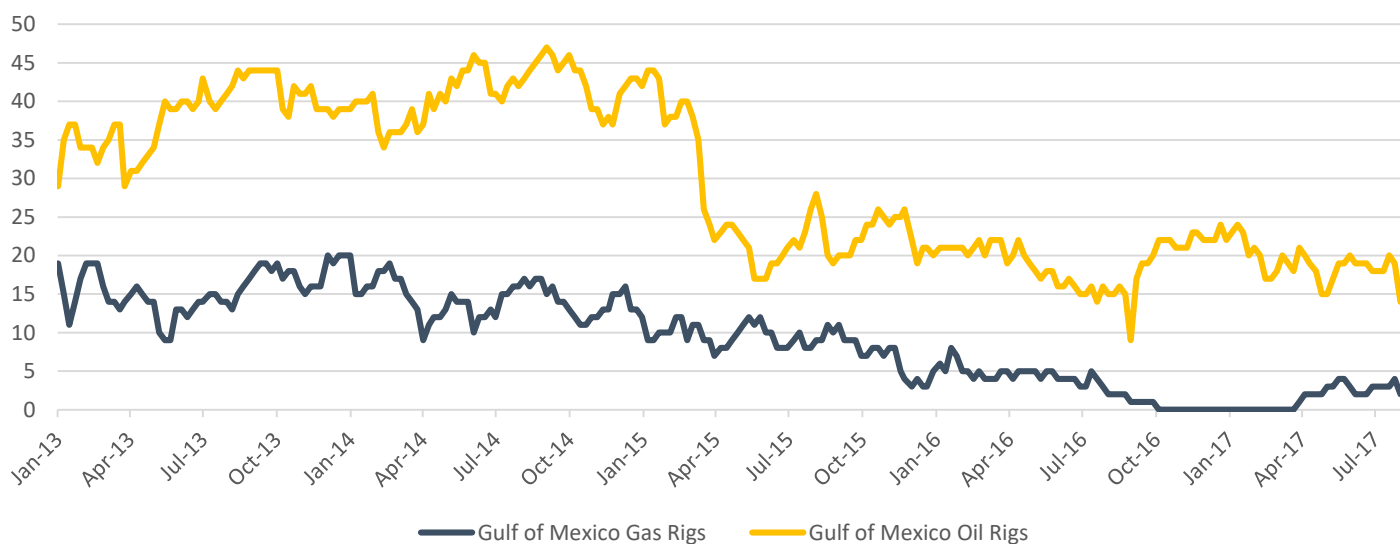
Rig Counts (continued)

➤ U.S. Oil vs. Natural Gas Rig Count



	Rig Counts			Change from	
	Current	Prior Month	Prior Year	Prior Month	Prior Year
Oil	768	765	396	0.4%	93.9%
Natural Gas	181	187	83	-3.2%	118.1%

➤ Gulf of Mexico: Oil Rig vs. Natural Gas Rig



	Rig Counts			Change from	
	Current	Prior Month	Prior Year	Prior Month	Prior Year
Oil	15	18	15	-16.7%	0.0%
Natural Gas	2	3	2	-33.3%	0.0%

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