Founders recently attended the Coiled Tubing & Well Intervention Conference & Exhibition in The Woodlands, TX. With over 2,000 professionals in attendance, the conference included a diverse range of presentations and exhibitions covering industry statistics, best practices, along with emerging problems and solutions across all sectors of the industry. Highlights of challenges and innovation from the conference included:

- **Market Overview & Growth.** Coiled tubing (CT) dates back to the 1960’s, but relatively recent advancements in technology and procedures have drastically improved the benefits and popularity of this service. The initial development of CT was spurred by the desire to work on live wellbores (no need to kill the well). Although there are many applications for CT today, common applications include well millouts/cleanouts, fishing jobs, tool conveyance, and logging. The speed and economic advantages of CT have contributed to the industry’s rapid growth in recent years – over $5.4 billion was spent on CT in the U.S. during 2013.

  - The U.S. market has witnessed consistent growth. Though the Global CT count has seen more volatility, the domestic count has steadily risen from 441 (in 2010) to 568 (in 2013)
  - Domestic spending on the CT sector has increased significantly since 2009. While growth is beginning to mature, Spears and Associates predicts a $274 million spending increase in 2014, a 5% rise over 2013
Emerging Trends & Challenges. The greatest challenge for coil tubing comes from increased lengths in drilling laterals from horizontal drilling. Stimulation technology has pushed total depths of wells further requiring CT units with larger outside diameters (OD) strings, increasing the number and size of the equipment loads necessary to service the wells. For example, in Alberta the average completed lateral length has increased 177% from 2008 to 2013; while the number of stages per well has risen 320% over the same period. While innovation is driving longer laterals, it’s also creating additional challenges for CT:

- **Operational** – Performing intervention work on long wellbores with conventional CT units is generally limited by either the length or OD of the CT strings as a result of the limitations to the red capacity
- **Logistical** – The ability to get CT equipment to location is a challenge in and of itself. In the US, height, length, weight, and axle restrictions and divisible load rules require permits, escorts, or split loads (varied by state and local authorities), placing challenges on CT trailer designs and increasing transportation costs
- **Safety** – Occupational Safety and Health Administration (OSHA) sets regulations for keeping personnel clear of the fall zone, creating safety and operational challenges to efficiently execute and rig-up in a timely manner
- Meanwhile, service providers are being challenged by E&P operators to increase speed and efficiency of these packages, while improving safety

Innovations in Procedure. Advancements in CT are not only coming from hardware, but from increased expertise and experience as well.

- Fluid selection and application, coming from the emerging completion fluids service companies, can often determine the cost and success of a CT drillout. According to Marathon Oil Corp.’s presentation *Improving Post-Stimulation Coiled Tubing Drillout,* “despite the increasing use of coiled tubing units, drillout practices have typically been based on “art” rather than science, often resulting in drilling problems such as poor fluid efficiency and hole cleaning issues, lost circulation, stuck pipe, lost-in-hole tools, and parted pipe...a greater percentage of stuck pipe incidents are directly related to poor hole cleaning...”
- Traditionally, CT companies deployed the completion fluids to clean up wellbores themselves by “pouring over the top.” This application of completion fluids is consistently being replaced in favor of hiring a separate service company to provide trained completion fluids engineers who mix the chemicals onsite with specialized equipment according to the varying conditions of the individual wellbore. This is essentially applying a proprietary approach to clean wellbores more thoroughly and cost effectively
- As the drilling space continues to advance, product and service innovation will be crucial to competitively meeting customer demands. Service providers that understand industry trends and proactively adjust are well positioned to sustain long-term success
Select Oil & Gas Transactions

<table>
<thead>
<tr>
<th>Announced Date</th>
<th>Closed Date</th>
<th>Target</th>
<th>Buyer/Investors</th>
<th>Size ($mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr-08-2014</td>
<td>Apr-08-2014</td>
<td>Perfomix, Inc.</td>
<td>Baker Hughes Incorporated (NYSE:BHI)</td>
<td>-</td>
</tr>
<tr>
<td>Apr-03-2014</td>
<td>Apr-03-2014</td>
<td>CTE Industries Ltd.</td>
<td>Antelope Oil Tool &amp; Manufacturing Co., LLC</td>
<td>-</td>
</tr>
<tr>
<td>Mar-24-2014</td>
<td></td>
<td>Weatherford International Ltd., Pipeline and Specialty Services Business</td>
<td>Baker Hughes Incorporated (NYSE:BHI)</td>
<td>241.0</td>
</tr>
<tr>
<td>Mar-20-2014</td>
<td></td>
<td>Ironhand Drilling Inc.</td>
<td>CWC Well Services Corp. (TSXV:CWC)</td>
<td>94.3</td>
</tr>
<tr>
<td>Mar-20-2014</td>
<td></td>
<td>Technisys, Inc. and FMC Technologies Energy Holdings Ltd</td>
<td>Levine Leichtman Capital Partners</td>
<td>-</td>
</tr>
<tr>
<td>Mar-13-2014</td>
<td></td>
<td>SES Holdings Limited</td>
<td>Schlumberger Limited (NYSE:SLB)</td>
<td>-</td>
</tr>
</tbody>
</table>

Transaction Overview:

March and April witnessed moderate activity in the M&A market for Oil & Gas Equipment and Services. A transaction of interest involved Calumet Lubricants’ $234.0 million acquisition of Tulsa, OK based Anchor Drilling Fluids, a leading independent provider of drilling fluid solutions, completion fluids and production chemicals with more than 30 manufacturing, mixing, storage and distribution facilities in 13 states.

“With the acquisition of Anchor, Calumet will become a leading independent producer and marketer of drilling fluid solutions in the United States,’ stated Jennifer Straumins, President and COO of Calumet. ‘During the past decade, North America has witnessed a surge in oil and gas production, supported by the application of advanced drilling techniques in unconventional resource plays. Anchor’s market leading position as an established independent producer of drilling fluids, coupled with its deep base of established customers and expansive distribution network, position it as a key beneficiary of the trend toward increased exploration and production spending.’

Sources: Capital IQ & PR Newswire
The natural gas spot price was $4.74 per MMBtu at the Henry Hub on April 22, decreasing $0.12 from the average price a month prior. Prices in April have leveled off after severe weather in February catalyzed a steep price increase. Specifically, February produced the highest gas prices since early 2010. As seen above, the severe weather reduced supply, buoying futures throughout 2014.

Future contracts for the Henry Hub project that prices will be sustained above the average of $3.65 per MMBtu in 2013 – at an expected average of $4.82 per MMBtu in 2014.

Sources: Capital IQ
The West Texas Intermediate crude spot price closed at $100.37 per barrel on April 22. Prices have remained above $100 per barrel even though recent EIA data shows domestic crude oil supplies at an all-time high. Supplies now stand above the high set in May 2013, according to EIA data going back to August 1982.

Also of interest, Gulf Coast supplies rose to 209.6 million barrels, a new high for the region. Gulf Coast supplies have climbed in recent months since a pipeline opened in January connecting a storage hub in Cushing, OK, with the Gulf Coast.

WTI prices averaged a profitable $97.45 per barrel in 2013. Further, 2014 is anticipated to continue supporting a strong drilling environment with an average futures price of $100.20 per barrel.

Sources: Capital IQ, EIA & The Wall Street Journal
Through April 25, U.S. onshore rig counts experienced a noteworthy 56 rig count increase from March 2014 and an 101 count increase from February 2013, bringing the current rig count to 1,793. The most notable increase derives from the second largest oil reserve in the world, the Permian basin. The basin’s rig count increased by 28 rigs in the past month and 56 rigs from two months prior. This has major implications for OFS companies – as other major basins are beginning to mature, strong upside for growth remains in the Permian as the basin continues to evolve and attract more attention.

Sources: Baker Hughes
As of April 25, total rig counts observed a 52 count increase from a month prior, bringing the total to 1861. Since March 17, rig counts increased in the Permian (+28), Granite Wash (+12), Marcellus (+9), Mississippian (+4), Bakken (+3), Haynesville (+3), DJ-Niobrara (+1) and decreased in the Barnett (-2), Eagle Ford (-5), Utica (-6), Woodford (-13).

Rig counts as of April 25, 2014:

"Other" includes remaining basins and offshore and inland water rigs in count

Sources: Baker Hughes
The total Gulf of Mexico (GOM) rig count increased by one as a four count increase in oil directed rigs was countered by a three count decrease in gas directed rigs.

In recent news, BP won the right to compete for U.S. contracts and new leases in the Gulf of Mexico for the first time since the 2010 oil spill. This incident prompted regulators to bar the company from new government business. Further, the oil giant expects to ramp up oil and gas production at four of its platforms in the deepwater gulf during 2014.

Sources: Baker Hughes & Bloomberg
From March 17 to April 25, oil directed rigs saw a 73 rig increase while gas rigs observed a 21 rig count decrease. This significant increase is a positive sign for oilfield services providers, especially in basins with the largest gains, including the Permian (+26 oil directed), Granite Wash (+11 oil directed), and the Mississippian (+6 oil directed).

Specifically, several E&P operators have boosted their horizontal drilling program in the Permian, including Concho Resources and Pioneer Natural Resources. Baker Hughes CEO, Martin Craighead, said that they expect 2014 rig count to rise 10% in the Permian, one of the key reasons [the basin] continues to be the “key to their operations.”

Sources: Baker Hughes & Bloomberg
US Oil production continues to escalate into historic levels (trend line shown in gold). Specifically, March brought production levels of 8.16 mm bbl/day, and April's production is expected to increase to 8.25 mm bbl/day. Furthermore, EIA forecasts crude oil production to reach 8.74 mm bbl/day by the end of 2014.

Natural gas (charted in gray) production for April is forecasted at 68.61 bn cubit ft/day, an expected increase from the March levels of 68.33 bn cubit ft/day. Natural gas production has increased over the past 12 months, and the EIA expects production to hover near current levels during 2014, with an average of 68.45 bn cubit ft/day in 2014.

Sources: EIA
Securities-related services, including M&A advisory for transactions involving stock or debt are offered through M&A Securities Group, Inc., Member FINRA & SIPC. Founders Investment Banking & M&A Securities Group are not affiliated entities. Principals of Founders are registered investment banking agents with M&A Securities Group & shall perform such services on behalf of M&A Securities Group.