

2009 Drilling Forecast:

And its effect on regional drilling and completion costs
in the Lower-48.

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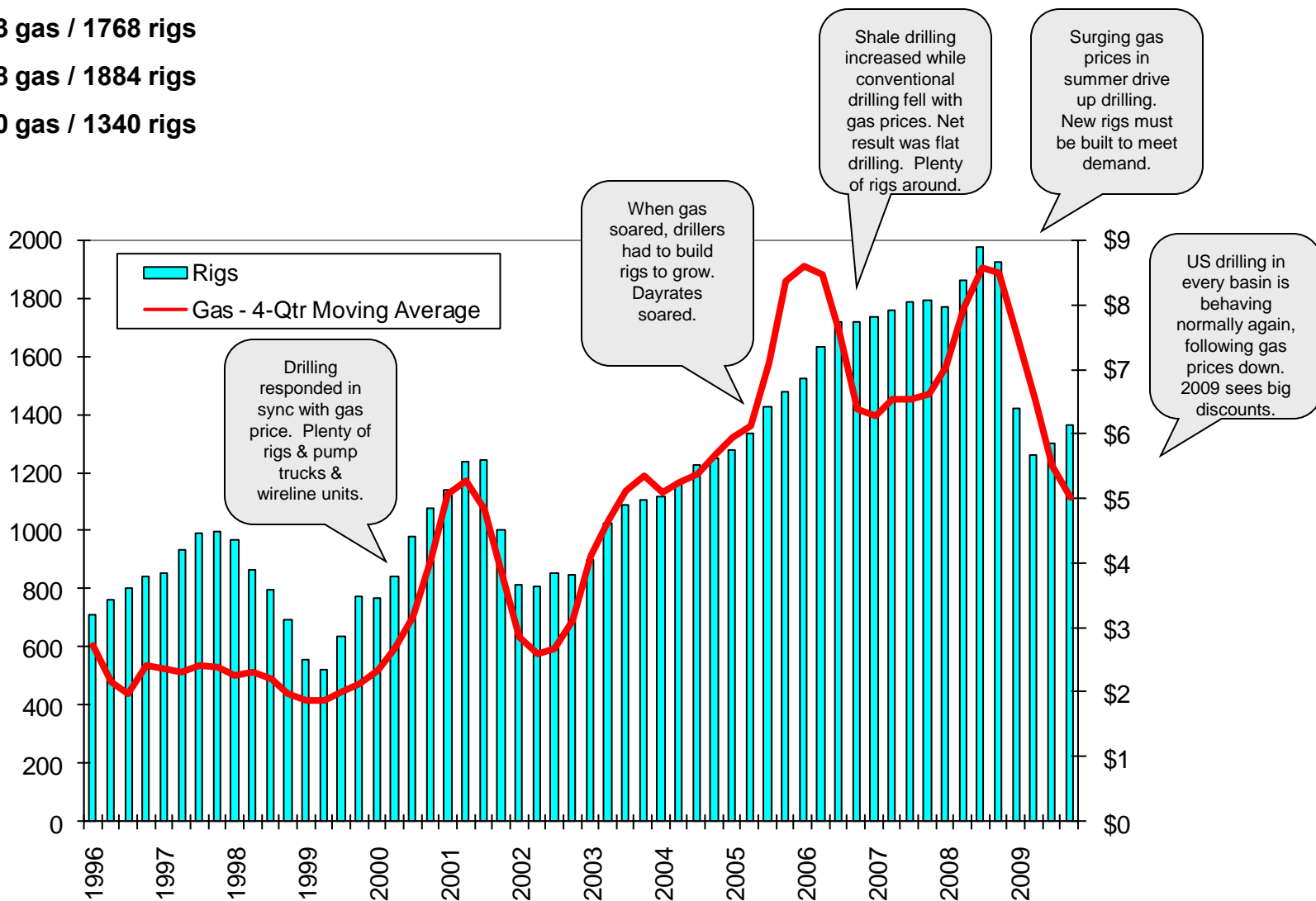
US Drilling Forecast...Downward Revision January 2009

SUMMARY:

2007...\$6.63 gas / 1768 rigs

2008...\$8.48 gas / 1884 rigs

2009...\$5.00 gas / 1340 rigs



US Drilling Forecast

US Active Rig Count (Smith)



High oil/gas prices meant more drilling demand.

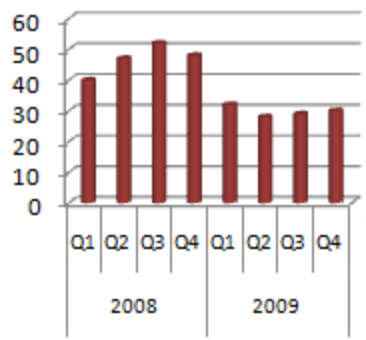
Very typical, rapid reduction in rig activity. Always happens in 2-3 quarters.

When viewed monthly, rig activity may fall 1000 rigs by summer 2009.

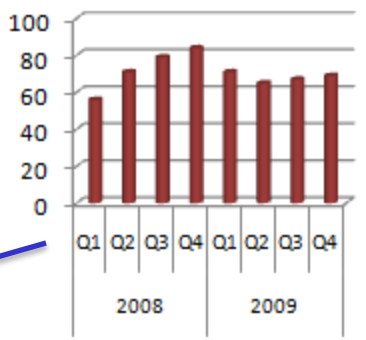
We use 2001-2002 as our most likely prior cycle event.

US Drilling Forecast – New Basins

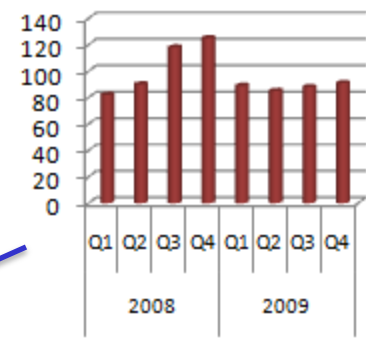
Uinta



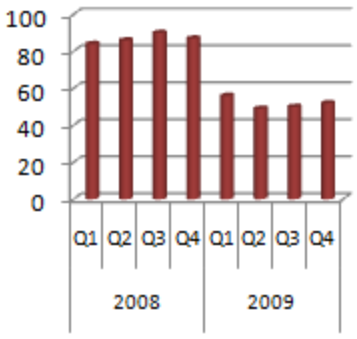
Williston



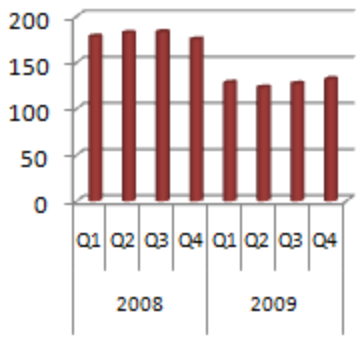
No. Louisiana



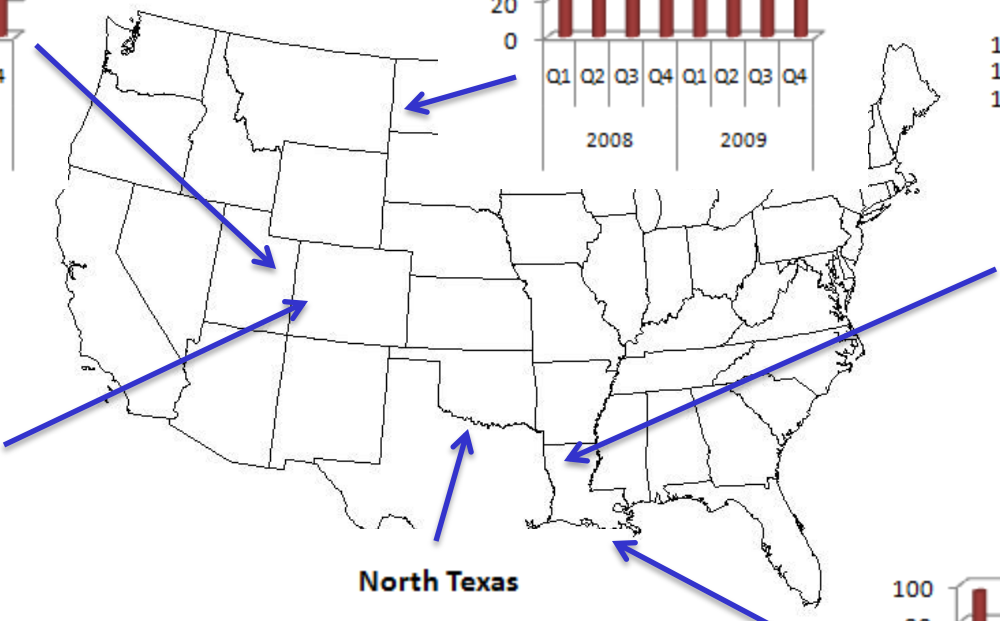
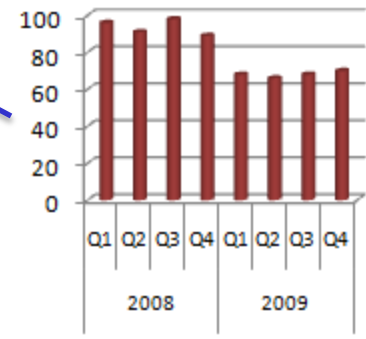
West Colorado



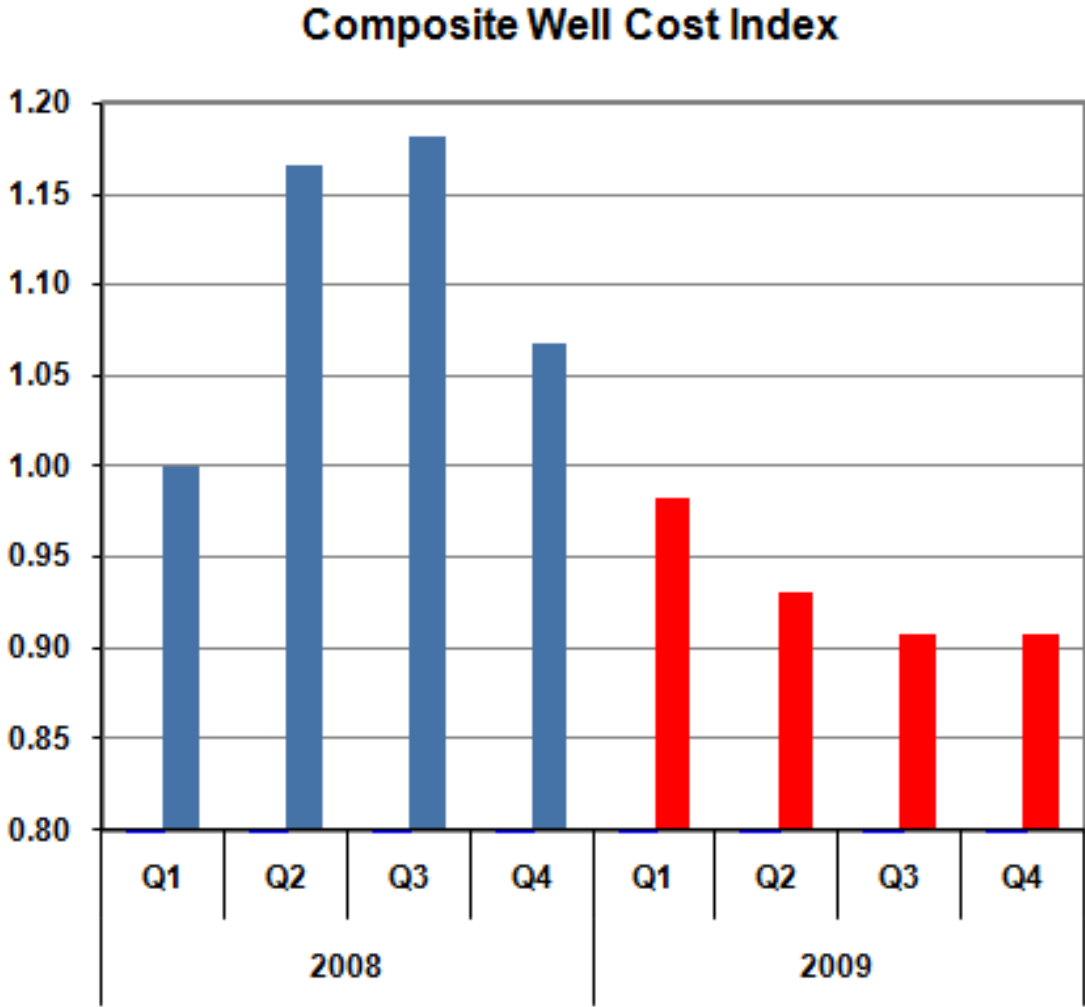
North Texas



So La/GOM

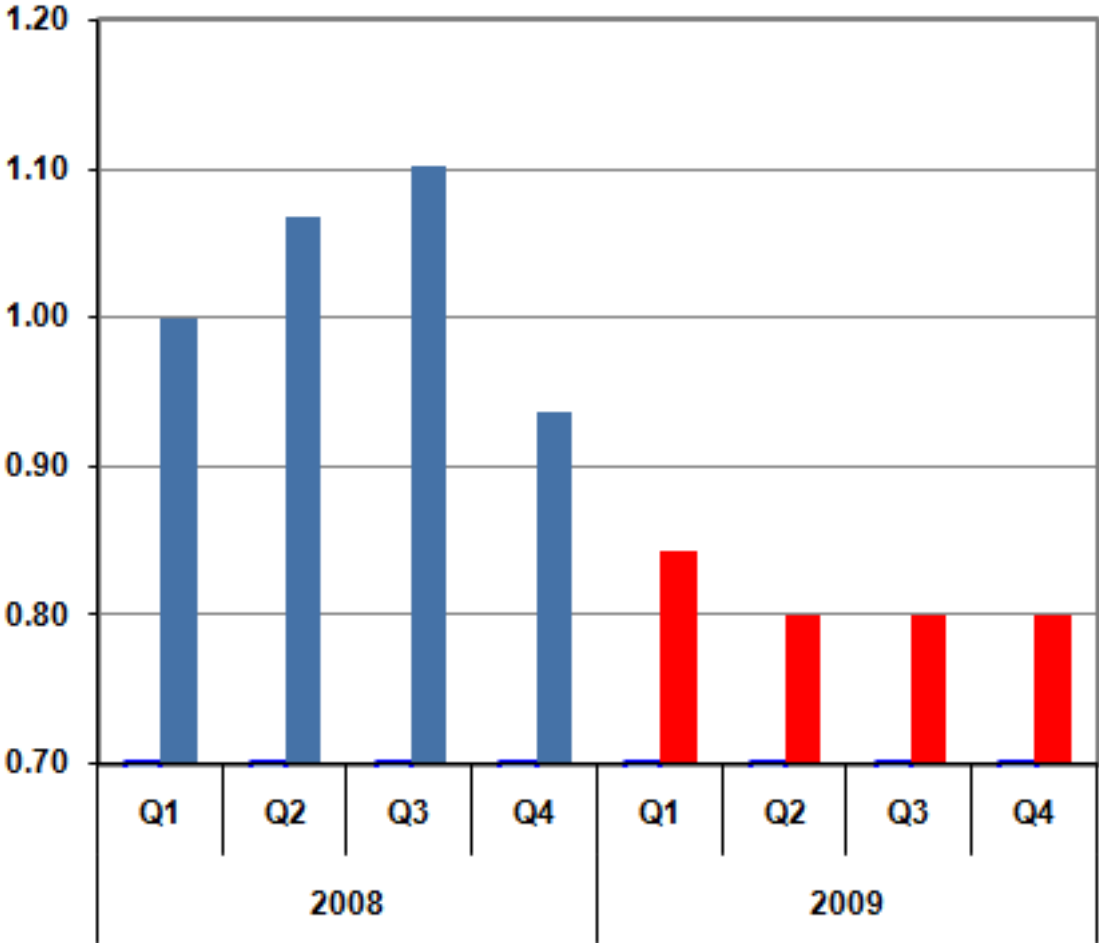


US Drilling & Completion Costs



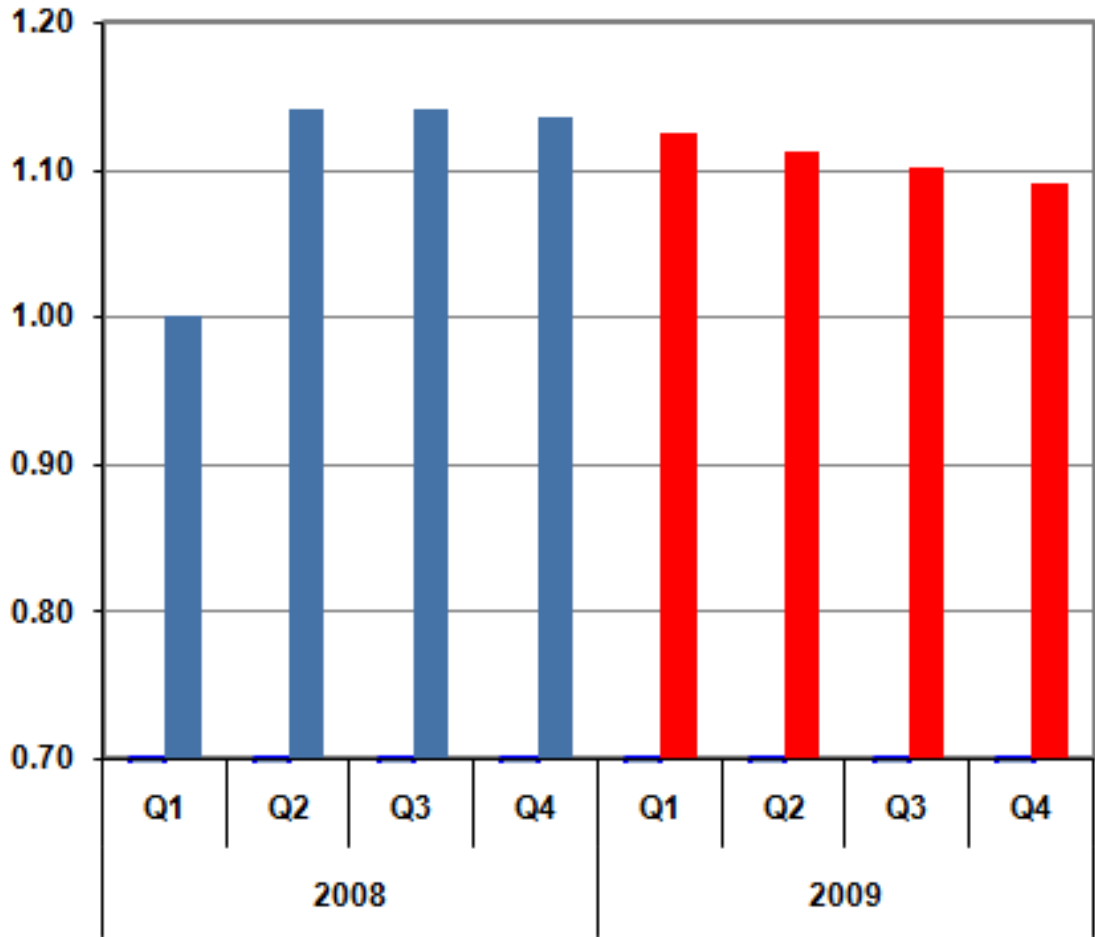
US Drilling & Completion Costs

Rig Cost Index



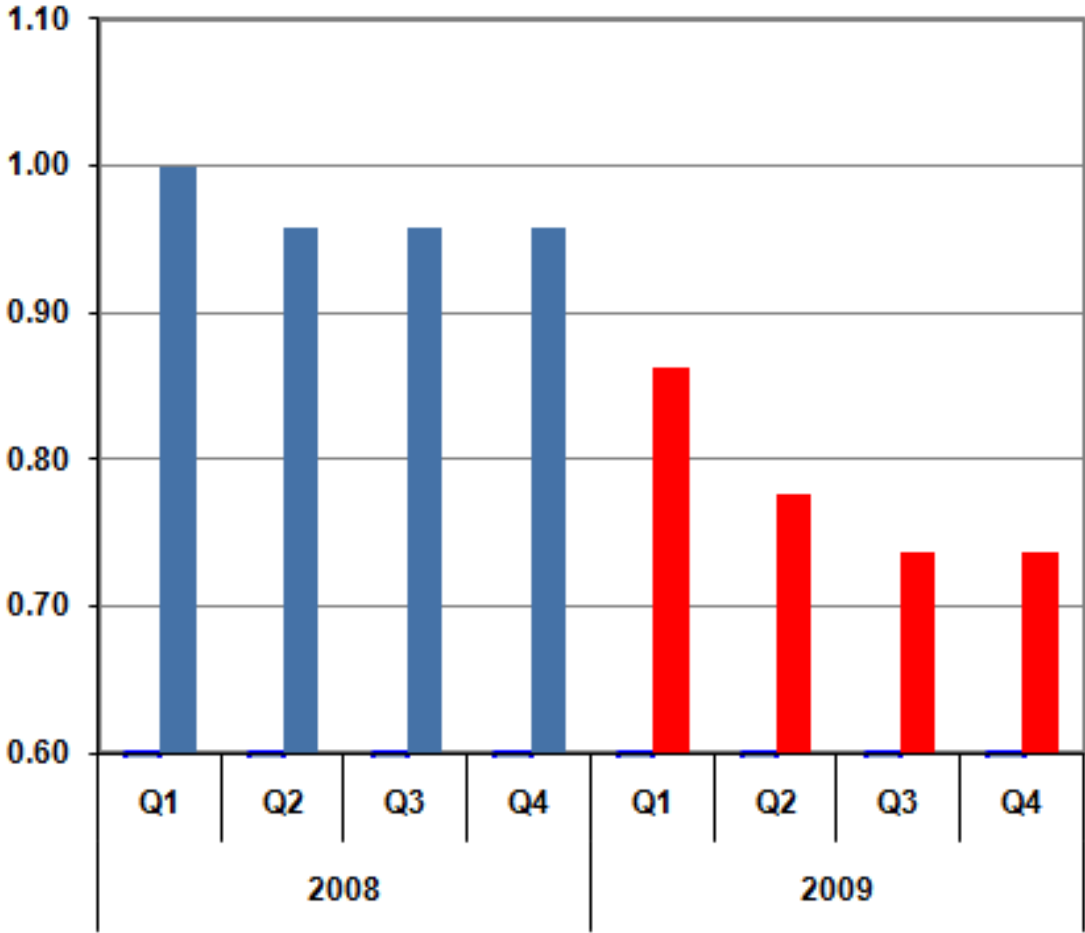
US Drilling & Completion Costs

Technical Services Cost Index

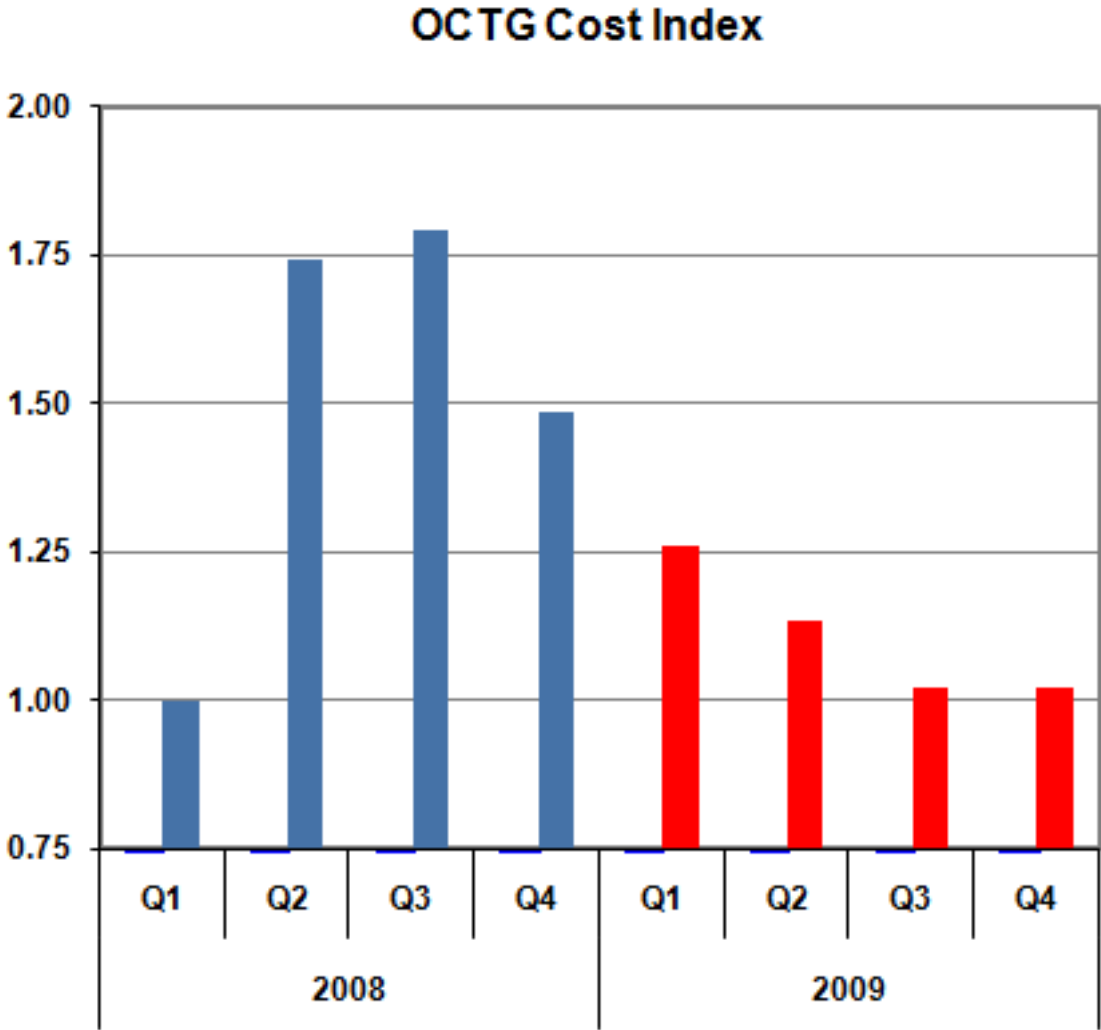


US Drilling & Completion Costs

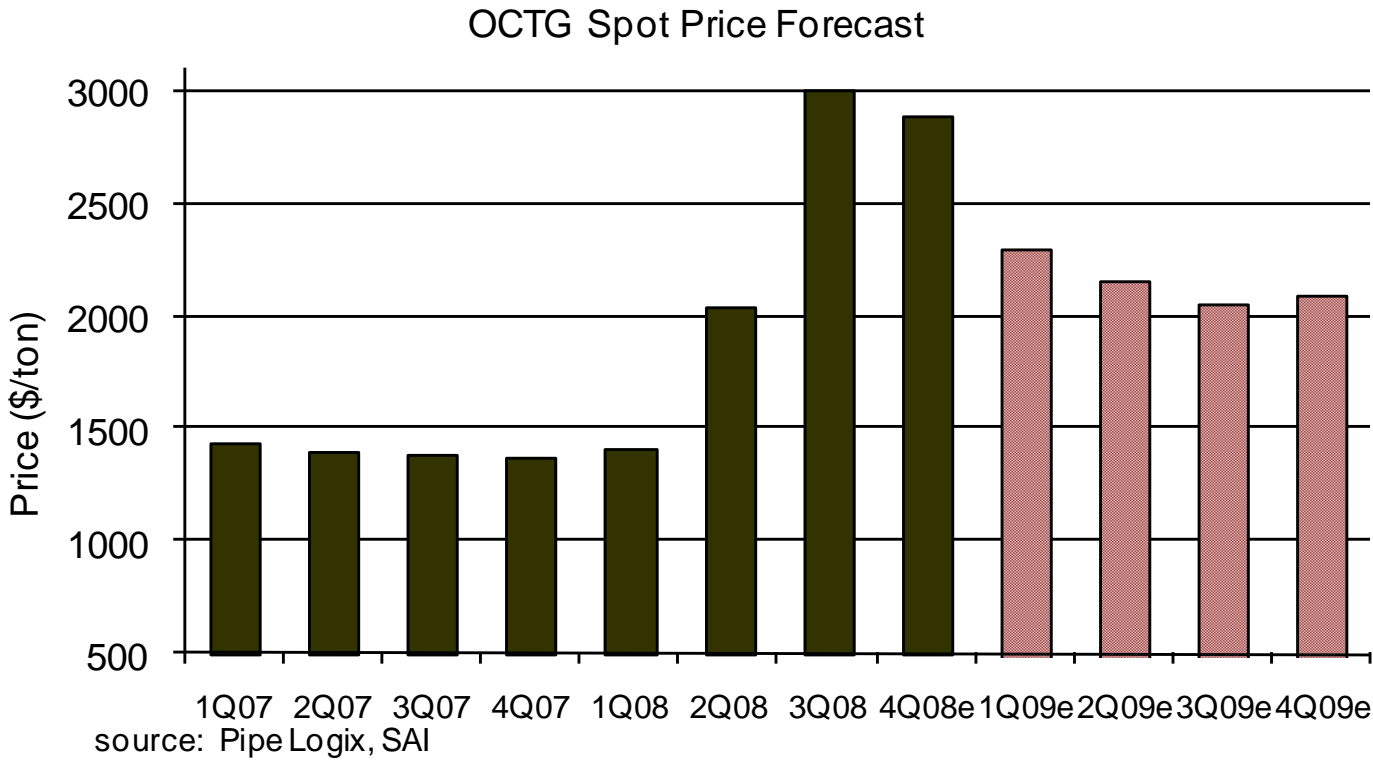
Stimulation Services Cost Index



US Drilling & Completion Costs



OCTG Prices



Land Contract Drilling Quarterly Forecast

2006 - 2009

The land contract drilling market segment is driven by the following ranked factors:

1. US land drilling activity
2. Canadian land drilling activity
3. All other international regions' drilling activity

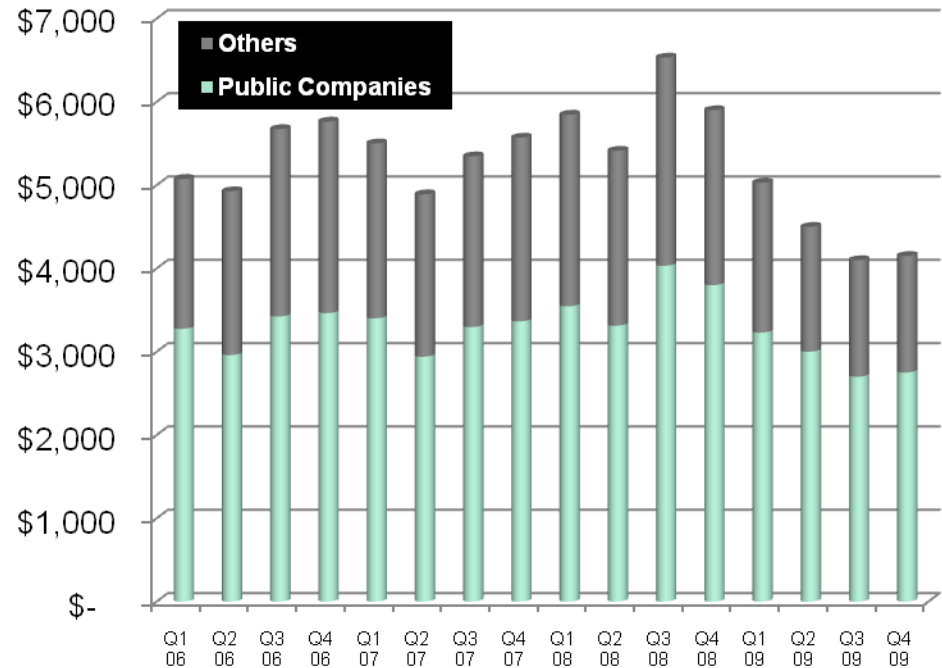
US and Canadian land drilling represent about 65-70% of this market. US drilling is falling now and Canada's drilling will fall after this winter season. International will fall less quickly, but throughout 2009.

Land contract drilling is a function of two things: Number of rigs under contract multiplied by day-rates. Currently only the rig activity is falling, but we expect significant reductions in day-rates throughout 2009 as contractors compete for a diminishing number of jobs.

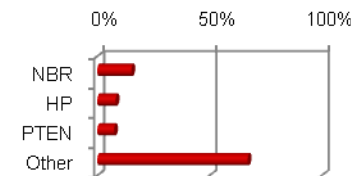
The chart to the right shows our expectation for the total quarterly market through 2009, which will result in a 2009 land contract drilling market of \$17.8 billion, down 25% from the prior year.

Q4 2009 will be down 36% from the Q3 2008 peak.

Quarterly Revenues (millions)



2006	2007	2008	2009
\$21.4 B	\$21.3 B	\$23.7 B	\$17.8 B



Directional Drilling Quarterly Forecast

2006 - 2009

The directional drilling market segment is driven by the following ranked factors:

1. Offshore drilling activity
2. North American land drilling activity
3. Trend toward drilling wells more directionally

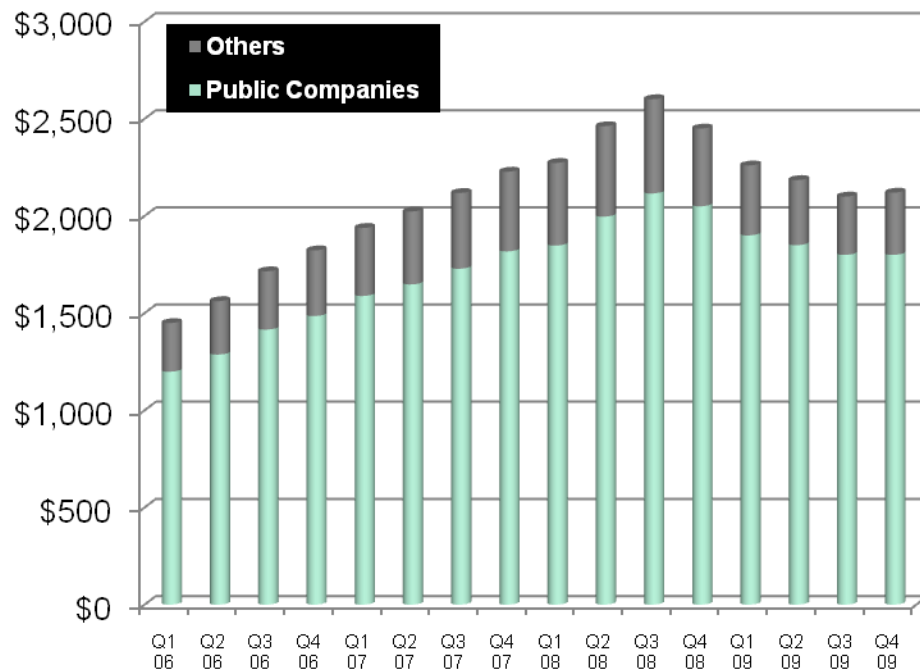
Offshore drilling is stable to growing still, but all land-based drilling is now at risk. This has a greater negative effect on the smaller, regional directional drillers ("Others") than on the majors. As a result, the independent directional companies (which tend to be privately held) will feel the downturn much more acutely than the major service firms.

The chart to the right shows our expectation for the total quarterly market through 2009, which will result in a 2009 directional drilling market of \$8.7 billion, down 11% from the prior year.

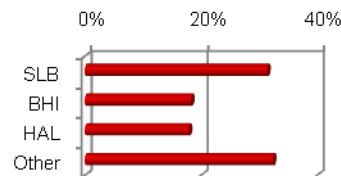
Q4 2009 will be down 18% from the Q3 2008 peak.

During the last down cycle in the US (mid 2001 through mid 2003), directional drilling day rates fell 10-20%, although many customers said that day rates did not fall at all due to increasing demand for directional drilling throughout that period.

Quarterly Revenues (millions)



2006	2007	2008	2009
\$6.6 B	\$8.3 B	\$9.8 B	\$8.7 B



Drill Bits Quarterly Forecast

2006 - 2009

The drill bit market segment is driven by the following ranked factors:

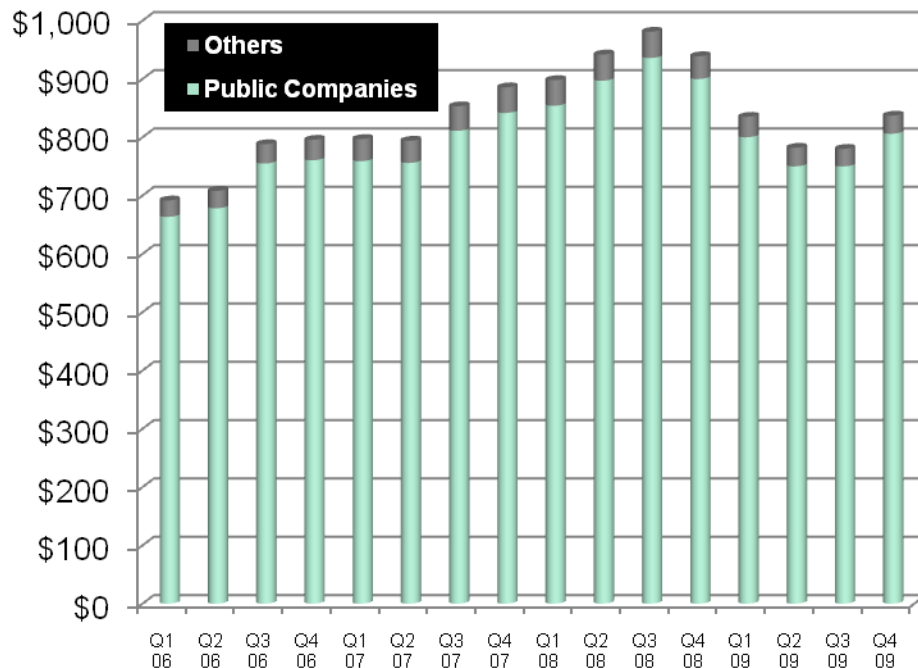
1. US and Canadian land drilling activity
2. International drilling activity
3. The move toward PDC bits

This market is quite balanced between international and North America. Even though international consumes one-third the number of bits consumed in North America, bit sizes and therefore prices are significantly higher.

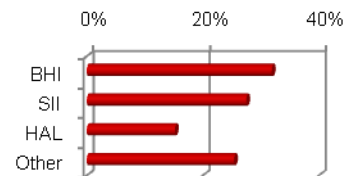
The chart to the right shows our expectation for the total quarterly market through 2009, which will result in a 2009 drill bit market of \$3.2 billion, down 14% from the prior year.

Q4 2009 will be down 15% from the Q3 2008 peak.

Quarterly Revenues (millions)



2006	2007	2008	2009
\$3.0 B	\$3.3 B	\$3.8 B	\$3.2 B



Pressure Pumping Quarterly Forecast

2006 - 2009

The pressure pumping market segment is driven by the following ranked factors:

1. US land drilling activity
2. Canadian land drilling activity
3. North Sea & West Africa offshore completions
4. All other international regions' drilling activity

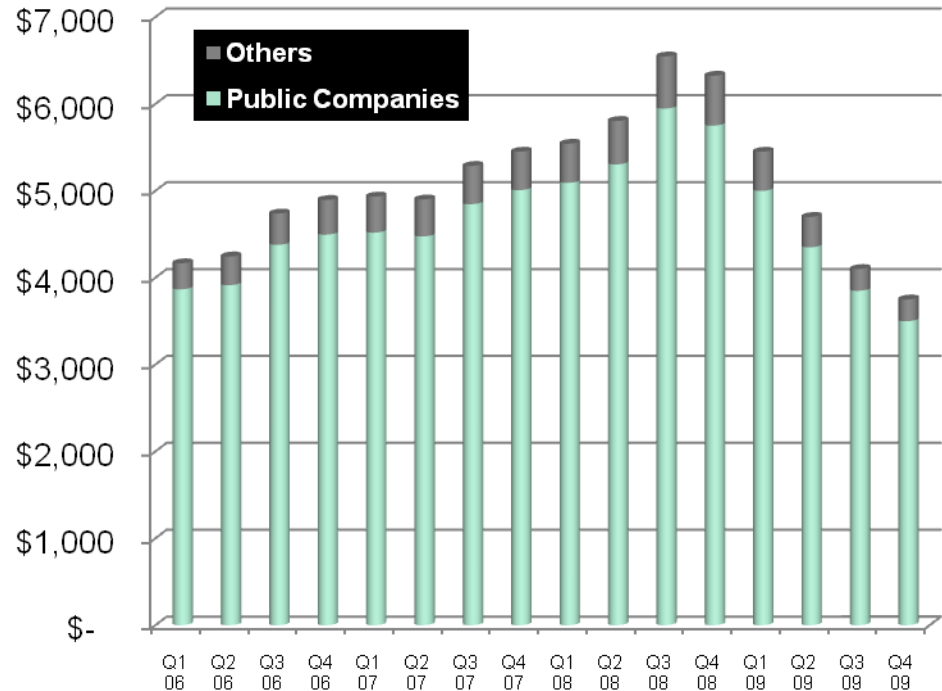
US and Canadian land drilling are far and away the principal drivers of this market. US drilling is falling quickly and Canada's drilling will fall after the winter season finishes in March.

Pressure pumping is primarily a completion activity and, as a result, tends to lag drilling trends by one or two quarters. As a result, we believe that Q4 2008 sales will be the second highest in the market's history, followed by Q1 2009 which should rank in the top 3-4 best quarters ever. But the downturn is clearly underway already.

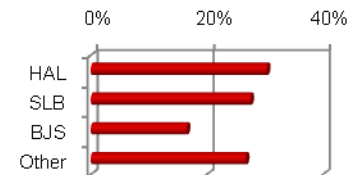
The chart to the right shows our expectation for the total quarterly market through 2009, which will result in a total 2009 pressure pumping market of \$18.0 billion, down 26% from the prior year.

Q4 2009 will be down 43% from the Q3 2008 peak.

Quarterly Revenues (millions)



2006	2007	2008	2009
\$18.0 B	\$20.6 B	\$24.2 B	\$18.0 B



Artificial Lift Quarterly Forecast

2006 - 2009

The artificial lift market segment is driven by the following ranked factors:

1. Global well population
2. New well completions
3. Aging well population

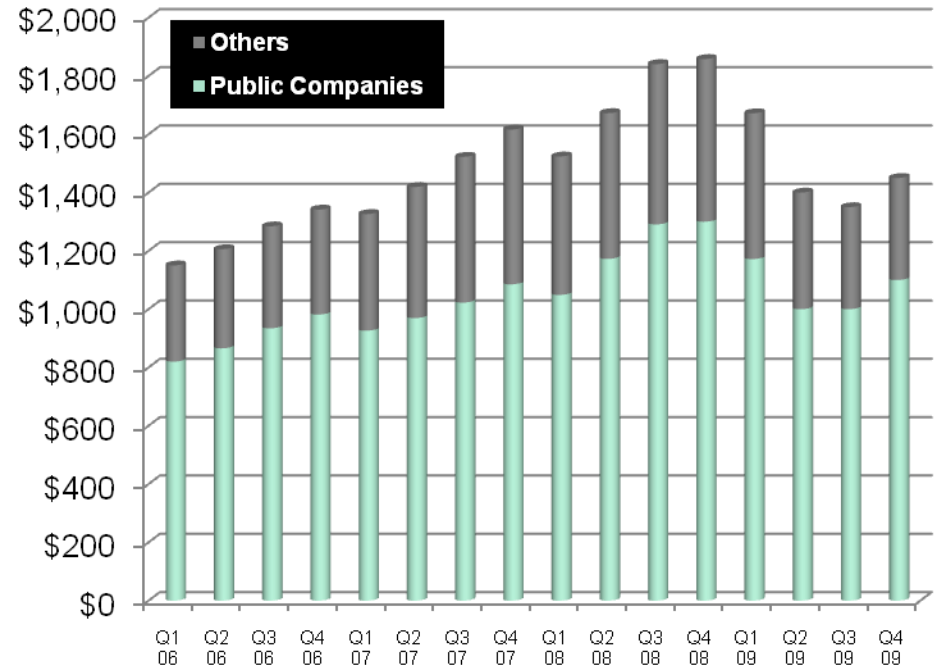
Q4 of each year tends to be strong and international shipments shore up sales. At the same time, Q1 sales are always down from Q4, although NoAm sales tend to remain strong.

The chart to the right shows our expectation for the total quarterly market through 2009, which will result in a 2009 artificial lift market of \$5.9 billion, down 15% from the prior year.

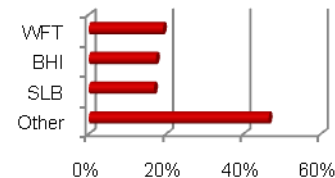
Q4 2009 will be down 21% from the Q4 2008 peak.

Some of this market drop will come from the rapidly declining price of steel, one of the principal inputs in building this equipment.

Quarterly Revenues (millions)



2006	2007	2008	2009
\$5.0 B	\$5.9 B	\$6.9 B	\$5.9 B



Well Servicing Quarterly Forecast

2006 - 2009

The well servicing market segment is driven by the following ranked factors:

1. North American drilling activity
2. North American well population
3. Latin American drilling activity

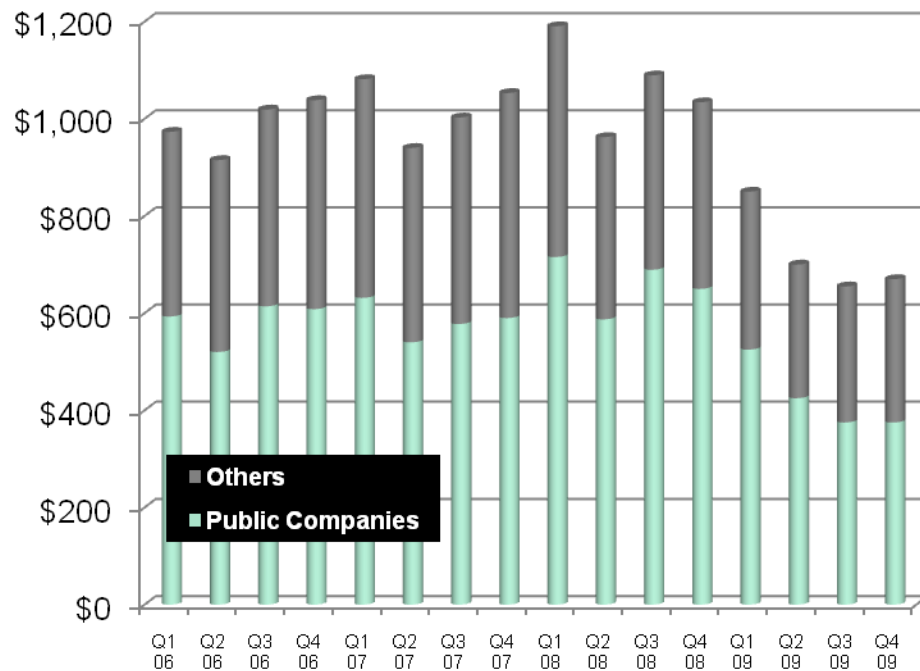
Q1 of each year tends to be strong due to Canada's winter drilling season, while Q2 generally dips as Canadian activity halts, waiting for the seasons to change.

The chart to the right shows our expectation for the total quarterly market through 2009, which will result in a 2009 well servicing market of \$2.9 billion, down 33% from the prior year.

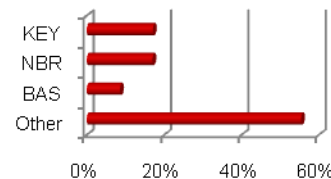
Q4 2009 will be down 44% from the Q1 2008 peak.

The current backlog of well completions in the US could push the market decline out a quarter or two, causing the well servicing market in 2009 to be better than we have predicted.

Quarterly Revenues (millions)



2006	2007	2008	2009
\$3.9 B	\$4.1 B	\$4.3 B	\$2.9 B



Company Revenue Change 2008 – 2009

	NoAm	LaAm	Eur/Afr/CIS	MidEast/Asia	TOTAL	2008-2009
BAS	\$772				\$772	75%
CPX	\$1,262				\$1,262	75%
NR	\$642				\$642	75%
PTEN	\$1,639				\$1,639	75%
GW	\$650	\$10			\$660	75%
KEG	\$1,369	\$114			\$1,483	77%
TTI	\$693	\$25	\$95	\$12	\$825	79%
HP	\$1,315	\$323	\$72		\$1,709	82%
SPN	\$1,096	\$261	\$84	\$82	\$1,523	83%
LUFK	\$403	\$85	\$82	\$40	\$610	85%
CFW	\$282		\$154	\$30	\$466	87%
NBR	\$2,622	\$594	\$574	\$560	\$4,350	87%
BJS	\$2,726	\$327	\$950	\$864	\$4,868	88%
NOV	\$6,905	\$1,026	\$2,481	\$2,419	\$12,831	89%
CAM	\$2,357	\$679	\$1,643	\$641	\$5,320	93%
SII	\$4,591	\$1,078	\$2,867	\$2,033	\$10,569	93%
WFT	\$3,611	\$1,234	\$1,303	\$2,751	\$8,899	94%
DO	\$1,350	\$685	\$745	\$646	\$3,425	95%
HAL	\$6,392	\$2,587	\$5,004	\$3,455	\$17,438	96%
NE	\$1,007	\$286	\$1,187	\$926	\$3,406	99%
BHI	\$3,293	\$1,374	\$4,119	\$2,720	\$11,505	100%
FTI	\$976	\$1,186	\$1,197	\$1,118	\$4,478	103%
SLB	\$5,604	\$5,264	\$10,501	\$7,444	\$28,814	104%
CGY	\$612	\$582	\$1,502	\$732	\$3,428	105%
GLF	\$63	\$60	\$169	\$60	\$352	105%
GLBL	\$182	\$262	\$278	\$444	\$1,165	106%
RIG	\$1,901	\$1,507	\$5,101	\$4,972	\$13,481	106%
TDW	\$144	\$262	\$553	\$539	\$1,499	109%
PDE	\$306	\$1,284	\$690	\$350	\$2,629	110%

Oilfield service companies with some exposure outside North America.

International oilfield service companies with heavy focus outside North America.

North American oilfield service companies heavily weighted to land drilling & completion.

Global oilfield service companies providing technical services.

Offshore drilling contractors