

2010 Drilling Forecast:

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

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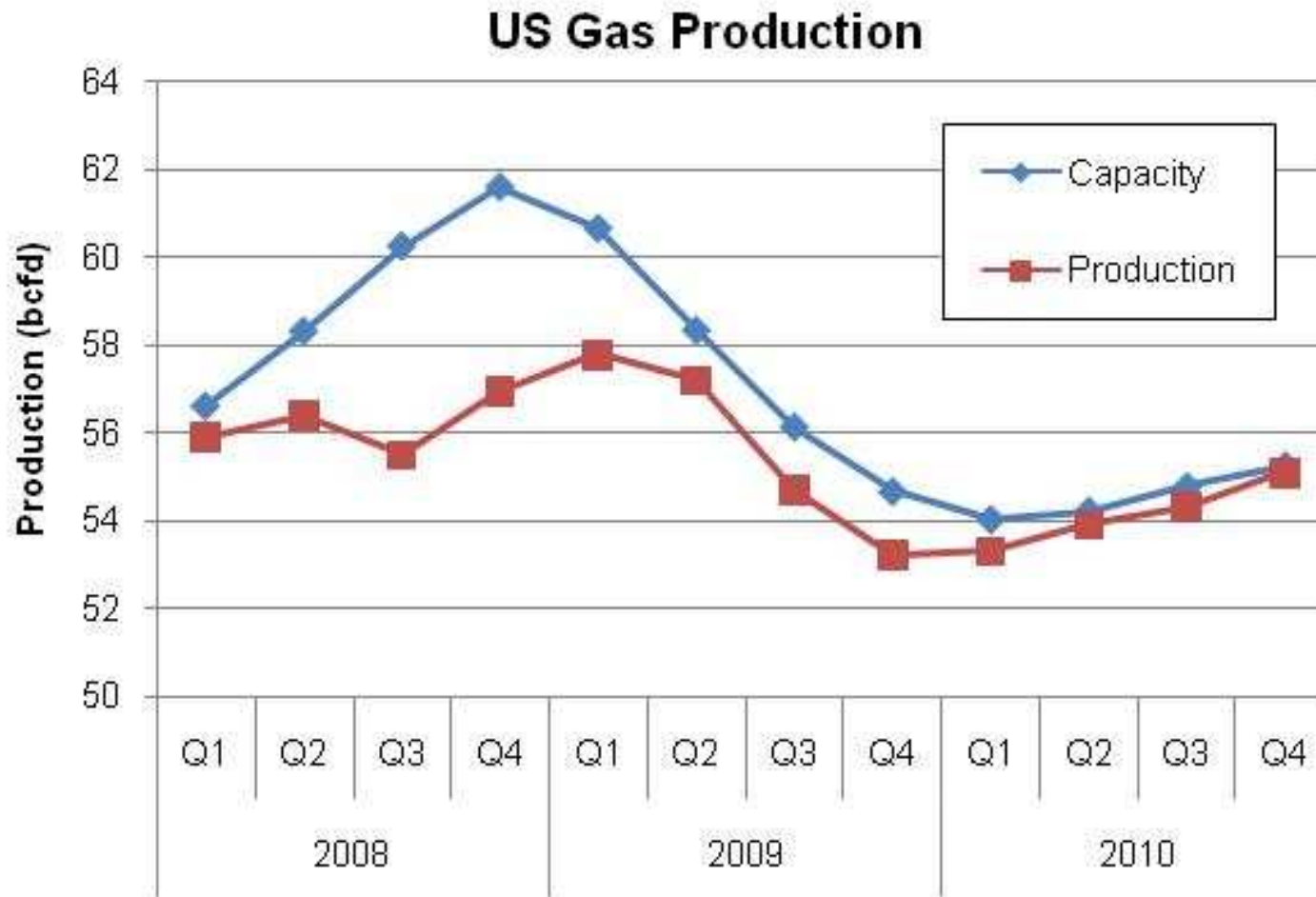
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12 January 2010

The World De-Inventoried in '09

Wal-Mart
Car Lots
Drill Bits
Natural Gas

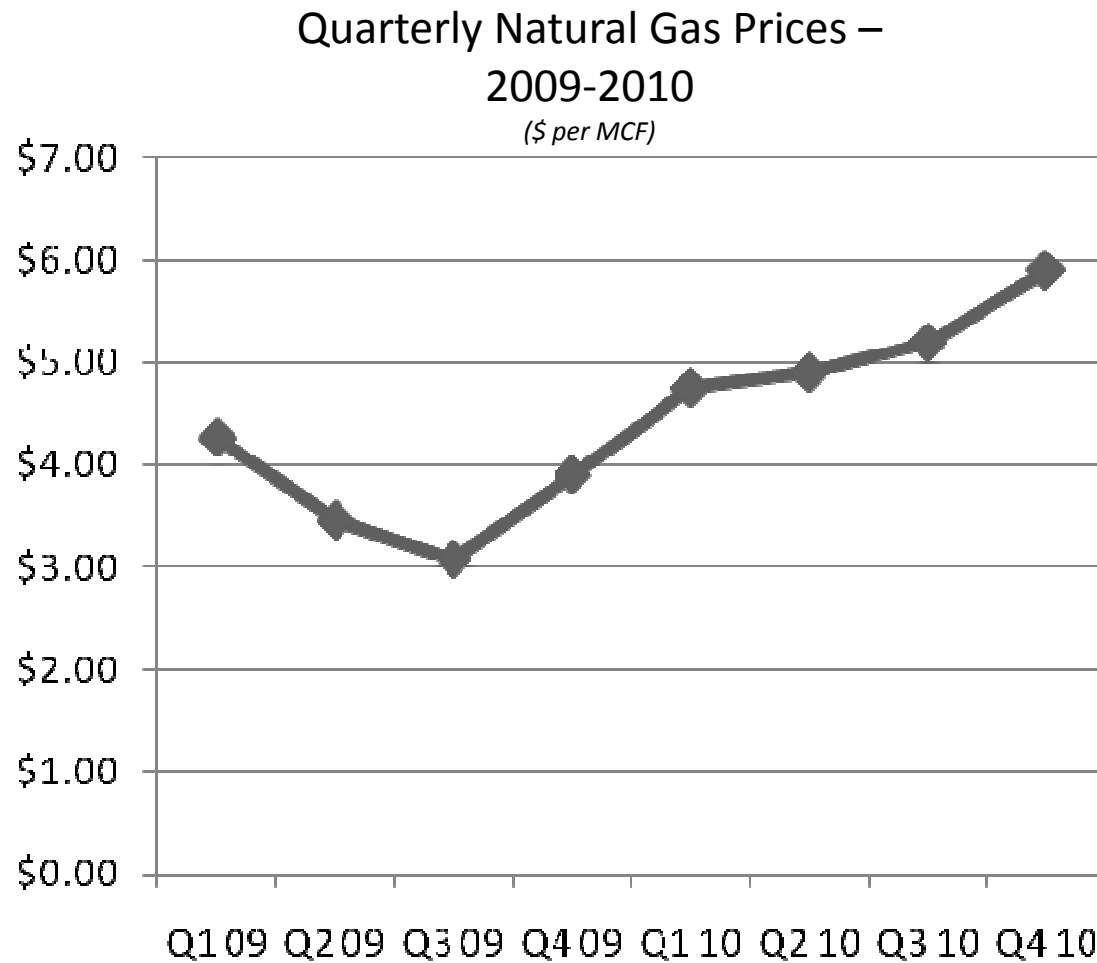
'08 Drilling Created '09 Problem



Drilling Is Tracking Our Bullish Case

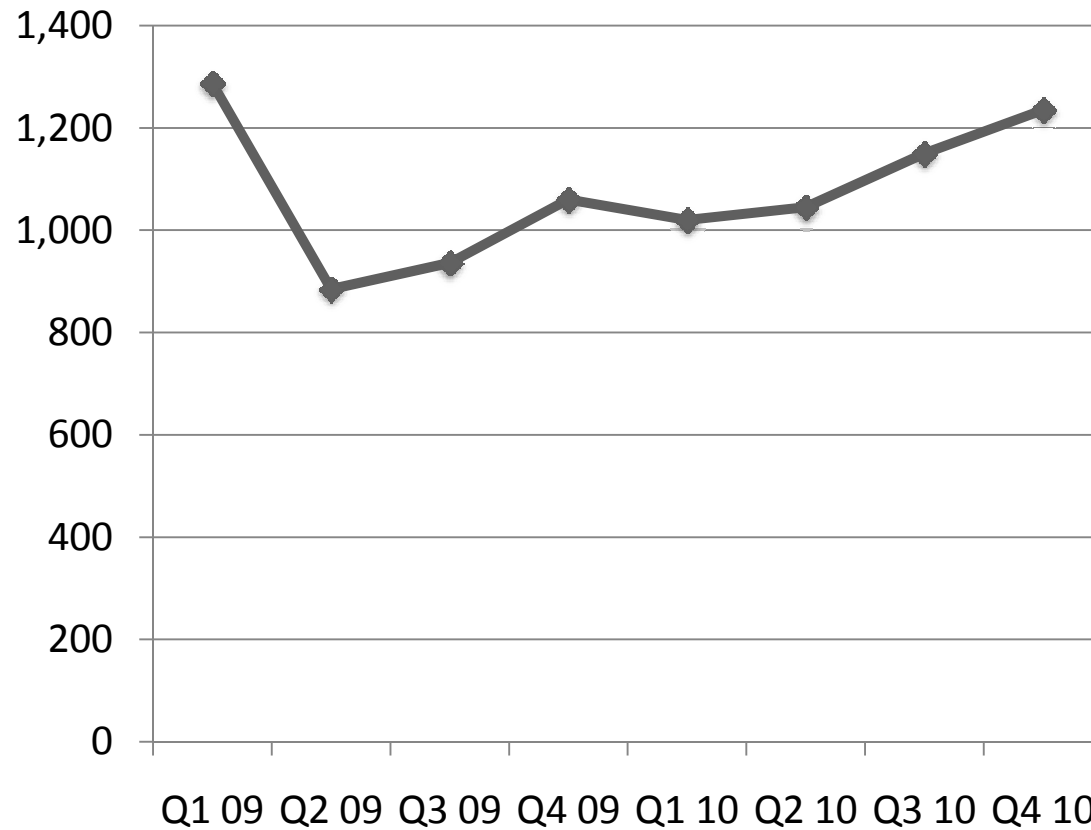
'08-'09 decline was short & sharp
Return to growth is normal to high
Sentiments equal late 2002

Gas Price Outlook Is Solidly Up

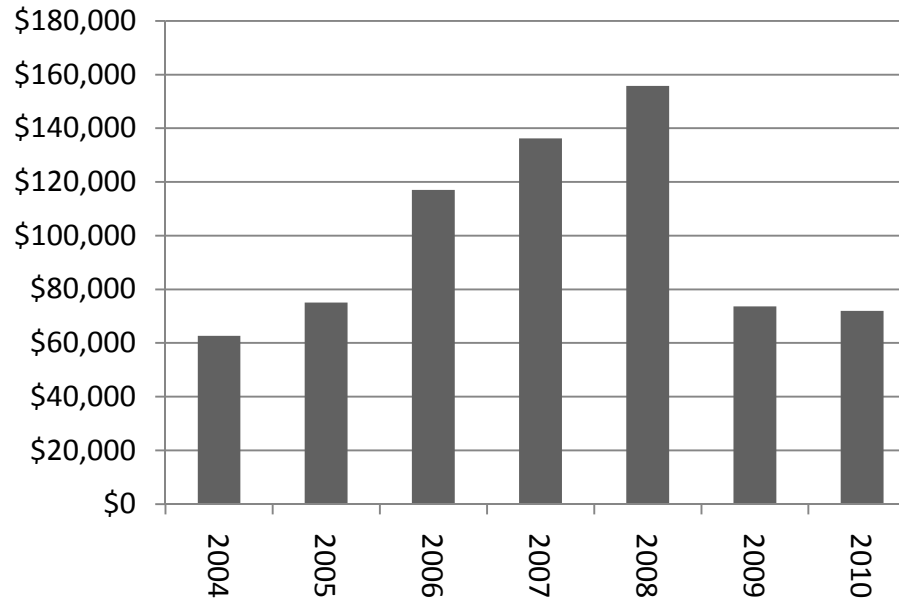


Drilling Outlook Is Solidly Up

US Land Rig Count



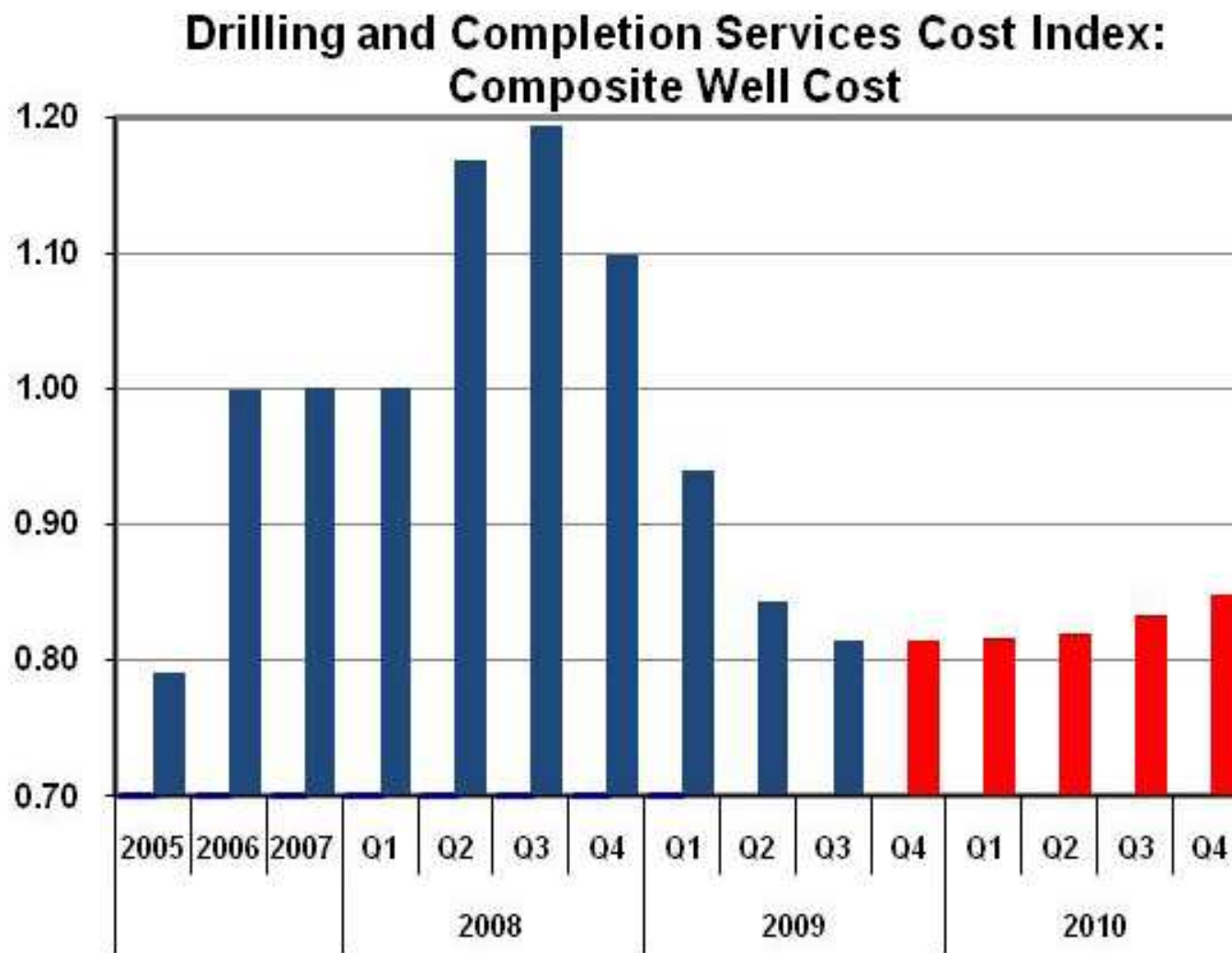
US Drilling & Completion Spending



Millions							
	2004	2005	2006	2007	2008	2009	2010
US	\$62,651	\$75,121	\$117,039	\$136,252	\$155,827	\$73,685	\$71,987
CAN	\$12,094	\$17,615	\$21,076	\$17,695	\$18,619	\$8,066	\$8,593
LaAm	\$13,685	\$15,590	\$18,523	\$23,234	\$28,826	\$29,691	\$27,060
Eur	\$6,663	\$7,616	\$8,423	\$9,042	\$10,018	\$9,931	\$8,837
Africa	\$7,134	\$8,383	\$12,346	\$14,191	\$17,065	\$15,859	\$14,192
MidEast	\$5,948	\$7,467	\$8,842	\$10,463	\$11,941	\$12,061	\$9,918
Asia	\$14,084	\$17,595	\$21,666	\$24,928	\$29,536	\$28,012	\$25,030
Russia	\$4,518	\$4,919	\$6,076	\$6,815	\$7,765	\$6,541	\$5,878
China (off	\$2,300	\$2,900	\$3,544	\$4,358	\$5,046	\$5,222	\$4,904
TOTAL	\$129,077	\$157,206	\$217,534	\$246,977	\$284,643	\$189,067	\$176,399

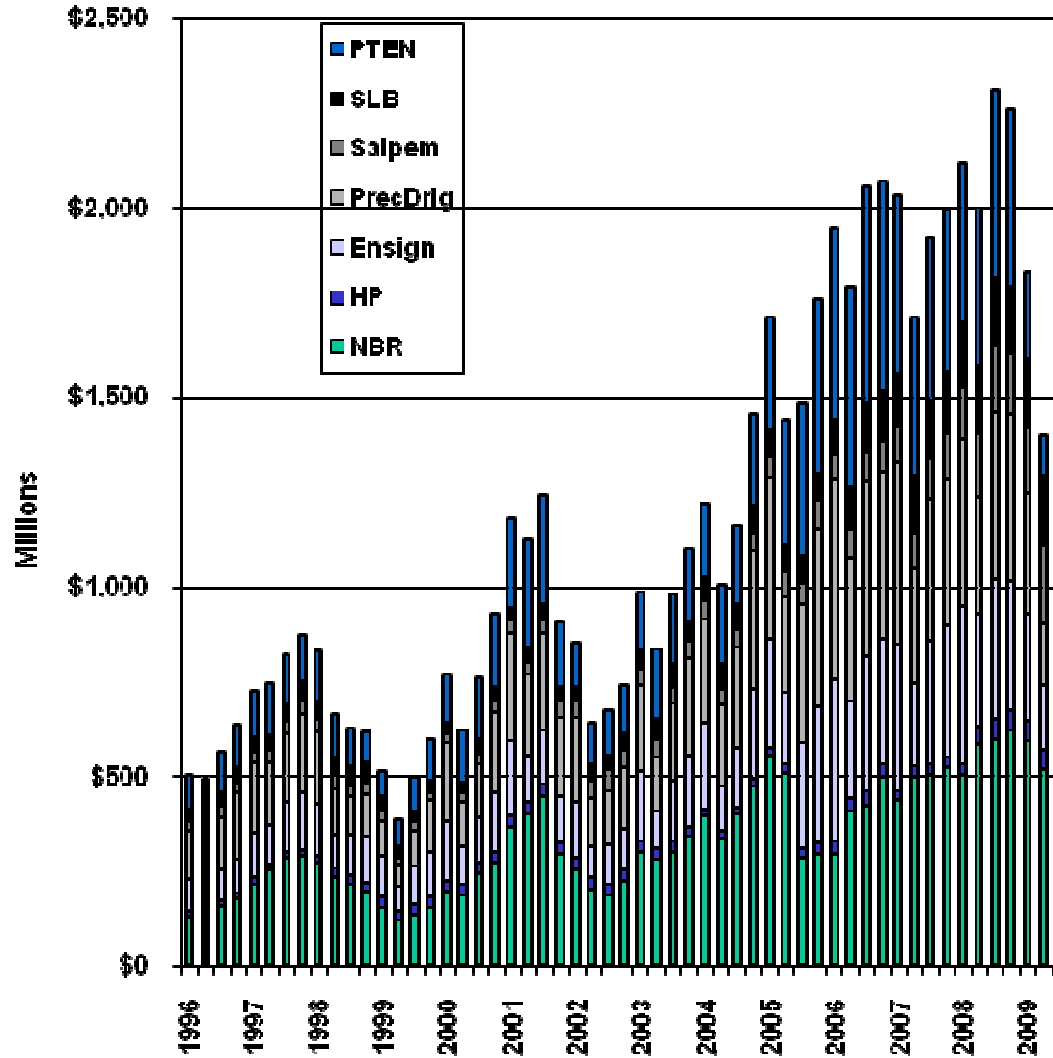
Drilling & Completion Costs

The key costs for new well drilling are rigs, pipe, stimulation, and production equipment; these four elements account for 70% of the total cost of drilling and completing a well.

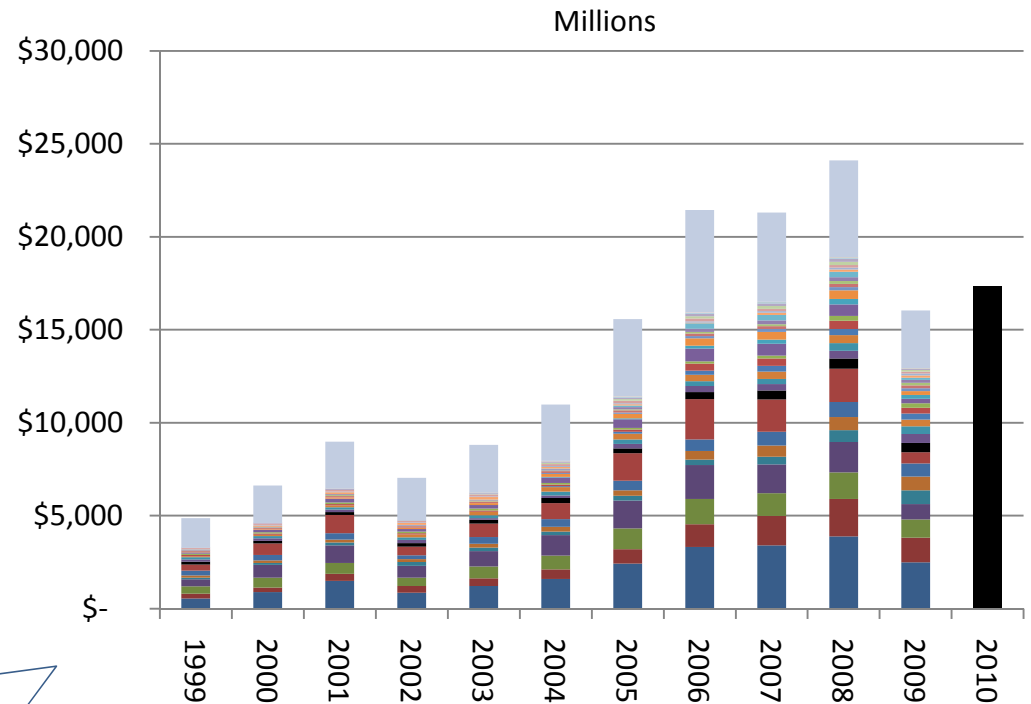
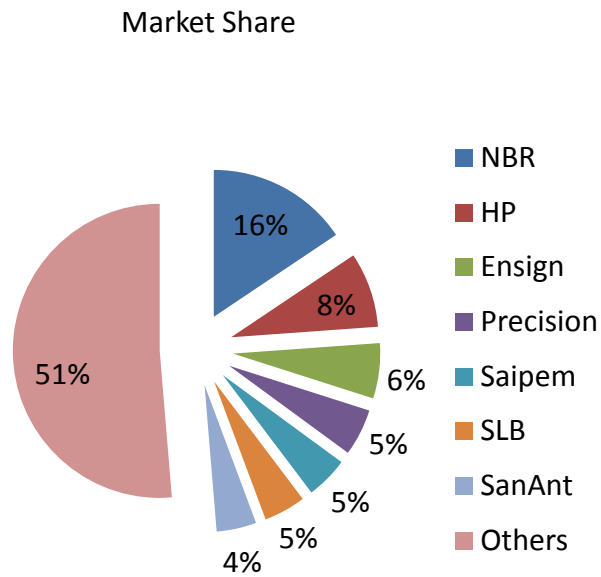


Land Contract Drilling

Quarterly Sales of 7 Land Contract Drillers

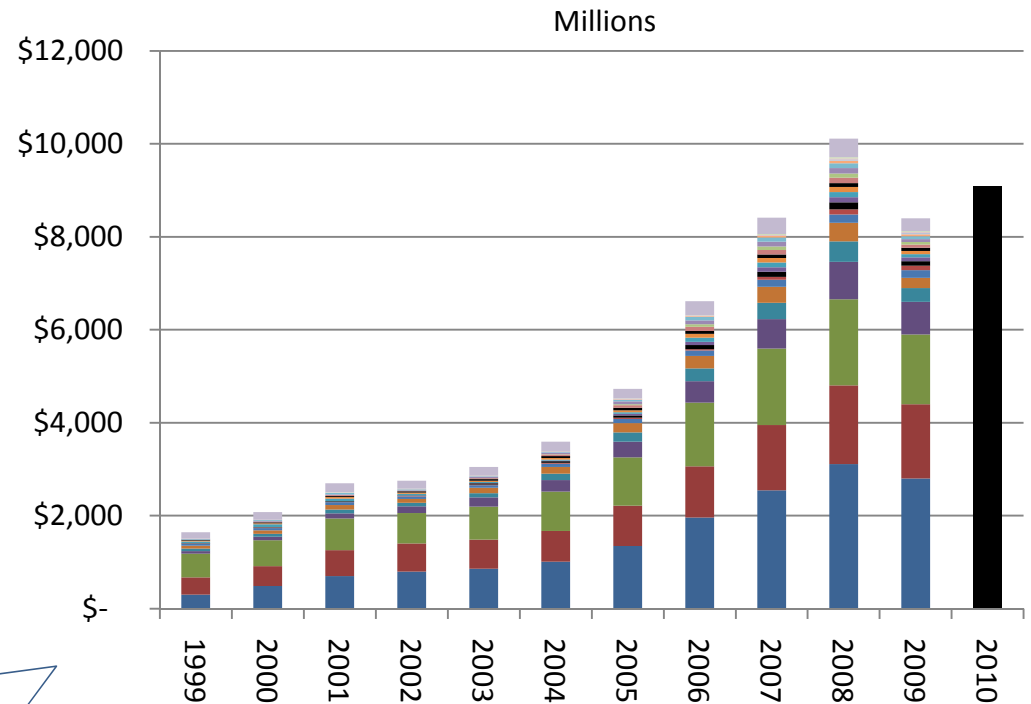
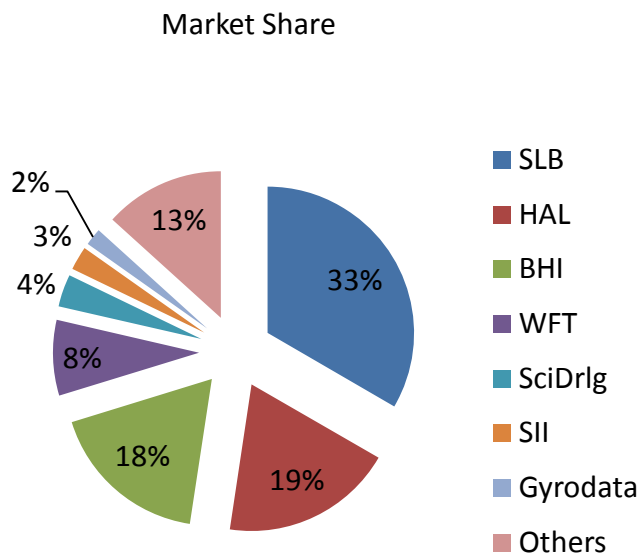


Land Contract Drilling



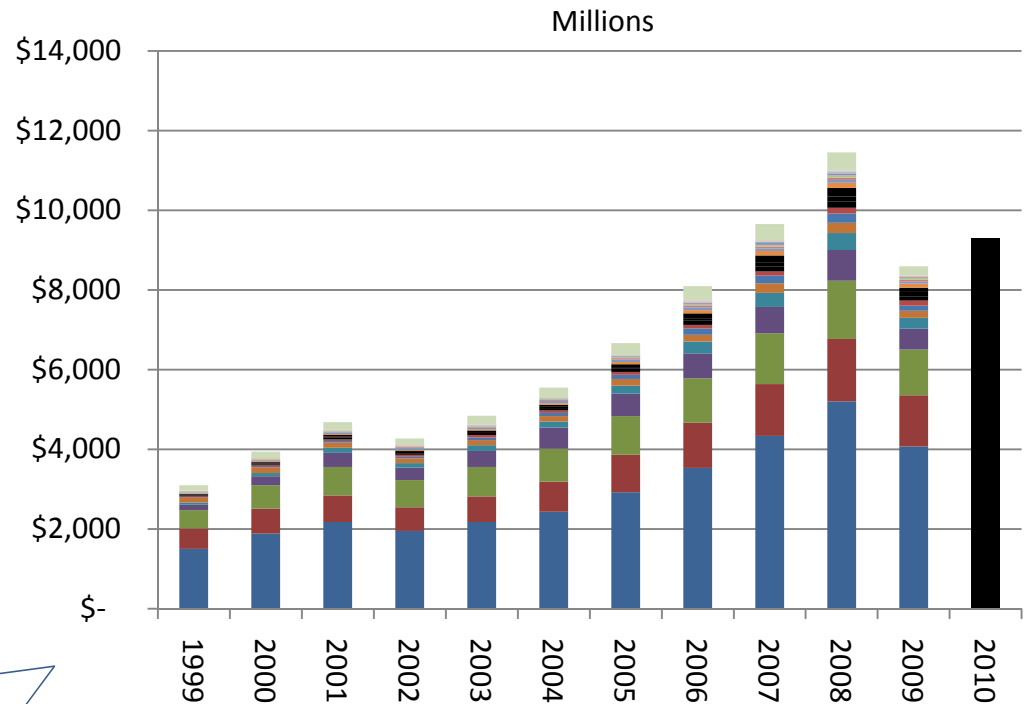
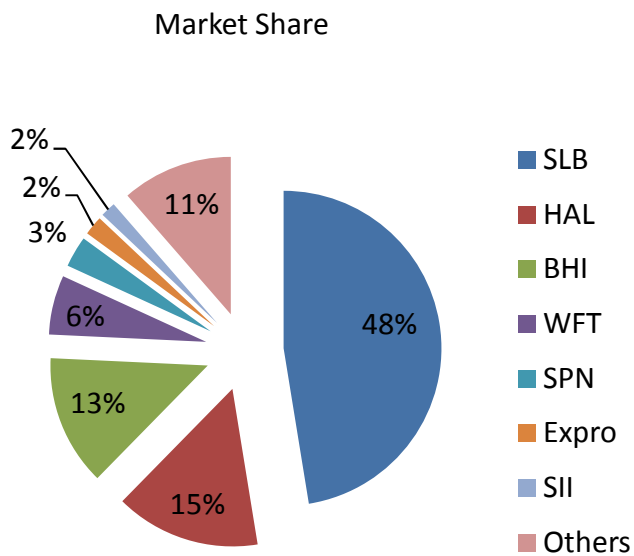
Of the thirty land contract drillers Spears tracks, only four are growing in 2009...and all 4 are primarily non-North America. 2009's rate of decline in the land drilling market exceeds all prior downturns. Even though Spears expects a slight uptick in global drilling in 2010, depressed day-rates will continue to suppress any market growth as measured in dollars.

Directional Drilling Services



The explosion of directionally- and horizontally-drilled wells around the world pushed this market to unimagined heights in 2008. US-oriented unconventional reservoirs were the primary market, but Middle Eastern field development projects saw the most expensively drilled directional holes.

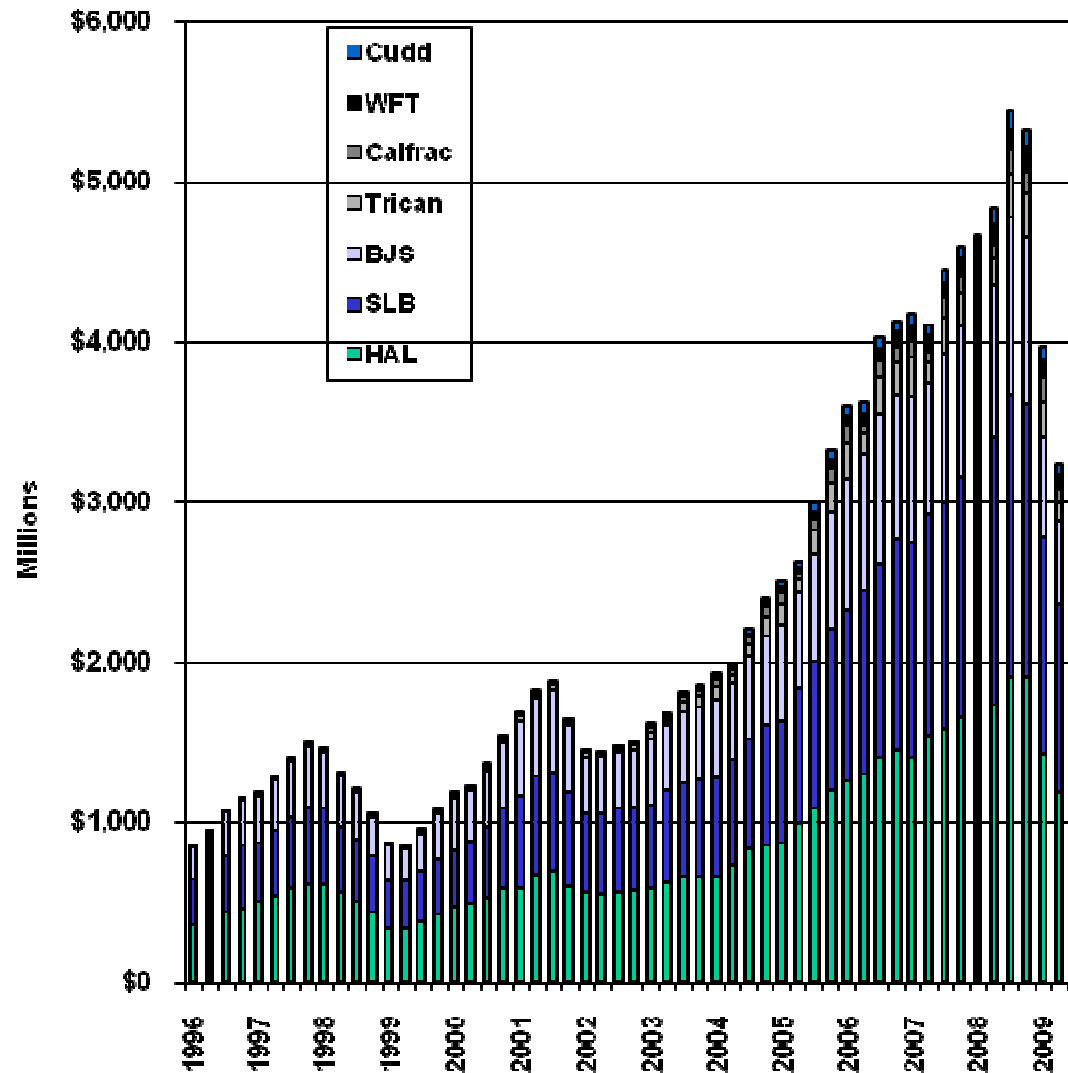
Wireline Logging



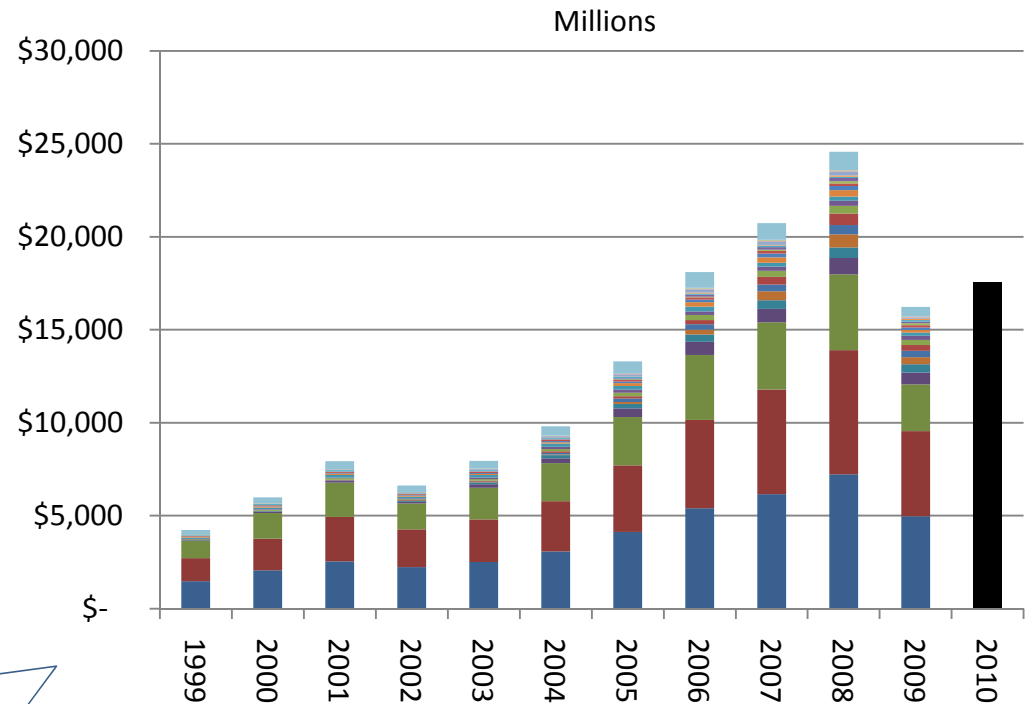
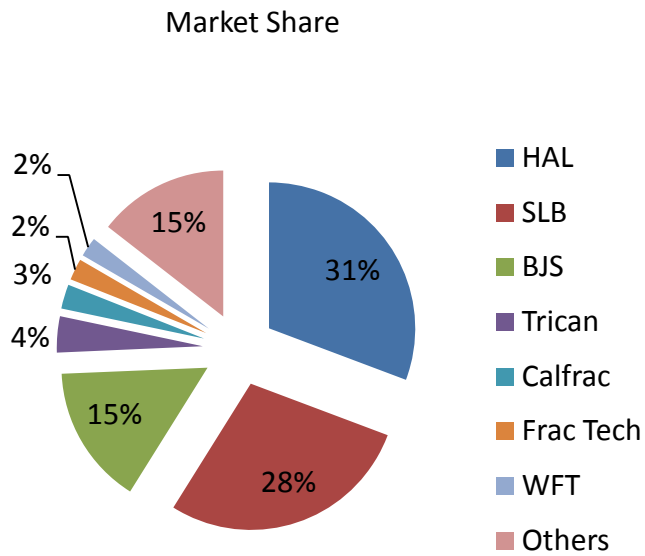
Although this is a global market, the US represents a very large portion of annual sales for most companies. With the decline in drilling that started in late 2008 and an unprecedented high level of discounting throughout the cased hole wireline market, the market is declining about 25% in 2009.

Pressure Pumping Services

Quarterly Sales of 7 Pressure Pumping Companies

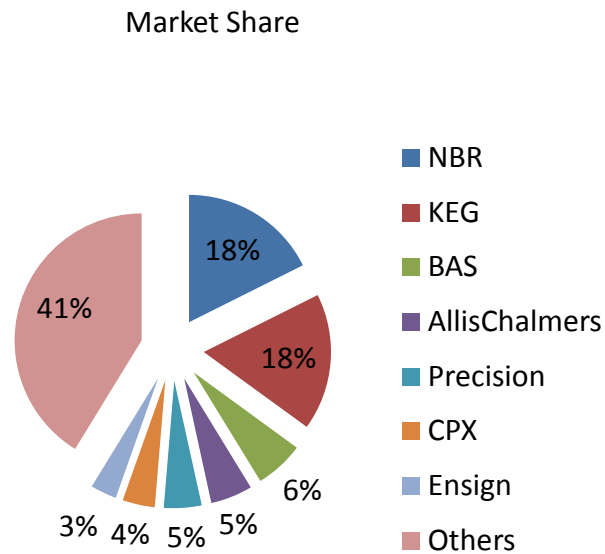


Pressure Pumping Services

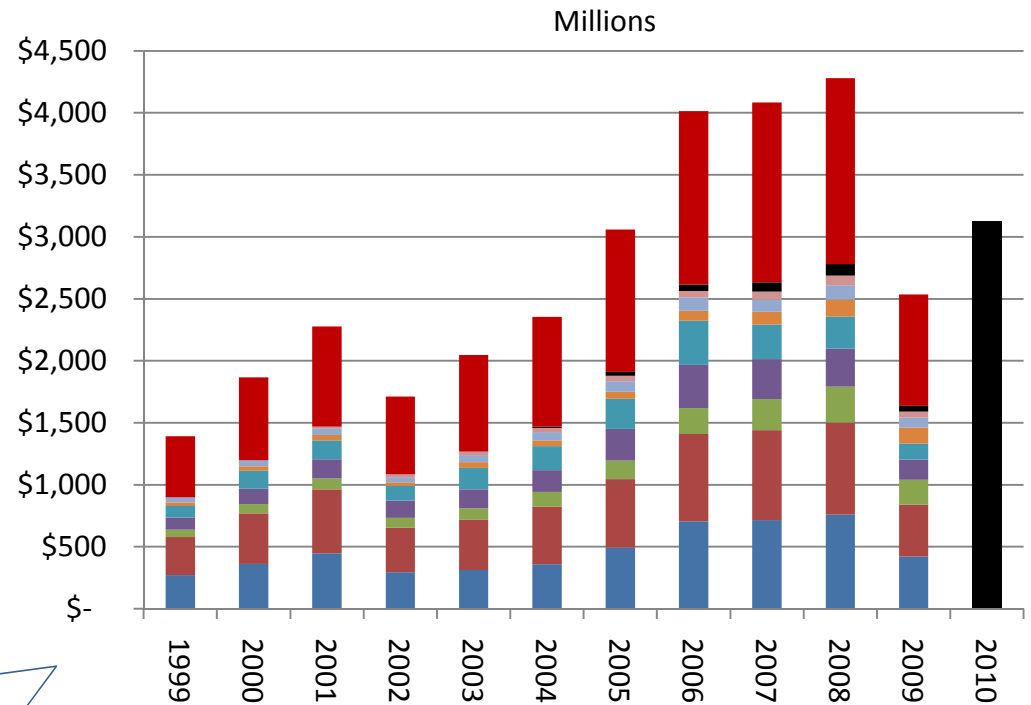


The global pressure pumping market grew strongly through 2008 as drilling activity in every region rose due to high oil and gas prices. In NoAm, unconventional gas accelerated frac job size. The collapse of oil/gas prices in mid-2008 forced a sharp decline in worldwide drilling in '09, which is dragging down most segments of the oilfield services industry.

Well Servicing

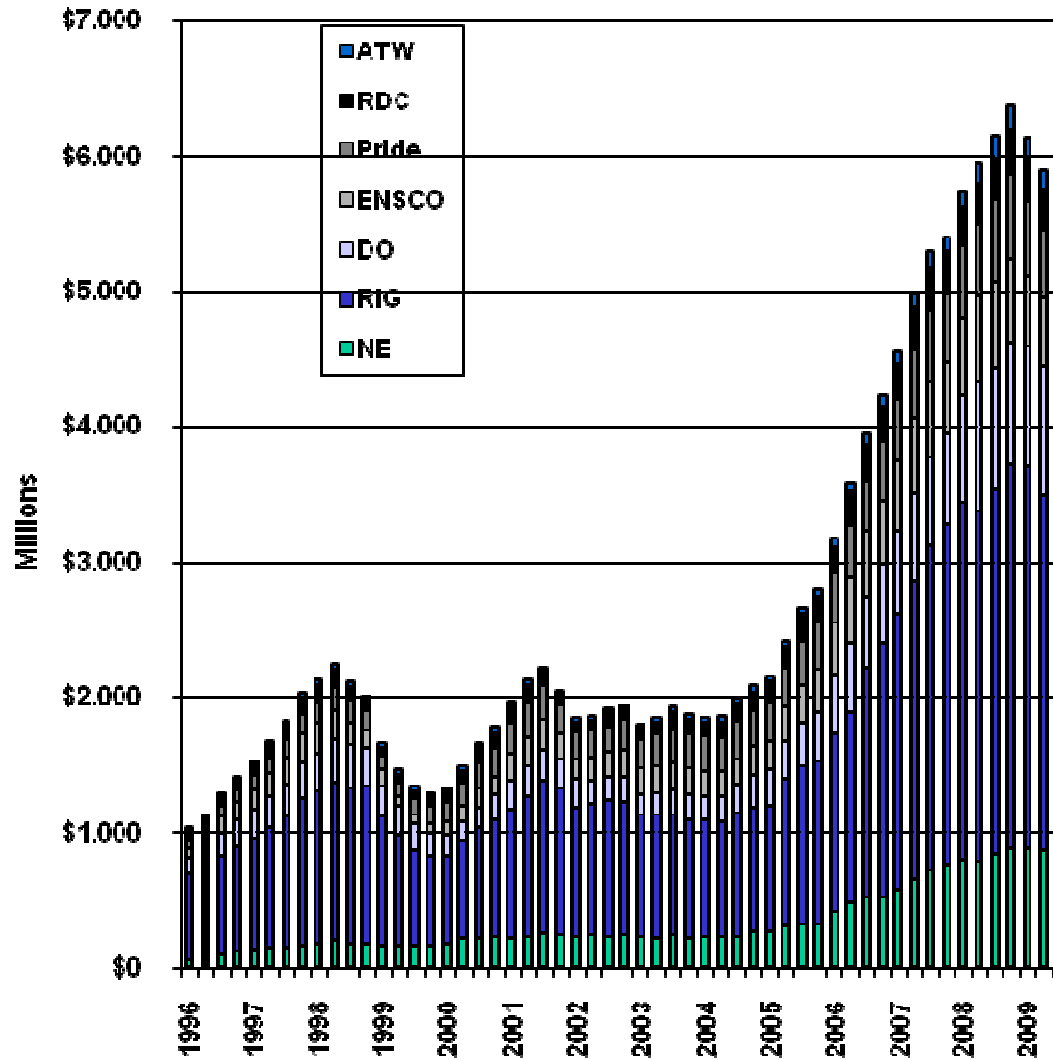


Well servicing has a greater percentage of small, independent service companies than any other market segment. Here, the top 7 companies have 59% of the total market. The remaining 41% is divided among as many as 100 other companies. The collapse of this market is due to both a drilling slowdown in North America, plus delayed well completions.



Offshore Contract Drilling

Quarterly Sales of 7 Offshore Contract Drillers



This Year's Possible Mistake?

The economy is stabilizing