

Chris Wolfe in Bloomberg Brief Oil Buyer's Guide: Oilfield Services to Recover in 2017

January 19, 2016

PRACTICES Oil and Gas, Oilfield Services

Chris Wolfe, oilfield services practice group lead at Haynes Boone in Houston, spoke with Bloomberg Brief editor Christopher Sell about how the recent drop in crude has exacerbated an already challenging period for the industry and what 2016 will hold for the sector.

Q: What can the oilfield services market expect in 2016?

A: For oilfield services, if you are working on large, deepwater projects, there is so much sunk cost that if they are underway they will be completed. It is going to be a very tough year for everyone else.

Essentially the amount of cash the customers have to spend is going to drop even further. If the customers have less cash to spend and are looking where to cut costs, then the most obvious place is onshore U.S. If you are a middle market OFS [oil field services] company that is where you do most of your work. If your customers aren't busy you can't be either.

In 2015 you still had drilling that was financed by borrowing and I think that's over. Everyone is going to be living inside their cashflow. Tremendous capacity was built up in the good times and a lot of it came onstream in 2015. So you've got gross over capacity, a shrunken market, margin pressure from remaining customers and overcapacity.

Consequently enthusiasm for loaning money to the industry has evaporated. So you put all that together it's a pretty tight box. I think it's going to be a very, very difficult time.

Excerpted from *Bloomberg Brief Oil Buyer's Guide*. [Read the full article on the oilfield serviced market](#) (subscription required).