Ten Predictions for Middle Market Oilfield Services Companies in 2017

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If 2015 was the “Year to Amend and Extend” and 2016 was the “Year of Reckoning,” then 2017 will be the “Year of Integration.”

We offer 10 predictions for 2017 and ten practical steps companies should take now in light of recent developments.

This Year’s 10 Predictions for 2017

1. North America work for Oilfield Services (OFS) will stabilize and expand, although from a low base.

2. OFS companies will consolidate to cut corporate overhead.

3. OFS supports a commodity industry. The lowest price producer wins in a commodity industry. Customer pressure on OFS to reach ever greater efficiencies will continue.

4. Cheaper and better robotics, sensors, data transmission and data storage will explode the volume of OFS data captured and analyzed.

5. OFS data growth will lead to significant investments in information systems.

6. OFS data growth and the pressure for ever increasing efficiency will lead to significant investments in data analytics.

7. Consolidation of OFS companies with varied information systems will lead to significant investments in data migration, systems integration and enterprise wide information systems.

8. OFS companies will invest in new and better capital equipment and systems to deliver greater efficiency in the second half of 2017.

9. Pressure from customers to reduce OFS GHG (greenhouse gas) emissions and fresh water use will continue, although price/efficiency will remain the primary driver on OFS work awarded.

10. OFS companies will attempt to mitigate the risk of sustained low oil prices through investing in improved processes and data analytics rather than through investing in hiring more field personnel and buying dumb iron equipment.

Practical Steps to Take Now

1. **Time for a cybersecurity check.** The best data and analysis lose value if your system is hacked in corporate espionage. Keep spies out!

2. **Compliance review.** There are many new governmental regulations that have come into force in 2015 and 2016, both onshore and offshore. Is your overall compliance program robust and up to date?

3. **Data inventory review.** Do you know what data you already own and where it is stored? Are you leaving valuable assets sitting, vulnerable to theft and unused in desk drawers?

4. **Data organization review.** Have you ensured that your data organization, storage and retrieval systems match your current and future organizational requirements? Legacy systems that no longer match processes are costly as far as lost productivity.

5. **Data collection review.** Are you efficiently and effectively collecting, organizing and storing the data your business needs?

6. **Integration review.** Do you have an effective written plan for integrating new technologies, people, products, services and businesses? The best acquisition is accretive only if the business can be integrated into the enterprise.

7. **Triage your acquisition due diligence.** Deliberately organize your due diligence process. Organize using a triage approach to efficiently reach early go/no go decisions. In Tranche 1, start with areas of frequently encountered concerns that kill deals. In Tranche 2, move to areas of concern that are not fatal but that run up the cost of acquisition. Finally, in Tranche 3, conduct full blown due diligence on deals that you plan to close.

8. **Examine your own company.** Run your reviewed and organized due diligence process on yourself and fix defects so that you are ready to move fast and confidently when merging or raising equity.

9. **Trim with tech.** Consider looking at technologies outside of the energy sector that may be adapted to your business to take out significant costs in providing oilfield services.

10. **Get in the pole position.** Develop and implement a comprehensive plan of integration for acquired businesses so that the company is ready to come out of the gates quickly and position itself for success in the second half of 2017.

Conclusion

OFS Goal: High utilization rates by keeping enough of the right people and equipment in the right place at the right time to profitably serve the customer through market intelligence and data analytics.