No quick relief in sight for Canada’s oil field service industry

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CALGARY — The Globe and Mail
Published Sunday, Oct. 11, 2015 4:21 PM EDT
Last updated Sunday, Oct. 11, 2015 7:15 PM EDT

North America is awash in cheap oil, which means it’s also awash in idle drilling rigs, hydraulic fracturing spreads and waste disposal crews.

Low crude prices have hammered the entire Canadian energy sector. But the oil field service industry has been hit particularly hard, with no quick relief in sight.

The sector is further down the food chain than exploration and production companies, and has gone – in less than 10 months – from being awash in work to having to fight for every scrap that remains in a low-oil-price environment. The companies that do much of the on-the-ground work for oil companies now face intense pressure to avoid the curse of unproductive equipment and crews, and the months ahead are likely to see more declining revenues and the continuation of a particularly painful period of restructuring.

“It’s a jungle out there,” says David Yager, a Calgary-based consultant at MNP LLP who has worked in the oil field service industry for decades.

“With the downturn in activity, there’s oversupply in virtually every sector,” he said. “You’re basically doing this for practice, not for profit.”

For oil and gas service companies, share prices have dropped and dividends have been slashed. North American rig counts are down at least 50 per cent from a year ago. Contracts with customers have been renegotiated at lower prices.

White-collar layoffs at major oil companies in downtown Calgary grab the headlines, but the Canadian Association of Petroleum Producers reports that of the at least 25,000 jobs that have been lost in the oil patch this year, 25,000 are from the oil field services side.

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