

Forecasting growth of the Australian unconventional oil and gas services market



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How does Australia compare to other countries?

Australia is expected to have a considerable increase in Shale drilling and completion activity through 2025 (Rystad Energy, 2019). This will result in a tremendous increase for in demand for frac services, proppant, and water. Activity wise Australia is expected to have a similar level of unconventional activity as Argentina in 2025 (Abramov, 2019).

The attractiveness of unconventional development can be summarized by the following factors: Geology, Supply Chain, Infrastructure, Finance, and other constraints. These metrics allow us to compare Australia's oilfield service sector to two other countries with notable shale development -- the United States (Permian) and Argentina. (Vaca Muerta). We ranked these factors on a 1-10 scale for each of the three countries.

METRIC	AU	AR	US
GEOLOGY	7	10	10
SUPPLY CHAIN	4	4	10
INFRASTRUCTURE	5	3	8
FINANCE	6	3	9
OTHER	5	2	9
TOTAL	5.4	4.4	9.2

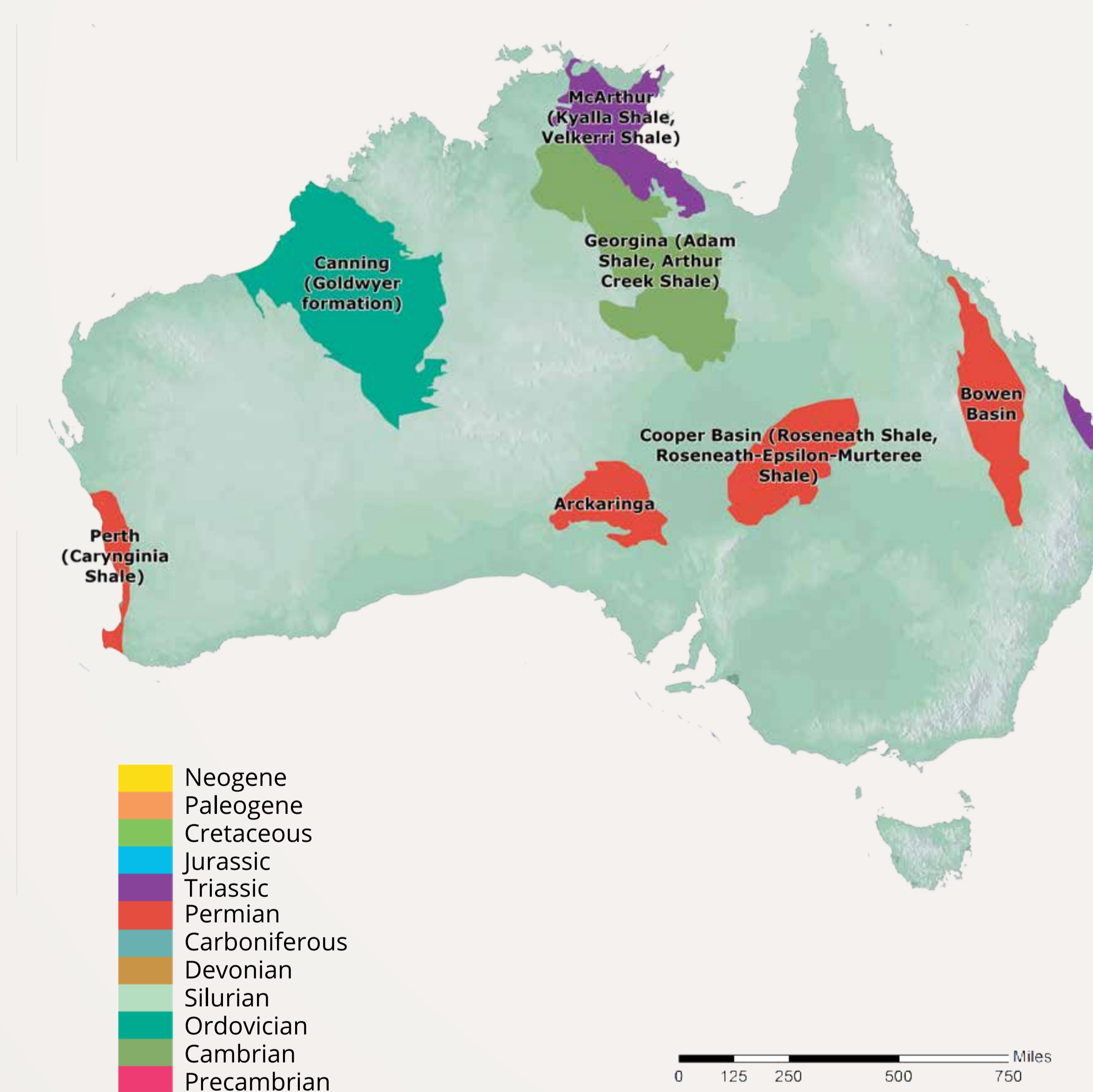
Frac in Australia

There are 4 service companies performing frac in Australia currently which provides limited options to operators in the country. Halliburton is currently the dominate player in the market with 70,000-100,000 horsepower available within Australia resulting in roughly 50% of available horsepower. Condor, a local Australian player, by comparison has 35,000 horsepower. By comparison the United States has over 25 million frac horsepower and over 30 active frac companies, and Argentina has roughly 600,000 frac horsepower and 6 active companies.

Possible Challenges

Shale wells typically require more horsepower than coal seam gas and tight gas. With shale activity expected to grow rapidly through 2025 frac companies will need to add considerable capacity in order to provide reliable service to operators. Labour could be a considerable bottleneck due to the potential difficulty in attracting the number of people that will be needed.

Water and proppant make up nearly 99% of the fluid used for hydraulic fracturing operations. Both of these could provide challenges at larger volumes for the Australian market. Water management is also causing challenges across the entire value chain. There are problems with sourcing, logistics, and disposal of water in the various shale basins that will need to be overcome to see the larger scale growth that we are expecting through 2025.



In Conclusion...

Australia has tremendous unconventional potential, and unconventional activity is expected to grow rapidly through 2025. The country could conceivably become a top 5 market for frac activity by 2025, but there are considerable challenges that will need to be overcome. Further investigation into the supply side of the service sector is needed. This will help determine how much equipment is needed to be able to provide services, and how we can reach a place where both the service providers and the operating companies are profitable.

Abramov, A. (2019). *Shale Trends Report*. Oslo: Rystad Energy.
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