U.S. Rig Count Propped up by Top 20 Oil and Gas Operators - S&P Global Platts

HOUSTON, March 6, 2019 /PRNewswire/ -- S&P Global Platts Analytics, today announced the total U.S. rig count for February 2019 was 1,110, down 3 (-0.3%) from January 2019, and up 59 (+6%) from February 2018. This rig count includes U.S. onshore, U.S. inland waters, and U.S. offshore Gulf of Mexico drilling rigs.

- **February U.S. land rig count:** 1,083, down 1 (-0.1%) from the previous month and up 60 (+6%) from February 2018
- **February U.S. inland waters and Gulf of Mexico rig count:** 27, down 2 (-7%) from the previous month and down 1 (-4%) vs February 2018

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"On the surface the U.S. rig count is relatively flat versus last month with West Texas Intermediate (WTI) prices hovering around the $56-$57 per barrel," **said S&P Global Platts Senior Analyst Trey Cowan.** "But a closer look at the players shows that it is the top 10 oil and top 10 natural gas operators (based on drilling fleet size) that are propping up the rig count. If you removed those top players, the rig count would have seen a drop more closely aligned to the industry pullback and WTI price drop that began back in October 2018."

The U.S. land rig count has idled about 6% of the active fleet between the beginning of October 2018 and the end of February 2019. This time frame is key because it coincides with when WTI crude oil prices shed about $30 per barrel during 4Q 2018 and then rebounded in the new calendar year 2019 to $55.80 per barrel on March 1. Typically, the US land rig count tracks closely with domestic oil price trends, albeit with a few months lag. The gradual pullback in the US land rig count relative to the steeper decline in oil prices thus diverges with this historical technical trend.

Looking at the 10 largest consumers of drilling rigs (i.e. how many rigs used to drill oil wells at the end of February), usage increased by 12% or 31 rigs since the beginning of last October. Meanwhile, overall usage of oilrigs declined by nearly -8% or -71 rigs over the past 5 months.

Similar story in natural gas. The top 10 natural gas producers (by current rig fleet size) are drilling with 20% more natural gas rigs than they were last October. By comparison, these large natural gas producers have grown their natural gas rig fleets at 7x the pace of the overall natural gas industry since last fall.

"In light of many operators guiding their 2019 capital spending budgets lower than what they did last year, there is a risk that the modest decline in rig activity could swell to a double-digit deceleration," said Cowan.

S&P Global Platts U.S. Rig Counts

	Feb 2019	Jan 2019	Month over Month Change	% Change		Feb 2018	Variance Year over Year (YOY)	YOY % Variance
Colorado	34	33	1	3%		32	2	6%
Louisiana	47	49	-2	-4%		47	0	0%

New Mexico	94	94	0	0%		90	4	4%
North Dakota	60	61	-1	-2%		51	9	18%
Oklahoma	129	133	-4	-3%		133	-4	-3%
Texas	528	540	-12	-2%		511	17	3%
Rest of U.S. Land	191	174	17	10%		159	32	20%
U.S. Land Subtotal	**1,083**	**1,084**	**-1**	**0%**		**1,023**	**60**	**6%**
U.S. Inland Waters	4	1	3	300%		5	-1	-20%
U.S. Gulf of Mexico	23	28	-5	-18%		23	0	0%
U.S. Inland and Gulf of Mexico	**27**	**29**	**-2**	**-7%**		**28**	**-1**	**-4%**
Total U.S. Rig Count	**1,110**	**1,113**	**-3**	**0%**		**1,051**	**59**	**6%**

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