



Pearl Meyer

Oilfield Services Industry Survey: Responses to Changing Market Conditions

Executive Summary

Covering the period October 1, 2015 through March 31, 2016



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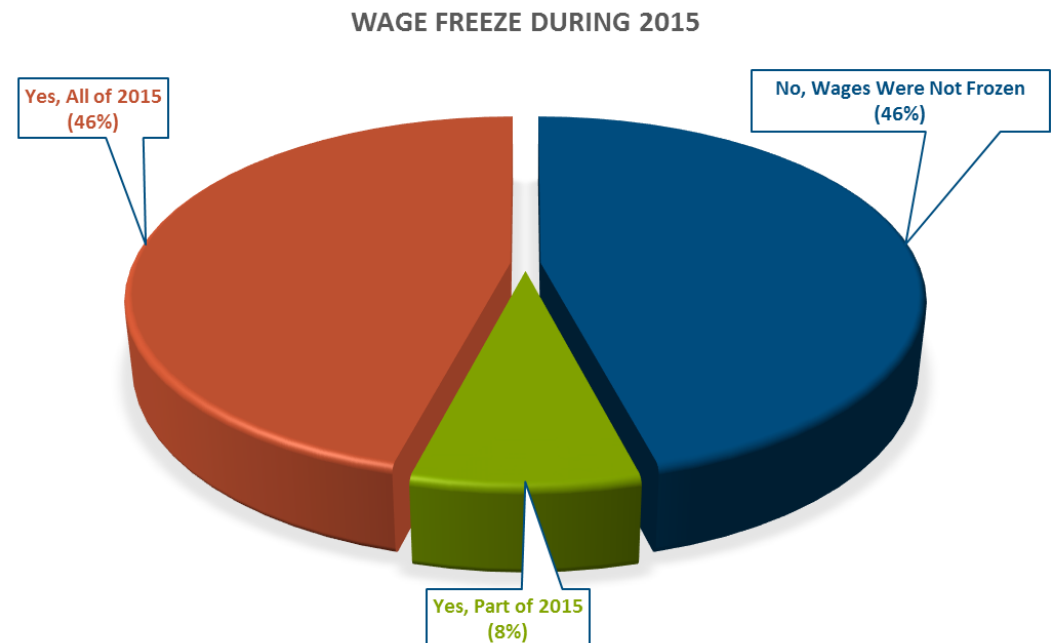
Participation and Methodology

- Participation
 - Thirty-seven companies responded to this survey, up from 28 in October 2015
 - Eleven of the participants are new to respond to this survey
 - Thirteen companies participated in *either* April 2015 *or* October 2015
 - Thirteen companies participated in *both* April 2015 *and* October 2015

- Methodology
 - A questionnaire was distributed in Excel format
 - Participants completed the questionnaire and either returned it via email or uploaded it to the Pearl Meyer secure file transfer site
 - The data was cleaned and consolidated and the aggregate responses summarized in narrative and graphical format

Wage Freeze

- Effectively, 83% of companies had a wage freeze in effect for all or part of 2015
- Most of the companies where wages were not frozen did not have general merit increases
- Eleven percent of companies had a general merit increase to all employees, with the median budget being 2.5%
- There were very few increases that targeted specific employee groups
- The profile appears to be the same for the beginning of 2016; there are still 46% of companies that don't have a formal wage freeze, yet are not increasing wages



2015 Reductions in Force (RIF)

- On average, nearly 31% of field employees experienced one or more RIFs during 2015, with the rest of the workforce experiencing just over a 20% reduction

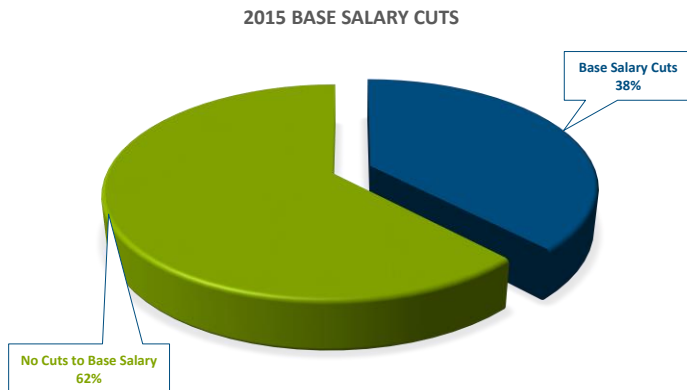
Field RIFs=31 Cos. WF RIFs=32 Cos.	2015 RIF ACTIONS					
	Percent of Employees Affected					
	Minimum	25th %ile	Median	Average	75th %ile	Maximum
Field Employees	4.0%	10.9%	32.0%	30.9%	42.1%	80.0%
Rest of Workforce	1.0%	5.5%	16.0%	20.4%	25.0%	70.0%

- Workforce reductions seemed to have slowed at the end of 2015 and beginning of 2016
 - The most hard-hit area was the Bakken, followed by Eagle Ford and Permian

N=37 Mode = 15%	RIF ACTIONS Q4 2015 - Q1 2016					
	Percent of Employees Affected					
	Minimum	25th %ile	Median	Average	75th %ile	Maximum
Total Workforce	3.3%	10.0%	15.0%	15.2%	19.3%	45.0%

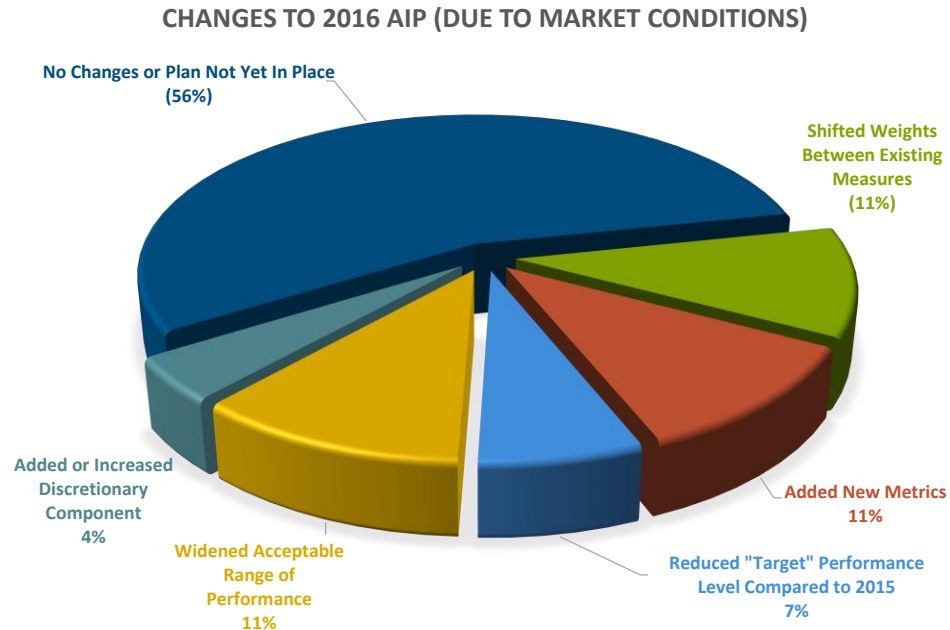
Base Salary

- 2015 base salary cuts averaged nearly 10% to field employees and nearly 8% for the remaining workforce
- Fourteen companies reported cuts to base salary
 - Eight cut base salary to all employees, both field and the workforce
 - Six cut base salary to one group or the other
 - In total, 11 companies cut base to the field group and 11 to the workforce (company list differed)
 - Four companies reporting base salary cuts to the field group also reduced starting salaries the same percentage
- Approximately one-third of companies have cut day rates (~20%-40%), and approximately 20% have reduced or eliminated location premiums and per diems
- Thus far in 2016, approximately 27% of companies have cut base salaries an average of 10% to some or all employee groups

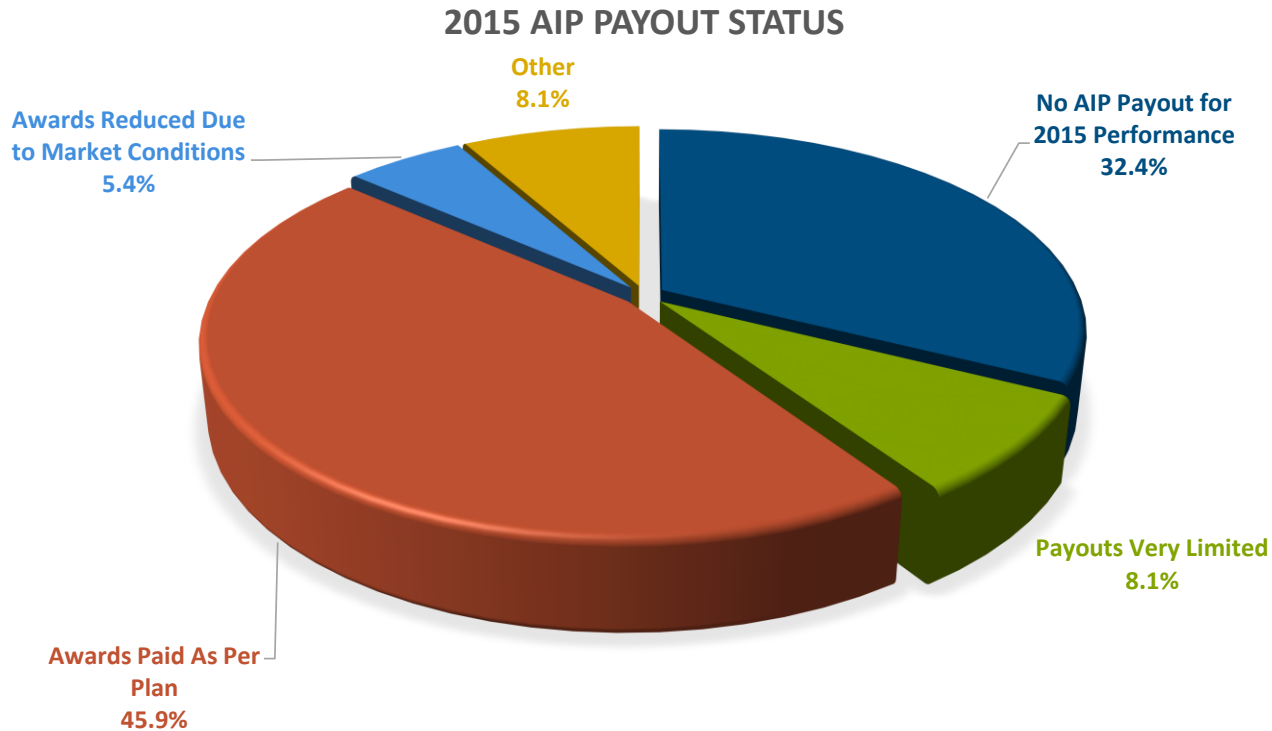


Field Cuts = 11 Cos. WF Cuts = 11 Cos.	2015 BASE SALARY CUTS			
	Base Salary Cut Percentage			
	25th %ile	Median	Average	75th %ile
Field Employees	5.5%	10.0%	9.9%	12.5%
Rest of Workforce	5.0%	10.0%	7.6%	10.0%

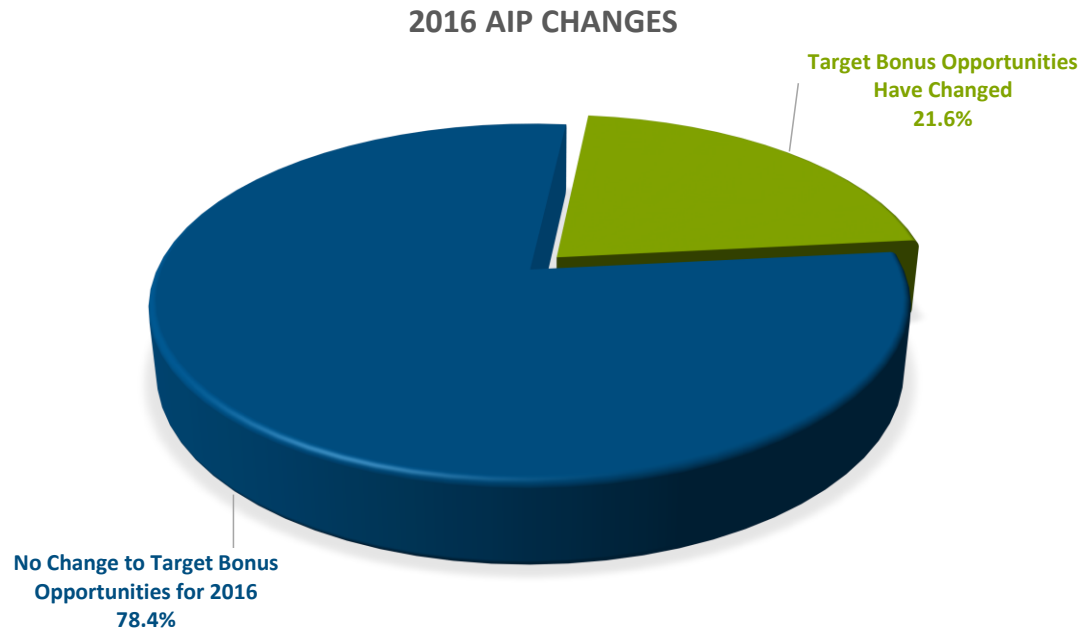
Changes to Annual Incentive Plan (AIP)



- Almost half of the companies have made changes to their AIP as a result of market conditions
- Comments
 - Added additional factor to increase opportunity for bonus; made ranges for payment wider
 - Earning focus not as important as operational cash
 - Higher weight on revenue
 - Metric added so if break-even year, 20% of AIP available (currently projecting loss for year)
 - Shifted from EPS/RONCE to EBITDA; entry threshold lowered by 10%; more weight shifted to discretionary goals component
 - Shifted performance range from 70-130 to 60-140; incentive targets previously cut by 50% were restored for 2016



- AIP payouts were made according to plan for almost 46% of the companies
- Comments
 - Where awards were reduced, the reduction averaged 50%
 - “Other” category
 - Personal performance level paid; also some discretionary payments for exceptional performance
 - Soft landing on financial targets; some discretionary payments were made
 - No decision as yet on 2015 payouts



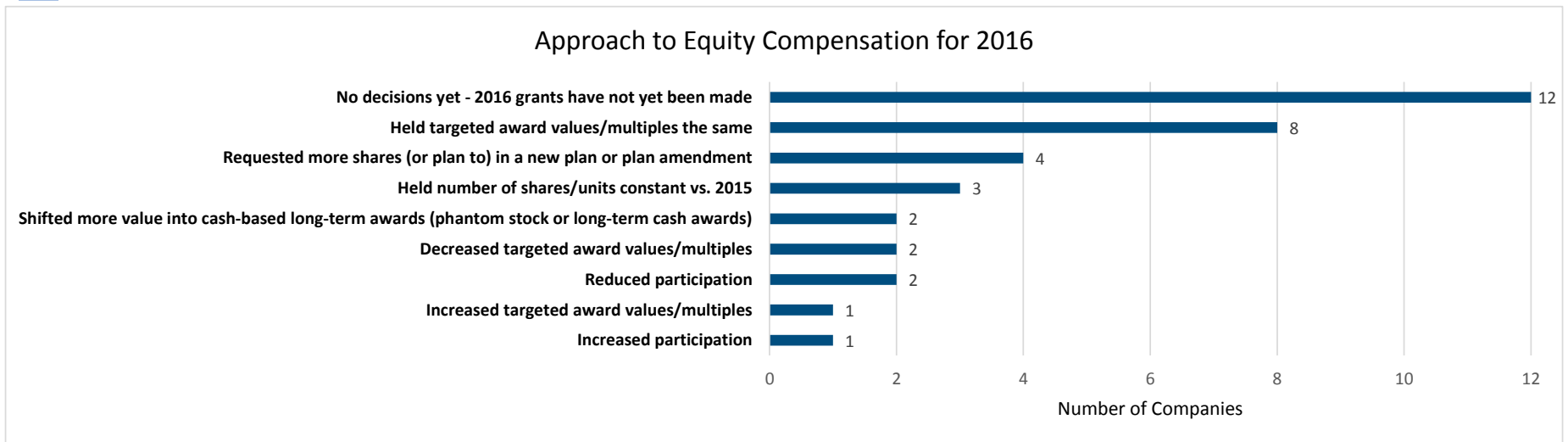
- Eight companies have seen changes to their 2016 bonus opportunities while 29 have not seen changes
- Comments on AIP changes
 - Fewer eligible employees
 - Not finalized, but target bonus opportunities will be reduced
 - Reducing targets by 50%
 - Targets set to zero except for Middle Management/Professional
 - Plan still under review
 - In limited cases, total bonus opportunity increased

Variable Pay Programs

n=13	VARIABLE CASH PROGRAM CHANGES FOR 2016					
	# Companies		Reduction Amount			
	Eliminated	Reduced	25th %ile	Median	Average	75th %ile
Day Rates (MWD/LWD)	1	—	—	—	—	—
Day Rates (Other PL)	1	5	17%	20%	24%	40%
Field Job Bonus	2	6	16%	30%	30%	48%
Commissions (Field Sales)	—	—	—	—	—	—
U.S. Location Premium	3	3	—	25%	32%	—
U.S. Housing Premium	2	2	—	—	37.5%	—
FSP/Hardship (International)	—	1	—	—	—	—
Per Diem	3	4	—	28%	31%	—

- Thirteen companies reported some changes to variable pay programs for field employees
- Notes
 - Field job bonus – one company eliminated this for first two levels and cut 50% for the higher levels
 - U.S. location premium
 - One company plans on annual reductions of 25% until eliminated unless market warrants differently
 - One company eliminated in North Dakota only
 - Per Diem – one company reduced in specific locations only
 - Reviewing our critical skill allowance for possible cuts in Q2

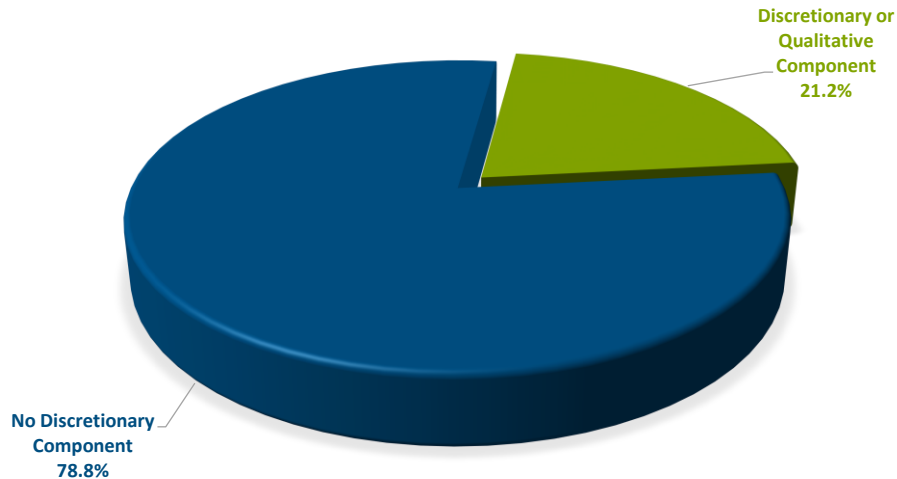
Equity Compensation



- Of the 28 companies discussing their approach to 2016 equity compensation, 43% have not yet decided
- Notes
 - One company has moved toward half of the grant to be performance-based (not yet settled on payout in cash or stock)
 - One privately owned company has increased equity shares to key employees
 - One company has moved to 100% RSUs

Long-Term Incentives

LTI PLAN HAS DISCRETIONARY OR QUALITATIVE COMPONENT

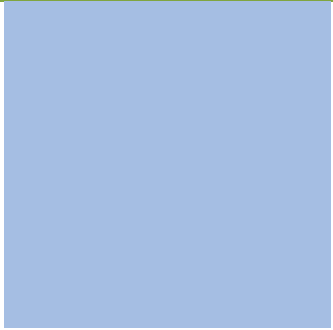


Percent of Total LTI Award That Is Discretionary				
# Cos	25th %ile	Median	Average	75th %ile
7	42%	50%	64%	100%

- Two-thirds of the participating companies do not have performance-based LTI
 - Three companies did not respond (likely because they do not have LTI at all), so the responding companies equal 34
 - One-third have performance-based LTI, but only 18% of those have an absolute total shareholder return (TSR) or stock price collar in place



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