Halliburton has entered into a memorandum of understanding with asset manager BlackRock to provide funding for hydraulic refracturing projects, which the big oilfield service provider sees as a growing market in coming years, executives said Monday.

BlackRock has agreed to provide up to $500 million in funding to Halliburton customers over the next three years, freeing up the service company to focus on the execution of geological work while allowing its partner to "pursue innovative opportunities with clients," Halliburton President Jeff Miller said during a quarterly earnings call.

"There's an opportunity to address the needs of operators to increase production and expected estimated ultimate recoveries from tens of thousands of unconventional wells drilled in last several years," Miller said.

Halliburton wants to "execute large-scale refrac operations through alternative business arrangements," Miller said. "We predict that customers will begin to dedicate a percentage of their annual spending for refracs" or refractured wells.

Refracs involve mature wells that are in decline. In re-fracturing, subsurface areas that were by-passed in the original fracturing are targeted, permitting more oil and natural gas to emerge from the rock.

Refracs have not been widely employed within the industry, but tests have shown they cost as little as a quarter of the cost of drilling a new well and in many cases have yielded initial production rates that are the same as or equal to the original rate.

Halliburton CEO Dave Lesar said the respective strategies in the MOU for the two companies "dovetail very nicely" since his company is looking for revenue and margins in refracturing while BlackRock is "looking for an income tail that goes out a number of years."

He said Halliburton may also look for what he called "different business models" it could use in the future. While he suggested this could include taking on more of the risk in ramping up new well production for customers and charging accordingly, as rival Schlumberger is doing for its refracs, he declined to provide specifics during the call.

Lesar said the deal with BlackRock is a "foundation for growth."

"It demonstrates our belief that market [is growing] and it's clear that our technology enables returns," he said.
Halliburton's income from continuing operations for the second quarter was $380 million (44 cents/share), compared with $776 million (91 cents/share) in the year-ago quarter. Both figures exclude special items.

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