

## An Interview With Halliburton CEO Jeff Miller

John Donnelly, *JPT* Editor



**Jeff Miller** is president and chief executive officer (CEO) of Halliburton, a position he assumed in June 2017. He has held numerous management positions with the company, including president and chief health, safety, and environment officer; executive vice president and chief operating officer; senior vice president of global business development and marketing;

and senior vice president for Gulf of Mexico. He received a BS degree in agriculture and business from McNeese State University and an MBA from Texas A&M University.

### Your North America business is doing well. Will that continue to be your focus in the short term?

We are really excited about our business in North America. We have always had significant investment in North America and as we look at the immediate future, it will be the busiest market. It is extremely impactful on many different stages.

### Do you see a slowdown in the unconventional business in North America, or do you think it is still on the way up?

I think that North America is going to be very resilient in a \$50–55/bbl world. There is a lot of demand for North America resources and I think the speed to market is really relevant and important, particularly as demand increases. Unconventionals can fill that demand most quickly because of the timing

more than anything else, which is a real advantage relative to mature fields and particularly deep water.

There is a lot of demand for what we do and I expect that we will be very busy in 2018. The sense I get from the customers is that the outlook is good at current commodity prices. We continue to reduce costs and make more barrels. And that's how Halliburton spends most of its time—determining how to deliver the lowest cost per BOE.

### Any fear that equipment shortages or labor shortages could slow activity?

I don't think they will. The market is undersupplied today. We estimate that the market is about a million-and-a-half horsepower undersupplied for pumping equipment and I think the other services are also quite tight. Layer onto that the challenges with people and the short-

ages actually generate a flight to quality. One of the reasons I am confident about our business is that we have been disciplined about maintenance of our equipment and hiring people well ahead of time. That comes at a cost but the fact is there is no substitute for service quality. No substitute.

### Outside of North America, where are the highest priorities for Halliburton?

We have outperformed the market through the downturn internationally in seven of the past eight quarters. The Middle East is extremely important to us. One of the things I am most pleased with is the ability of Halliburton to focus intently on North America, but at the same time steadily grow our international footprint. The fact is, we are present in every important market around the world today. That is something we could not have said 10 years ago and maybe even 5 years ago.

Onshore North America is front and center and has the shortest return characteristics and therefore has the most activity. Next in line would be mature fields particularly in the Middle East and a few other markets around the world, and then deep water being third. Our R&D people have not changed their view at all. They are still working on how to make a deepwater well more affordable and how to make more barrels produce faster in mature fields.

### Do you think the industry has turned a corner?

I think the energy industry is in a space where we will be for some time. A band at \$50–55/bbl is a really sensitive place. There are a lot of things that don't work

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below \$50/bbl, and a whole lot of things that work above \$55/bbl. My view is that we will be in a \$50–60 range for some time, meaning not lower for longer but sort of where we are for longer. I believe that is a place where operators can work profitably, and service companies can work profitably, particularly in onshore North America ... which gives me a lot of confidence about 2018 and beyond. In no small way, that drives a lot of what we are working on at Halliburton. We describe our value proposition as we collaborate and engineer solutions to maximize asset value for our customers. We say it that way for a reason, because it is not new, but we believe it is perfectly suited for this sort of environment.

The industry has worked hard to wring out costs. Even at \$100/bbl, companies weren't making returns commensurate with \$100/bbl oil, and some are challenged to do so at \$50. What I think has happened is that we have become better at how we work together. Certainly there has been a lot of cost driven out of the system—some of that is service company pricing and, in some cases, it has to come back. Price reductions left service companies earning negative returns, which is not a sustainable environment for investment.

**When the industry experiences a downturn, service companies often take the brunt of the hit. Is there anything the industry can do or is there anything operators and/or service companies can do to ease that, or is it just the nature of the business?**

We feel we can best prepare ourselves by being very thoughtful about the things that we buy, things that we build, and the assets we invest in. We want to have the ability to respond the best we can to the cycles. I think those cycles in this kind of environment might be shorter than they have ever been, which means the ability to respond is more important than ever. Another key component of working in this kind of environment successfully is being very capital- and people-efficient. Certainly bespoke types of assets that have a single use

that wind up underutilized for a long time become, really, a cost to the industry. The company that owns them may lose money but the reality is that it is a burden on the entire industry. So the more efficient we can be, the better—whether it is shore-based, or it is designing specs, or it is the way we better utilize assets owned by operators or others.

**Did you see the recent downturn as just another boom and bust cycle, or was there anything different this time around?**

I have seen a few of them in my career but this one was pretty severe. I think we are working our way through it like we always do, as an industry and as a company. I feel like Halliburton has done quite well through the downturn. I will tell you, though, there is nothing worse in any executive's career than what we have had to go through here with the layoffs. I felt terrible about that and the difficulty it caused for lots of great employees that we just simply could not continue to employ given the cost structure and in fairness to our shareholders. I also think that sort of reset drives some innovations, and processes are tighter than they have ever been and our view of assets is sharper than it has ever been. I would say we are more efficient than we have ever been.

**What is your current R&D focus?**

Anything that reduces cost or makes more barrels. I know that is an oversimplification but that is really the heart of it. When we think about what is important to our customers, it has to be maximizing asset value, which translates into either things that lower cost or that make more barrels ... which takes many different forms. We are investing in things that reduce cost onshore in North America, like our Express-Kinect unit that allows for faster rig up and rig down. Also, Integrated Sensor Diagnostics and how we better understand reservoirs, better understand the behavior of both the frac and well placement, even digital flowback, so that we know the real factors driving increased productivity. There is a fair amount of

investment in that. We also continue to focus heavily on our production business, which includes everything from completion through the end of the life of the well. We made an acquisition recently of Summit ESP, which creates a No. 2 onshore position in North America for electric submersible pumps.

**Did you cut R&D much during the downturn?**

We slimmed a lot of things back, including R&D. We did it commensurate with the market. But at the same time, events like that cause you to take a really sharp view of what is most important, so I feel like in some ways we are more effective, in spite of the reductions in all parts of the business. Our R&D velocity, if we measure it in terms of patents per dollar, really competes with Siemens and United Technologies more than it does in the oilfield space. Our process for delivering R&D is extremely efficient, and I have a lot of confidence in what we are doing.

**You recently entered into a business relationship with Microsoft. Can you talk about what you are working on there?**

We are super excited about that. It all stems from our view of digital, which is that it has to solve a business problem and it has to make a return. We have fantastic domain expertise in oil and gas, but we don't want to try to compete with Microsoft and others around the development of artificial intelligence tools and all of the things they do every day. Microsoft is very good in big compute, the Internet of Things, and certainly in artificial intelligence. As we look at others in that space, the other thing that Microsoft has is a terrific installed base of technology and they are also very good at working B2B. We felt from that standpoint this is a great collaborative relationship for us.

**As computer and information technology companies get more involved in the oil and gas business, where will the impact be felt most?**

I think our customers view digital the same way that I do. At Halliburton, we

are consumers of big data as well and think about big data in terms of what business problems it can solve. It is very valuable in maintenance and around people, two of our biggest cost drivers. We have done a lot to automate our equipment so that we are able to

improve maintenance and predictability around performance and service quality.

When I think about our customers, their biggest value propositions lie with a better understanding of the reservoir and in understanding production behavior. When we think about that, we look at

automated drilling and more informed drilling, and how all that comes together. We have tools that help clients better use data, better automate, minimize the number of people on site, and allow faster response and more uptime on the wells themselves. Pretty exciting. **JPT**