DRILLING CONTRACTOR

DRILLING AHEAD

Neophyte's challenge answered by savvy World Drilling panelists

Mike Killalea, Editor & Publisher

"DON'T YOU THINK the rig shortage shows poor planning by the drilling companies?" asked the industry neophyte, a fledgling investor in a start-up independent frustrated by its inability to secure rig time.

The sublime ignorance behind such a question is marvelous to behold, but difficult to answer concisely. There was no time to frog-march my interrogator down the long and winding road of the Great Drilling Depression of 1982-96, when the number of US rigs actually drilling plummeted from 4,520 at year-end 1981 to a miserable 621 in June 1992. Then, after an all-too-brief reprieve, came the mini-busts of the late '90s, the rig count suffering an all-time low of 488 in 1999.

Each downward turn of the screw consigned more land and offshore rigs to the iron bone yards of Sabine Pass and Midland/Odessa, and countless pastures in East Texas and Oklahoma.

In response to customer demands, contractors built rigs for a market that ultimately did not exist. Contractors didn't fail to plan. Instead, the market failed to survive.

Had this neophyte investor attended IADC World Drilling 2005, his opinion of contractor's capacity for planning would have greatly benefited. In a wide-ranging panel on "Global Land Drilling: Maintaining Standards and Sustaining Profits", 6 seasoned contractors discussed chapter and verse of drilling challenges and opportunities-—**Renzo Cesaroni**, Senior VP Business Unit Drilling Operation, **Saipem**; **George S Dotson**, President & Chief Operating Officer, **Helmerich & Payne International Drilling Co.**; **Michael Simpson**, Vice President Eastern Hemisphere, **Precision Drilling International**; **Siggi Meissner**, President, **Nabors Drilling International**; and **Claus Chur**, Director, **KCA DEUTAG**. The moderator was 2005 IADC Chairman **Edward D Kautz**, Senior Vice President-US & International, **Ensign Resources Service Group**.

The six agreed that rig demand was likely to continue upward over the next few years. They also pinpointed roadblocks—shortages of skilled personnel; training local personnel, as well as increasing costs of safety; retaining knowledge as today's generation retires; growing delivery times for equipment—and the ever-present specter of another cycle of over building.

Dayrates will rise, demand driven, certainly, but also in response to the rising costs of drilling.

Too often, a contractor's value has been judged solely by dayrate, with low price trumping other considerations.

That is not part of George Dotson's vision for the future. To Mr Dotson, best value for customers means the lowest total well cost—not cheapest dayrate. Big difference.

At the same time, a wise drilling contractor seeks to provide best value for employees by providing career-long satisfaction and for shareholders though an attractive rate of return.

As important as it is, best value is but a third of H&P's vision for the future. A second key ingredient is safety. "The goal should be zero injuries," Mr Dotson said. "Accidents distract the focus of leadership."

But safety has a price. Add up the costs of maintaining an HSE office, HSE supervisors and staff, safety training, training materials and awards, personal protective equipment, certification of safety equipment, site safety audits. KCA DEUTAG's Claus Chur did. The representative safety expenses came to US$ 520/day for each rig. The investment pays off, but the costs are there.

Third is performance leadership through technology. Renzo Cesaroni of Saipem cited technology as one of the great opportunities for the international land business.

Implementing A-C drives is one tantalizing technical opportunity. Nabor's Siggi Meisner observed that A-C provides better control and safety. Mr Dotson remarked that H&P has enjoyed only 0.85% downtime over 70 rig years with A-C. "The way ahead is A-C," he said.

Best value, safety, technology—Maybe my neophyte friend should have invested in drilling companies. ■