

You've got rigs where?!?

The Spears worldwide land rig census

SPEARS & ASSOCIATES has at last plugged a long-gaping hole in the information's data base by conducting a thorough census of the worldwide *land* rig fleet. The Tulsa-based firm launched this ambitious study in the fall of 1998, with the initial focus only on land rigs operating outside the US. However, the consultant firm was soon confounded by the fact of rig mobility. Rather than be tennis referees to a constantly migrating fleet, Spears opted to broaden the project scope to include US land rigs, as well.

The World Rig Database, according to Spears Vice President **Richard Spears**, now tracts activity for rigs operating in some 60 countries. Sometimes, they uncovered rigs in locations that surprised even the contracting firms who owned and operated them. Mr Spears discussed the study at the 1999 IADC Annual Meeting, 29 Sept through 1 Oct in Houston.

DRILLING FORECAST

Spears and Associates is also forecasting upbeat activity for 2000. In the US, the Tulsa consultants expect drilling will

increase 20%. The surge in activity will be driven by increased revenues for operators in a period of relatively low drilling costs.

"This is the best of times for operators," Mr Spears said.

Offshore drilling is expected to increase 14% in the coming year, he said. Oil drilling will pick up nearly 20%.

In Canada, Spears & Associates expect drilling to increase 30%—maybe more. "We actually feel we might be a little low for Canada," Mr Spears said.

International drilling activity will rebound more slowly, though, and increase only 6% next year. Although the recovery there will kick off in the last quarter of '99, Mr Spears anticipates larger project lead times due to a slower response to commodity price increases. However, Mr Spears said, several governments are reducing tax obligations on operators.

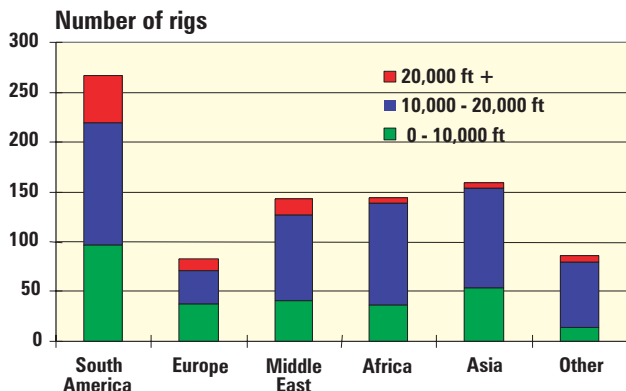
"The price of oil plays almost less of a role than government tax policy," Mr Spears remarked.

RIG DATABASE

The WRD contains 2,741 rigs currently, Mr Spears said. Drilling markets chosen for geographical compartmentalization are North and South America, Europe, Middle East, Africa, Asia and "other", which includes some of China's rigs, Mr Spears said.

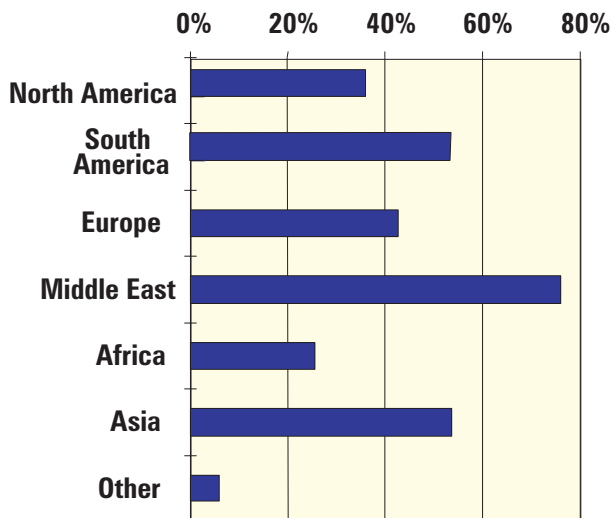
Currently, utilization ranges from nearly 80% in the Middle East to only about 30% in Africa.

Land rigs outside North America by depth capacity



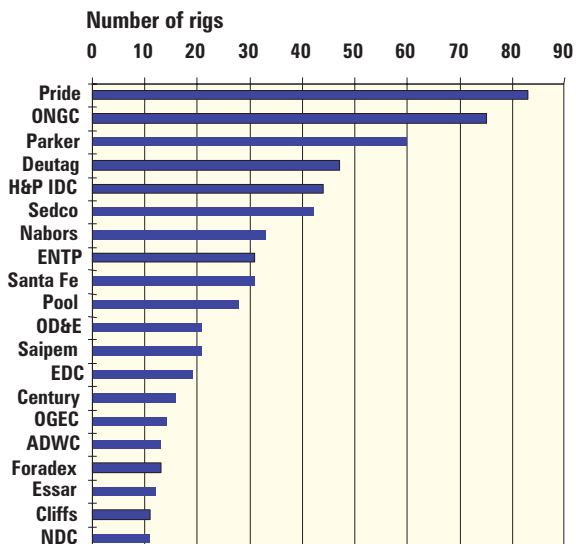
Source: Spears & Associates Inc

Worldwide land rig utilization



Source: Spears & Associates Inc

Contractor rankings: Non-North American fleet size



Source: Spears & Associates Inc

By depth, South America has some 50 rigs capable of drilling 20,000 ft or deeper, distinguishing it as first in deep land drilling equipment outside North America. Asia has the fewest deep rigs—less than 10, according to the WRD. Interestingly, South America also has the most shallow-drilling land units in the international market—about 100.

In South America, **Pride International**, with 65 rigs, is the largest land contractor, followed closely by **Helmerich & Payne IDC** with 44 and **Parker Drilling** with 32. In Europe, **Deutag** has the most rigs at 22, according to the WRD. The Polish firm **OGEC** is 2nd with 14, while **Saipem** is 3rd with 10 rigs. In Asia, the Indian driller **ONGC** is by far the leader with 75 rigs. Parker is second with 16, followed by **Century Drilling** with 16 and **Oil Drilling & Exploration (ODE)** with 15. In the Middle East, the 40-rig combined **Pool/Nabors** fleet is the largest, comprising about a fourth of the total rig fleet. **Santa Fe International Corp** and **Sedco Forex** are tied for second with 15 each. **Deutag** and **National Drilling Co** follow with 12 and 11, respectively. In Africa, Angolan state oil company **ENTP** has the most rigs, with 31, followed by **EDC** and **Sedco Forex** with 15 and 14, respectively. **Foradex** follows closely with 13 land units.

“The top 6 [in any given market] will generally represent about 75% of the drilling rigs that are available,” Mr Spears said.

Judged by sheer number of rigs, the 13 largest land contractors in international markets are Pride, ONGC and Parker. ■

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