

# Rig Boom

John Donnelly, JPT Editor • [jdonnelly@spe.org](mailto:jdonnelly@spe.org)



Despite the current global financial crisis and recent steep decline in commodity prices, the market outlook for drilling rigs remains strong. Demand for deepwater units, in particular, remains healthy. Even with a global recession, world energy demand is projected to rise in the medium term and companies are moving to deeper waters and frontier areas to secure new production.

Mobile offshore drilling rig demand in almost all of the world's major drilling centers have been posting 90%-plus utilization rates, and strong demand and tight rig supply have contributed to strong dayrates. A rig that may have brought in USD 200,000/day a few years ago can now earn USD 500,000/day and recent contracts for deepwater rigs have topped USD 600,000/day. A surge of interest in new drillships, semisubmersibles, and high-end jackups has occurred the past several years and some of those are now entering the market. The best markets for floating rigs have been Brazil, west Africa, the US Gulf of Mexico, and southeast Asia.

In addition, 181 rigs are currently being built or on order, including 85 jackups, 54 semisubmersibles, and 42 drillships, according to Citigroup energy analysts. Of these 181, more than half are currently under contract. While about 69% of the floaters (drillships and semisubmersibles) have contract commitments, only about a third of the newbuild jackups do, so it is unclear how many will become operational.

Some of that newbuild interest is turning toward rigs that can operate in particularly harsh conditions, such as the Arctic, or in ultradeepwater. Rigs in the Barents Sea—where Gazprom, StatoilHydro, and Total are developing the world-class Shtokman gas field—will need to withstand unprecedented harsh climatic conditions and vast icebergs. Shtokman will require three of the largest platforms in the world, ice-resistant and capable of withstanding 25 m waves. Three seabed pipelines will carry the gas to shore to terminals in Teriberka in the Murmansk region, where an LNG plant will be located.

Buoyed by recent discoveries and ambitious development plans, Brazil has emerged as the dominant leader in the drilling rig market. Utilization rates there are at 100% with 31 semisubmersibles and nine drillships in the region under contract. State oil company Petrobras is reportedly in the market for as many as 40 deepwater rigs, even though it has already contracted the majority of the existing ultradeepwater fleet. That indicates that there is still a shortage of deepwater rigs worldwide, even if the global economy and oil demand soften. West Africa rig utilization is nearly as strong, at 97%. And China's offshore deepwater oil and gas development has also set off rig construction activity.

The global credit crunch is limiting the ability of companies to get financing and may slow the pace of newbuilds significantly, however. Higher steel and equipment prices combined with the tighter finance market already appear to have cooled off the speculative newbuild market.

JPT

JPT is always eager to hear from its readers. If you have any comments or suggestions, please contact me at [jdonnelly@spe.org](mailto:jdonnelly@spe.org) or by phone at +1.713.779.9595 ext. 616.

- Ed May**, Senior Reservoir Engineer, Schlumberger, Chairperson
- Syed Ali**, Research Advisor, Schlumberger
- Baojun Bai**, Assistant Professor of Petroleum Engineering, University of Missouri-Rolla
- David Baker**, Senior Research Engineer, ExxonMobil
- David Barnett**, Vice President Engineering, Wild Well Control
- Russell Borgman**, Operations Excellence Coordinator, ConocoPhillips
- Simon Chipperfield**, Team Leader Central and Amadeus Gas Exploitation Development, Santos Ltd.
- Torsten Clemens**, Senior Reservoir Engineering Adviser, OMV Exploration and Production
- Greg Conran**, Drilling Advisor, Schlumberger
- Martin V. Crick**, Senior Reservoir Engineer, Schlumberger
- Jose C. Cunha**, Senior Technical Consultant, Petrobras America
- Ivor R. Ellul**, Chief Executive Officer, Knowledge Reservoir, LLC
- Sam Gomersall**, Director, CO2DeepStore
- Harvey Goodman**, Research Consultant, Chevron
- Manuel Gonzalez**, Senior Engineering Advisor, Chevron
- Charles Hager**, President/Independent Consultant, NSI Technologies
- Damir Horvat**, Senior Manager, Drilling and Completions Engineering, Arrow Energy
- Jean-Louis Jousseume**, Head of Geographical Areas—Americas, Europe, and CIS, Total
- Martin C. Kennedy**, Chief Petrophysicist, Woodside Energy Ltd.
- Anthony R. Kovscek**, Associate Professor, Stanford University
- Gregory Kubala**, Project Manager, Schlumberger
- Robert MacAndrew**, Chief Executive Officer, Aberdeen Drilling Management Ltd.
- Colin J. Mason**, Senior Drilling Engineer, BP plc
- Stephane Menand**, Research Engineer, Paris School of Mines
- Graham Mensa-Wilmot**, Drilling Engineering Advisor, Chevron International E&P
- John Misselbrook**, Director Global Coiled Tubing, BJ Services Company
- Stephen O. Norris**, Senior Staff Reservoir Engineer, J-W Operating Company
- Karen Olson**, Completion Team Leader, BP plc
- Bobby Poe Jr.**, Engineering Advisor, Schlumberger
- Dean C. Rietz**, Managing Senior Vice President, Ryder Scott Company
- Jacques Salies**, Well Engineering Manager, Petrobras America Inc.
- Paul D. Scott**, Principal Engineer – Fluids, ConocoPhillips
- Stuart L. Scott**, Artificial Lift Consultant, Shell EP
- Brian Skeels**, Emerging Technologies Manager, FMC Technologies
- Jay Stratton**, Vice President Operations, Golden Energy LLC
- Claude P. Valenchon**, Vice President – Technology Development, Saipem SA
- John Veil**, Manager – Water Policy Program, Argonne National Laboratory
- John M. Vitucci**, Senior Project Manager, Doris Inc.
- Scott Wilson**, Vice President, Ryder Scott Company

accuracy



*"We not only avoided obstacles—we dramatically increased reservoir contact."*

risk

## Navigate the unknown without missing a turn.

Our **Drill-to-the-Earth Model**<sup>SM</sup> workflow does more than help ensure precise wellbore placement. It refines earth models to let you adjust well paths in real time—and maximize reservoir exposure. Change the way you work: Increase the accuracy of your wellbore placement and reduce the risk of running into trouble areas.

From exploration to production, the **Digital Asset**<sup>™</sup> environment's integrated workflows allow you to fully realize the highest asset performance possible.

For more information, go to [www.halliburton.com/digitalasset](http://www.halliburton.com/digitalasset).

***Make decisions. Not compromises.***<sup>™</sup>

**HALLIBURTON**