

All Together Now

“The rig’s almost new and she’s en-route to a lay up location” the voice on the line said, “we need a view on our preservation arrangements and reactivation time. I know you guys do this.”

The voice belonged to the COO of a drilling contractor client of ours and the vessel in question was a newish ultra deep-water drillship. Its contract had been terminated only one year in and with no new work on the horizon, our client decided to cold stack the rig. The lay-up and preservation work was complete and the rig was en-route to its final cold stacking destination.

The oil price crash has led to many, virtually new and state of the art, rigs being untimely let go. With no new drilling work to move on to, Drilling Contractors are forced to stack rigs for indeterminable lengths of time.

Ripples from these actions are felt across the industry and while the drilling rig sector remains in turmoil the banks and investors who financed the builds can be left feeling less secure about decisions being taken that could affect repayments and returns on investments, especially so when rigs are cold stacked.

In this case, our client was confident its decision was right but their financiers felt less secure. The banks were looking for independent reassurance that the ‘Assets’

condition was preserved and the rig was able to return to service within a time frame that would not diminish its future marketability.

The rigs arrival at location was looming, so we immediately dispatched one of our advisors to investigate the preservation measures our client had taken, verify the actions on the rig and, with specialist support from our wider team, take a view on reactivating time.

Our client was confident its decision was right but their financiers felt less secure.

So What?

During challenging times, such as these, most decisions are driven by a desire or necessity to reduce costs. Cold-stacking rigs when they come off contract is the most effective way of minimizing the day-to-day costs of rigs without contracts. Especially when the industry itself cannot see the rig market tightening any time soon.

However, what this case illustrates is the importance of recognising that all those involved need to feel secure about the decisions and measures being taken. Obtaining an independent view is an efficient way of doing this. It helps to keep everyone onside and confident with the decisions being taken.

The process may identify additional actions that will get everyone to that place if they are not already there and assure the best preservation of the asset and provide an independent view of the rigs reactivation time.

About Us

Epeus is an independent consulting firm focussing on drilling rig and other specialized oil and gas vessel projects. We do this through a unique combination of risk management expertise, industry knowledge and engineering and operations experience. Our clientele is from across the industry and includes banks and financiers, law firms, major, integrated and independent oil and gas field operators, drilling contractors, vessel owners and builders.

For more information please contact:

Andrea Petrone, apetrone@epeusconsulting.com +44 7702 518339
