



To Boldly Go? Or Not!

THE CHOICE MAY NEVER HAVE OCCURRED TO CAPTAIN KIRK, BUT IT'S ONE OUR CLIENTS OFTEN FACE. THE URGE TO PRESS ON REGARDLESS CAN BE COSTLY.



BY JUAN HORRILLO
PROJECT MANAGEMENT ADVISOR

When you're operating at the edge of the Arctic Circle, it's never business as usual. Drilling contractors and field operators contend with all kinds of uncertainty, from stringent regulatory hurdles to extreme weather conditions. Although they want the same thing—to be 'drill ready'—over-optimism can derail the project for both parties.

A client of ours, a major field operator, had reached an impasse with their drilling contractor over an order for two new Arctic Land Drilling Units. While the rigs were still under construction in Washington State, a decision had to be made whether to ship them or not.

Our client was supply chain vice-president for the field operator's Alaska division. Contractually, the decision was out of his hands. But if the drilling contractor decided to ship the rigs up to Alaska, our client needed to know if the rigs could be completed and accepted on time by December.

"If they don't ship out," he said,

"the North Slope will be iced in and it'll be next summer before we can start drilling. If they do ship out, we're not sure when the rigs will be ready. We could use an independent view."

It was already May. Once summer was over, the Arctic pack ice would preclude shipping. The window was closing fast. We promptly mobilized a land-rig assessment team to the Washington shipyard, where the rigs were being built.

Our client, of course, was as keen as the drilling contractor to have the rigs on site and drilling.

"If they don't ship out," he said, "the North slope will be iced in and it'll be next summer before we can start drilling."

But they also knew the best chance of that happening would be if the rigs were completed before being shipped. This, according to our team on the ground, was impossible.

The drilling contractor conceded that work at the shipyard might not be finished, but was adamant they could still ship the units on the original date and start drilling on schedule, completing any final construction in Alaska.

Our team discovered the contractors still had a mountain to climb before the rigs would be finished.

The schedule was already unrealistic and work would go even more slowly at the North Slope—especially at 30 degrees below.

After measuring construction progress and developing a risk profile for the carryover work, we knew the drilling contractor was asking too much of its Alaskan work crews. By our reckoning neither rig would be ready to drill until the following summer, at the earliest. After a few days, we'd seen enough and advised our client of our findings.

We recommended that the drilling contractor complete the job at the Washington yard and hold off on sending the rigs till the spring. The drilling contractor was unrelenting, however, and shipped the units out as planned. Acting on our insights, our client amended their own expectations well in advance of the scheduled drill-start date. Management strategy was developed and contingencies made. We weren't surprised to learn that the rigs didn't go to work on schedule.

Armed with a clear understanding of where it stood, our client held the drilling contractor in default. Acknowledging their error, the contractor agreed to a contract amendment for commencement of drilling operations.

So what?

The facts and risk forecast outlined by our report helped protect our client's interests. In the end, our forecast of drill-ready dates—initially challenged by the drilling contractor as unrealistically pessimistic—proved to be a touch optimistic.