

The slide features several hexagonal graphics of varying sizes and colors (purple, pink, light blue, green). Some hexagons contain images of industrial drilling rigs and offshore structures. The largest hexagon at the bottom left shows a close-up of a drilling rig's structure with lights.

Opportunities & Challenges for International Drilling Contractors in Regional Projects

7th OJME 2019, 7-8 October 2019, Taj Hotel, Business Bay, Dubai UAE

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Introduction

General Opportunities and Challenges



Opportunities and Challenges for International Drilling Contractors

- Biggest market for jack-ups globally
- Compliance with regional requirements (in terms of clients and coastal requirements)
- Regulatory requirements (Local content requirements)
- The Drilling Contractors need to demonstrate their track record (potential challenge for new entrants) working in the region
- New international entrants have to show the value they are bringing to the region (i.e. Borr Drilling and Schlumberger, Integrated solution)
- Age profile of the jackup fleet is a double-edged sword



2 Ageing fleet

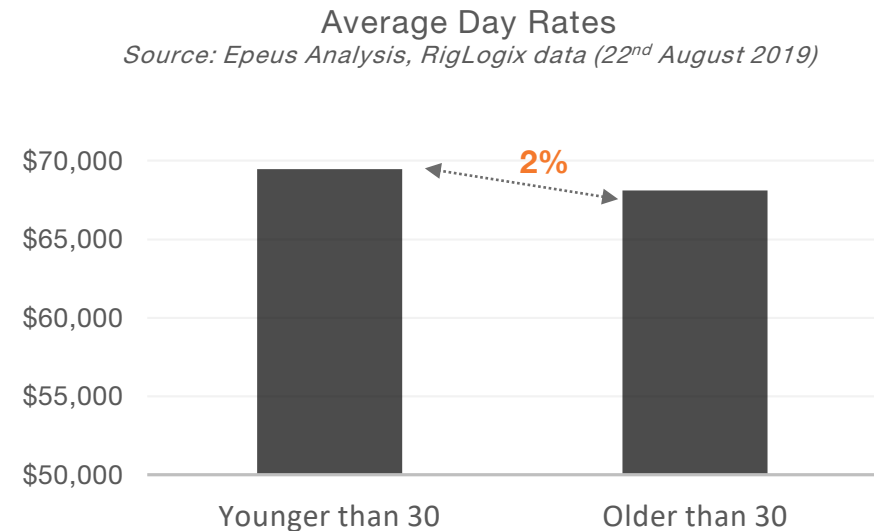
Why is having an ageing fleet a challenge to the Drilling Contractors?

More and more field operators are requesting high specification and **younger** jack-ups

- Last year QatarGas only requested “high-spec jack-ups built after 2012”
- Al Khafji Joint Operations (KJO) is currently requesting “jack-ups built after 1990 and last refurbishment no more than five years ago”
- ADNOC is currently requesting an “HPHT capable jack-up” and none old jackups in the region have that capability

Average day rates variance between the old and younger jack-ups isn't significantly high

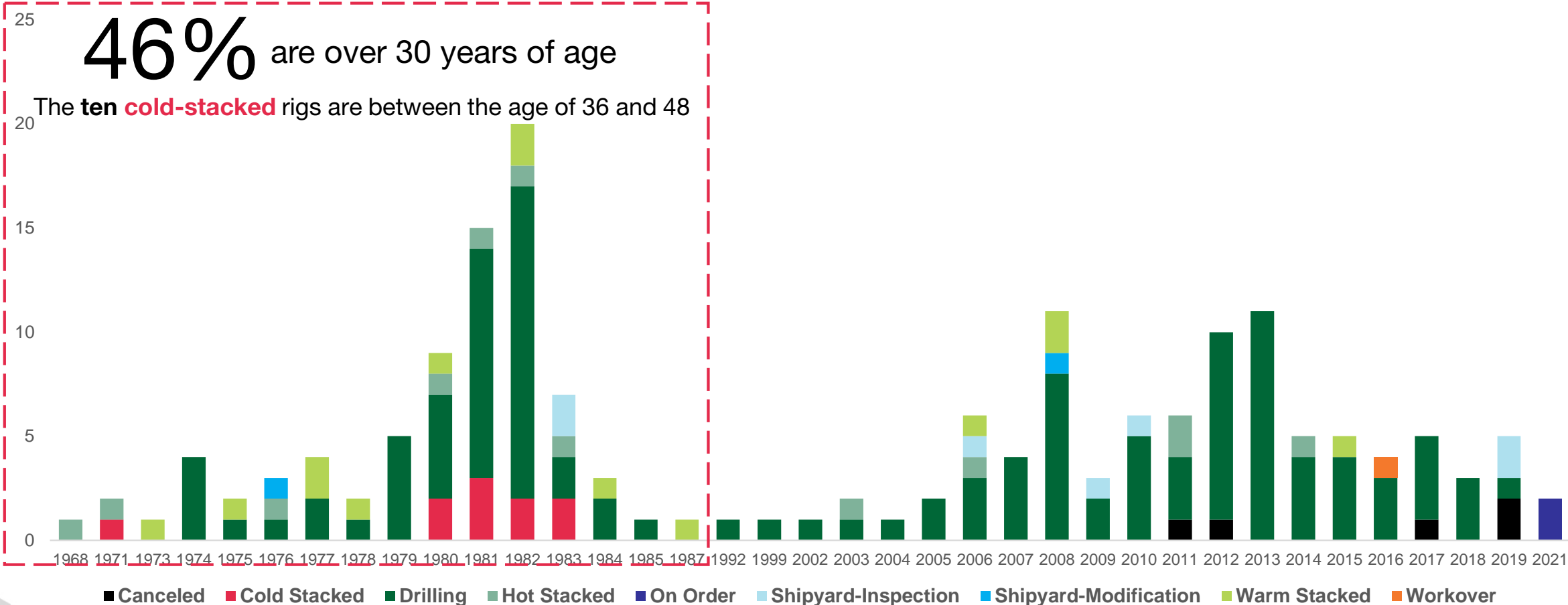
Less incentive for the operators to pick the older rigs



Age profile of the Jack-ups Operating in the Middle East¹

The Middle East Jack-up Status by their delivery year

Source: Epeus Analysis, RigLogix data (22nd August 2019)

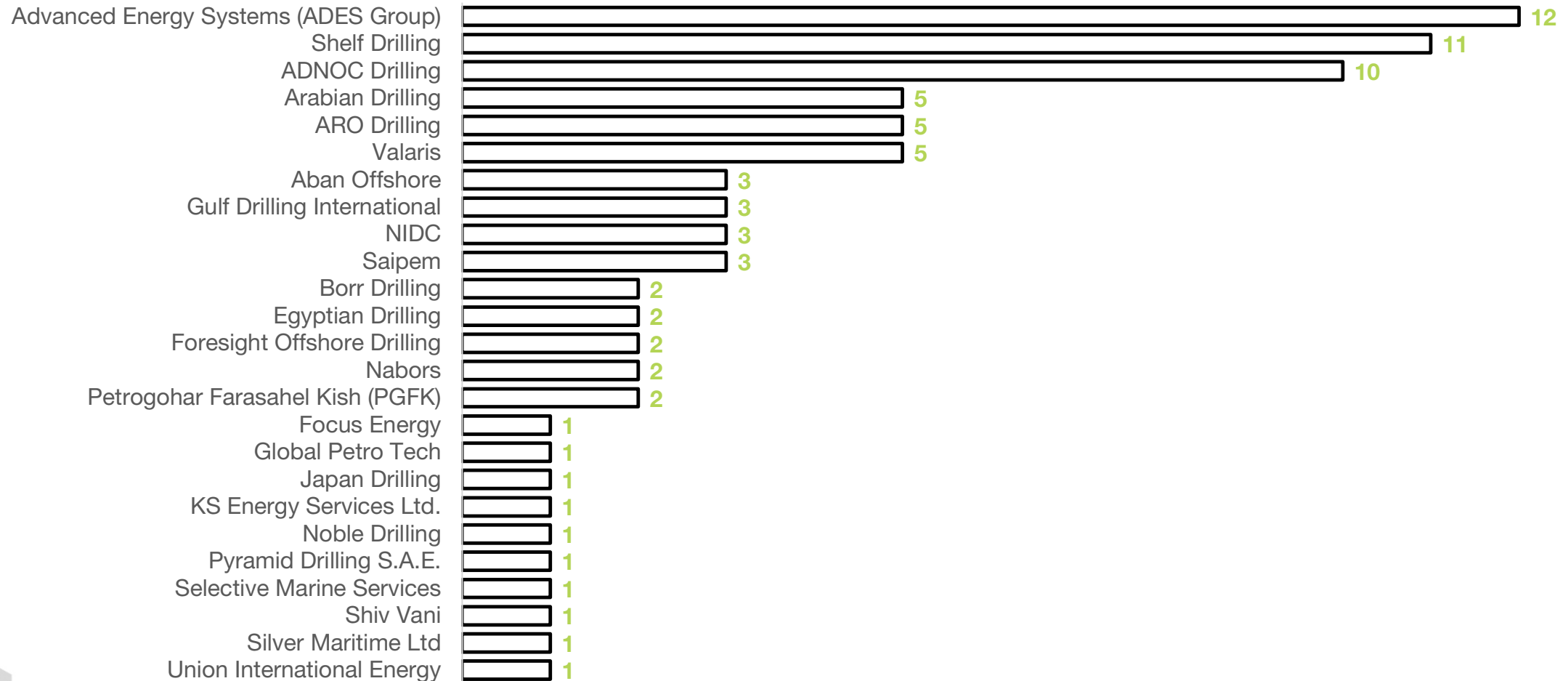


¹GCC Countries + Iran + Egypt

The burden is shared across the industry

Jack-ups older than 30 years by rig manager

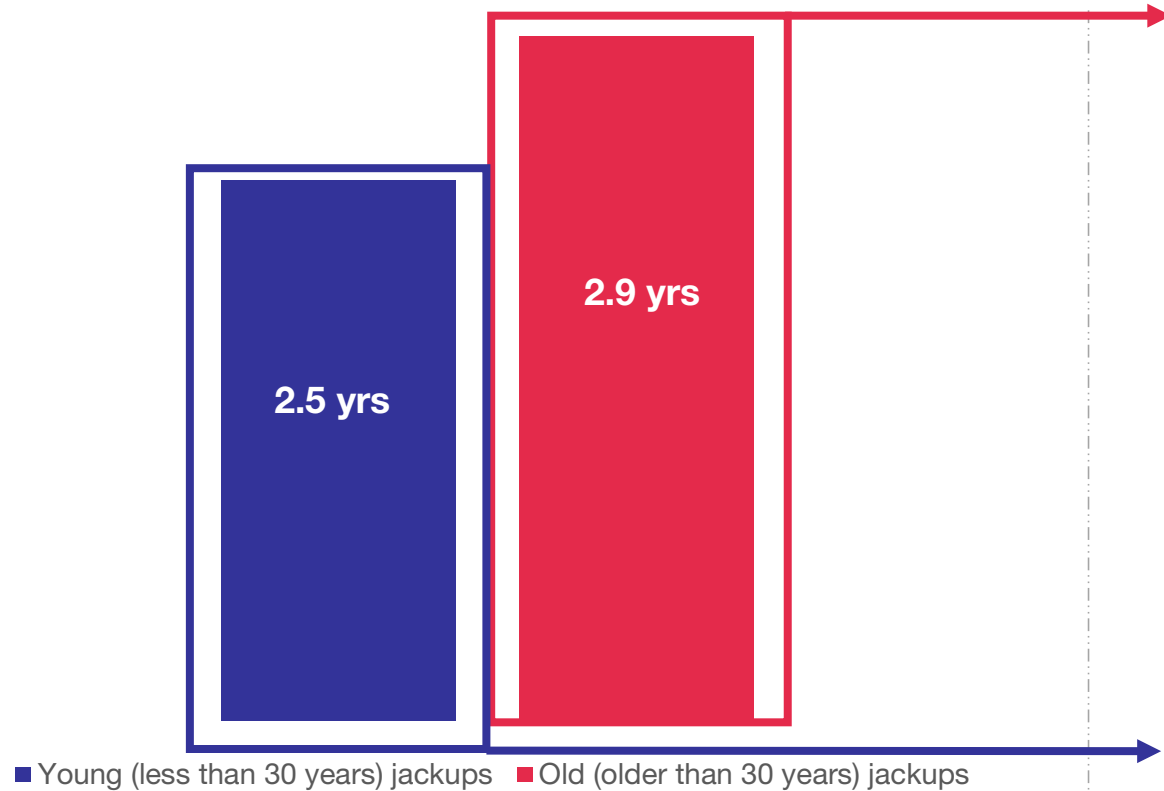
Source: Epeus Analysis, RigLogix data (22nd August 2019)



How long are their contract terms and expiry date?

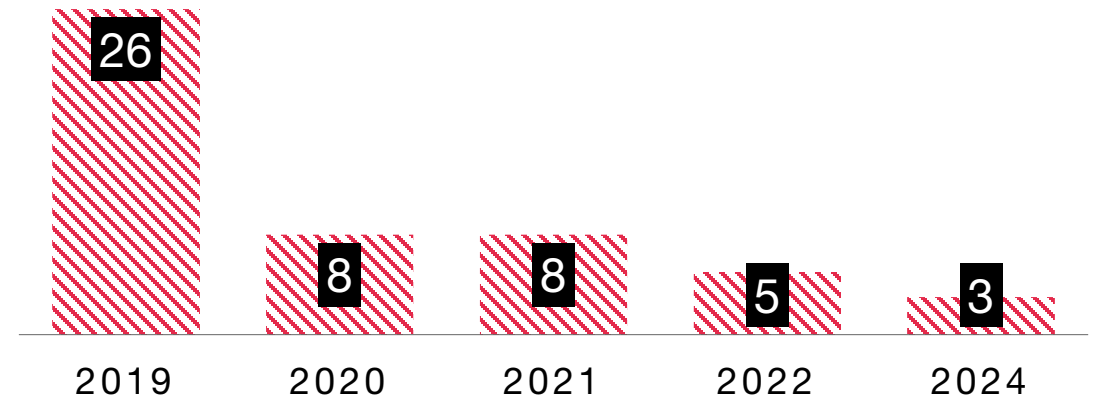
CONTRACT PERIODS: YOUNG VS OLD

SOURCE: EPEUS ANALYSIS, RIGLOGIX DATA (22ND AUGUST 2019)



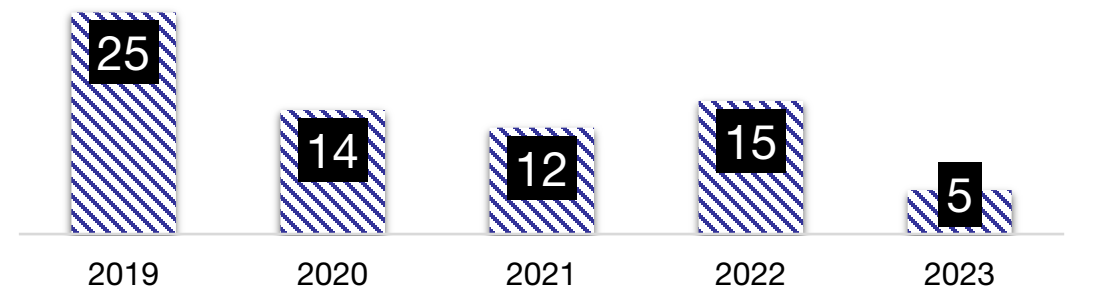
CONTRACT END YEAR FOR THE OLD JACK-UPS

SOURCE: EPEUS ANALYSIS, RIGLOGIX DATA (22ND AUGUST 2019)



CONTRACT END YEAR FOR THE YOUNG JACK-UPS

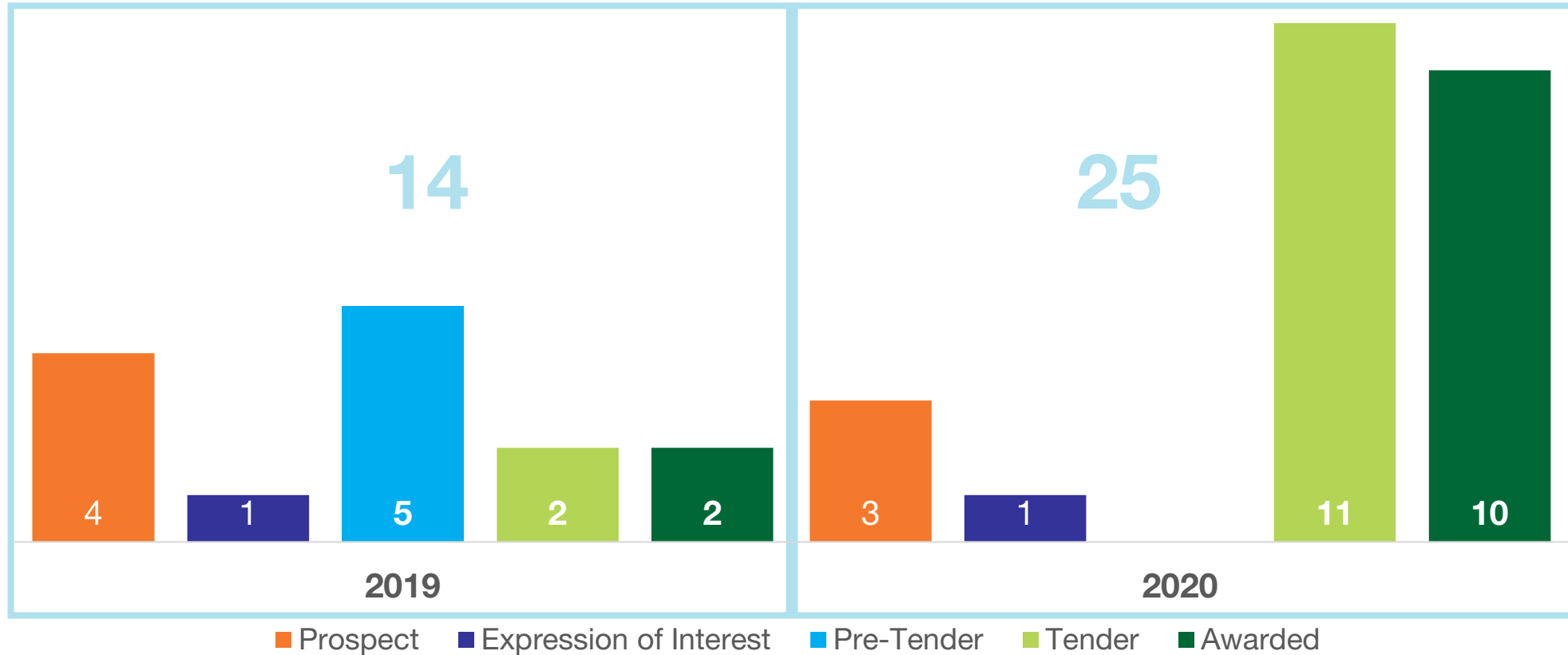
SOURCE: EPEUS ANALYSIS, RIGLOGIX DATA (22ND AUGUST 2019)



Is there demand for the old jack-ups?

Current Demand of Jack-ups in the ME

SOURCE: EPEUS ANALYSIS, RIGLOGIX DATA (29TH SEPTEMBER 2019)



*2019 (September to December)

What to do with the older jack-ups?

The drilling contractors have a choice on what to do with their older rigs

- Divest them one by one or as a group
- Spin them off into another business
- Retire them
- Upgrade them
- Replace them

Which option is best will depend on a number of factors including

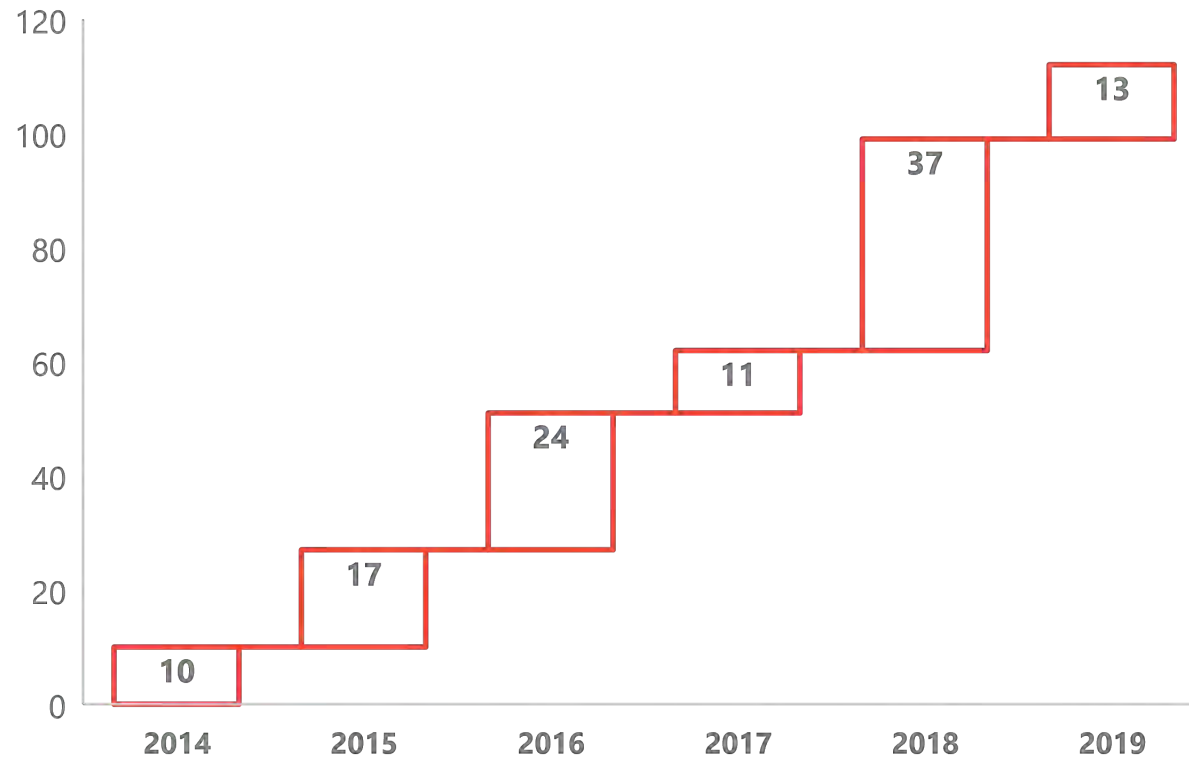
- Contract backlog and pipeline
- Client profile
- Fleet profile
- Company strategy



Retired Jack-ups globally

Total Number of Jack-ups retired globally by their attrition year

Source: Epeus Analysis, RigLogix data (23rd August 2019)



Where have these jack-ups gone to?

- 46% were sold for scrap
- 30% were sold for non- drilling purpose
- 24% were converted (i.e. accommodation, MOPU, and platform support vessel)

Conclusion

- The international drilling contractors can successfully penetrate the ME market
- The issue of Ageing rigs looms large for the industry
- Current market conditions mean that the decision on what to do with older assets becomes more critical
- Drilling contractors need to consider carefully which strategy and approach they will take and think about the risks and financial considerations.

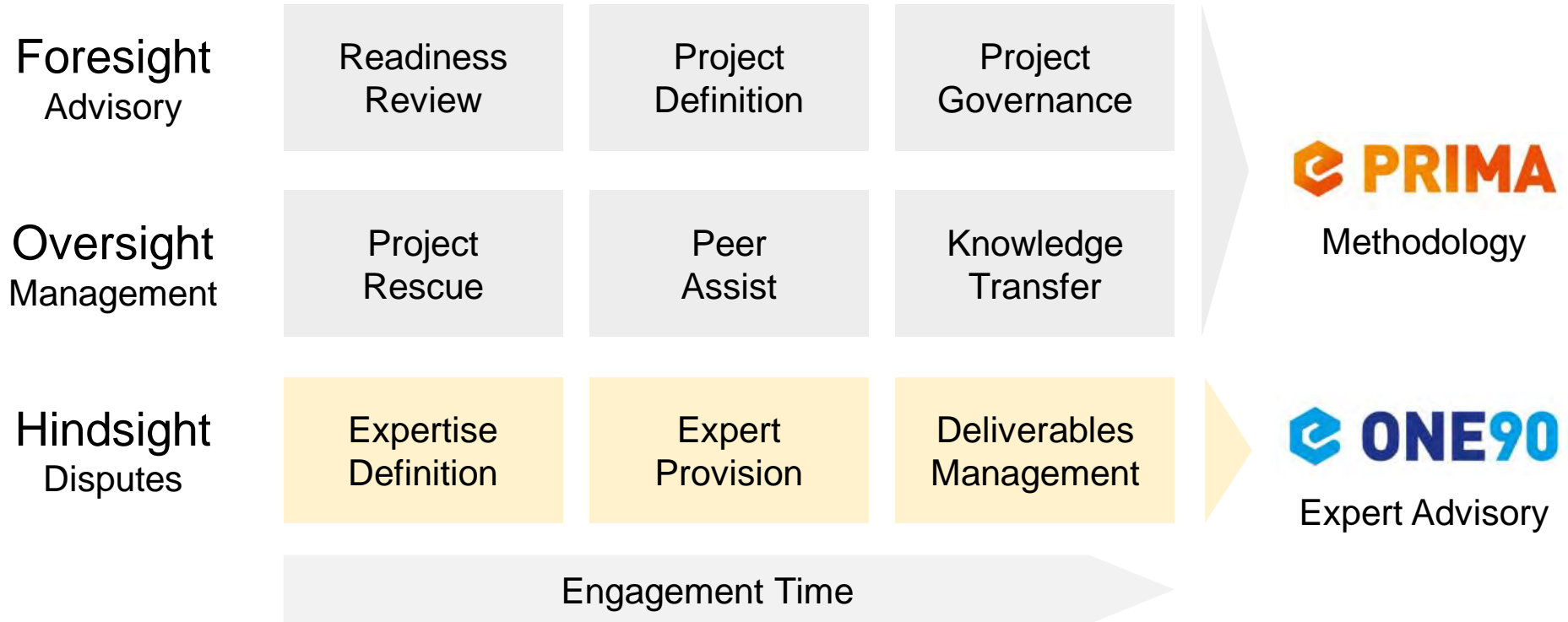




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About Us

Our Services



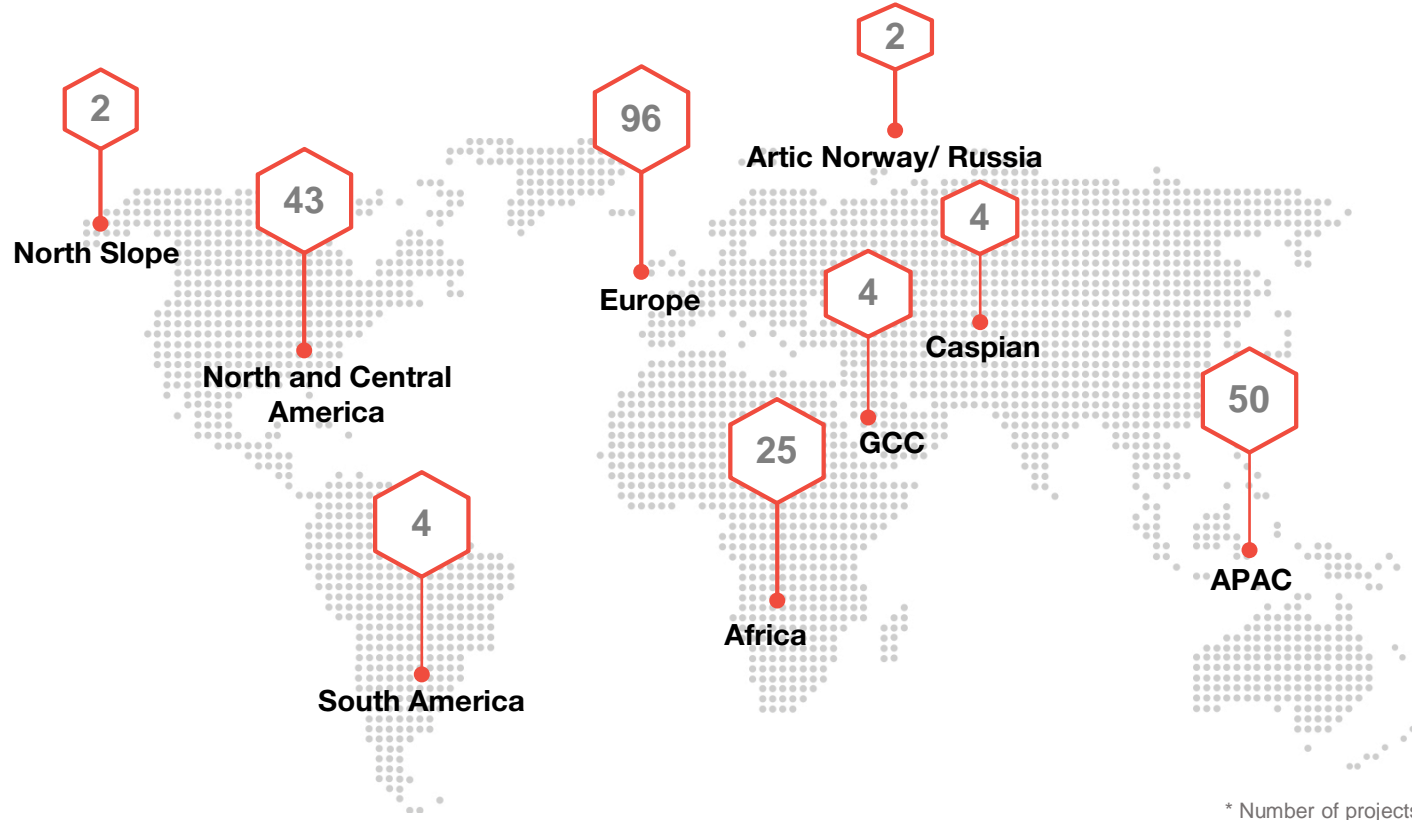
Our Clients

We exclusively serve the upstream energy sector.
Here's a selection of our clients.

Operator	Integrator
	
Investor	Law Firm
	

Why Epeus?

Our knowledge bank from 200+ projects since 2002



* Number of projects

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