DRILLING CONTRACTOR

# DRILLING AHEAD

# When giants collide

**Mike Killalea, Editor & Publisher**

**THE TREMORS HAD** barely subsided from the mega-mergers of mega-majors **Exxon** and **Mobil** and the ménage á trois **BP**, **Amoco** and **Arco**, when struck the latest seismic event—the proposed merger of killer drillers **Transocean Sedco Forex** and **R&B Falcon**. The definitive agreement for the all-stock transaction will create the world's largest offshore drilling contractor, which will be named Transocean Sedco Forex. Further, the companies say in a joint news release, the the new company will rank third among the world's oilfield service firms, with an estimated equity market capitalization of $17.7 billion.

Including marine drilling and workover units of all stripes, still-to-be delivered deepwater MODUs and other offshore vessels, the deal will create a 211-rig fleet, uniting R&B Falcon's 139 rigs with TSF's 72, the companies say. According to IADC membership data, Transocean Sedco Forex operates 6 drillships, 42 semisubmersibles and 17 jackups, while R&B Falcon runs 62 inland barges, 14 drillships, 12 semisubmersibles, 27 jackups, 2 tender rigs and 3 submersibles. (R&B Falcon also operates a fleet of offshore service vessels and an FPSO.)

The companies are large buyers of new deepwater drilling units. New or significantly upgraded deepwater units for R&B Falcon either recently received or on order include 9 drillships—the Deepwater Pathfinder, Deepwater Frontier, Deepwater Millennium, Deepwater Expedition, Deepwater Navigator, Deepwater Discovery and Navis Explorer I (38% stake)—and 2 semisubmersibles, the Deepwater Nautilus and Deepwater Horizon. Transocean Sedco Forex, meanwhile, boasts 7—4 semis, the Cajun Express, Sedco Energy, Sedco Express and Transocean Marianas, and 3 drillships, the Discoverer Enterprise, Discoverer Spirit, and Discoverer Deep Seas.

Together, the companies will operate 13 MODUs rated for 7,500 ft of water or greater, controlling 40% of the world's ultra-deepwater fleet, according to "Offshore International Newsletter". The periodical also says the new company will control 42 rigs capable of drilling between 1,500 ft and 7,499 ft, some 42% of available equipment in that range. The new TSF will employ 15,000 people worldwide.

By any measure, the new Transocean Sedco Forex boasts quite an armada. What to watch now is the reaction of competitors, the largest of whom fields a fleet a third the size of TSF's.

## MMS LAUDS WELLCAP

WellCAP, the IADC Well Control Accreditation Program, recently received a strong endorsement from the **US Minerals Management Service**. The praise from MMS is a strong signal to offshore operators that WellCAP can help them achieve the training requirements they must meet as MMS moves to a less-prescriptive safety regime on the US OCS over the next 2 years.

Writing in the 14 Aug edition of the official US government publication "Federal Register, MMS said it plans to formally propose that WellCAP be incorporated into federal regulations governing offshore well-control training.

"MMS comments IADC for the WellCAP program and acknowledges the value WellCAP could bring in providing minimum well-control training requirements to lessees and contractors worldwide," the agency wrote. "MMS intends to publish a proposed rule that proposes the incorporation of WellCAP or a comparable third-party certification program into Subpart O."

Subpart O is the set of regulations governing well control and production safety training on the US OCS.

Over the next 2 years, the burden of ensuring that drilling workers on the US OCS are properly trained in well control will largely shift to the offshore lessee. Previously, MMS had borne that role by certifying training institutions as qualified to conduct well-control training. By extension, graduates of such duly certified programs are deemed fit and competent to work offshore.

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## CAPITAL WIRELINES

# Oceans Act of 2000 incorporates important industry changes, but some concerns remain

**Brian T Petty, Senior Vice President-Government Affairs**

**OCEANS ACT** (Washington) - President Clinton in early August signed the "Oceans Act of 2000" justifying it because "More than 30 years have passed since the Stratton Commission issued recommendations that laid the foundation of federal oceans policy—including the establishment of national marine sanctuaries, management of marine fisheries, and creation of the **National Oceanic and Atmospheric Administration**."

IADC Government Affairs chairman **Paul Kelly** of **Rowan Companie**s testified before Congress on behalf of six offshore oil and gas industry trade associations in March of 1998 to express concerns about the Act as then proposed. At the time, the legislation contemplated an "Oceans Council" which would have redundant jurisdiction with a proposed "Commission on Ocean Policy." Also, the earlier legislation contained a bias against multiple uses of ocean resources, including oil and gas reserves, and otherwise did not require considerations of cost/benefit analysis, risk assessment and peer-reviewed science. Mr Kelly then made the point that "We have had successes in US ocean policy and we have had failures. If Congress determines that a Commission is needed, it should be charged with examining these and determining what has worked and what has not worked. It should take its input directly from all the stakeholders with an interest in the ocean. . . ."

**"With the legislation now a fact, the industry will endeavor to be properly represented on the Commission (on Ocean Policy)."**

Many of industry's concerns voiced by Mr Kelly at the hearing were addressed in the legislation which finally passed this summer. Important changes included dropping the Oceans Council, and requiring a balance between environmental and economic considerations by the Commission in any recommendations it makes to Congress. The White House press release set forth the purposes of the Oceans Act as follows:

"To take effect January 20, 2001, the Act:

- Establishes a Commission on Ocean Policy with 16 members, including representatives of state and local government, academia, ocean-related industries, and the conservation and scientific communities. Members will be appointed by the President, with 12 members drawn from nominees submitted by Congress.
- Directs the Commission to examine federal ocean policy, and environmental and economic trends affecting oceans and coasts, and within 18 months of its appointment submit recommendations to Congress and the President.
- Directs the Commission to recommend ways to promote responsible stewardship of fisheries and other marine resources; protection of the marine environment; enhancement of marine-related commerce and transportation; expansion of human knowledge of the marine environment; cooperation among federal, state and local governments, and with the private sector; protection of life and property; and preservation of America's international leadership on ocean issues."

The offshore oil and gas industry achieved important changes in the thrust of the legislation but remains apprehensive about implications for offshore development. With the legislation now a fact, the industry will endeavor to be properly represented on the Commission.

With the advent of the new rule, school certifications by MMS will end.

The good news for operators is that there is in WellCAP an MMS-recognized training-accreditation program designed to ensure that workers on their leases understand fundamental well-control practice.

Consistent use of WellCAP by operators, contractors and service firms alike will keep operations streamlined in the Gulf of Mexico under the new rules. There will be no time lost for contractors to re-qualify under new guidelines as they move from one operator to another.

Let's not re-invent the wheel.

## GAS SPURS OCS LEASE SALE

The promise of natural gas and the possible expiration of the deepwater royalty deferral program were probably the main factors spurring success in Western Gulf of Mexico Lease Sale 177. The sale netted more than $153 million in high bids, 62% higher than garnered in the abysmal 1999.

MMS reported that 60 companies bid on 226 roughly 9-sq mile tracks, all offshore Texas and deeper waters offshore Louisiana.

"This was a moderately strong sale, the fifth largest Western Gulf Sale in the last 10 years," said Gulf of Mexico OCS Regional Director **Chris Oynes**.

MMS said that 97 of the tracts lie in water depths of 200 m or more. Water depths exceed 800 m for 81 of the tracts. The highest bid, $10,540,800, was submitted by **Kerr-McGee Oil & Gas Corp** and **CXY Energy Offshore Inc** for Garden Banks Block 624, in more than 800 m of water.

The Royalty Relief Act, passed in 1995 with strong IADC support and kicked off in '96, expires in November. MMS has the authority to extend the program, but Director **Walt Rosenbusch** told the **Associated Press** that the agency had yet to decide on renewal.

However, he noted that, in the absence of the royalty deferral program, operators might pack their bags for West Africa or Brazil.

Still, 129 blocks (57%) were in water depths of 200 m or less—prime gas country.

The outlook for natural gas is increasingly rosy. **Raymond James Energy** recently raised its gas-price forecast for 2001 to more than $4, despite lower demand this summer. "It is clear to us that the US is headed for a natural-gas crisis this winter," the analysts wrote recently.

Let it snow, let it snow, let it snow. Let us drill, let us drill, let us drill.