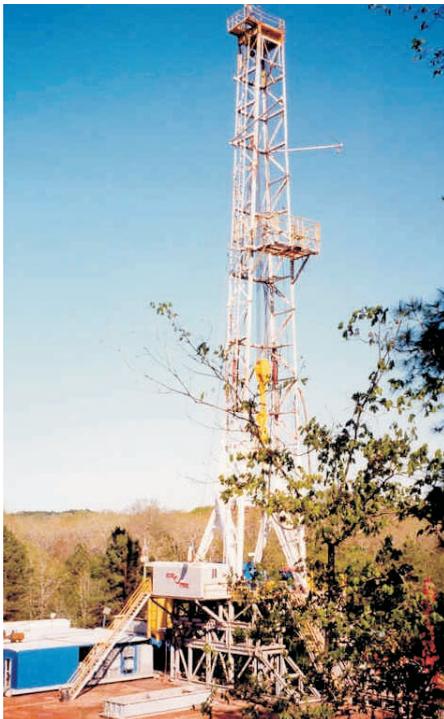


Scandrill celebrates 25 years in contract drilling

SCANDRILL INC. CELEBRATES 25 years as an independent US drilling contractor this year. Established in 1977 as Scan Drilling USA Inc., the company has been involved in the construction, reactivation, manning and operating of offshore, inland water and onshore rigs for limited partnerships of which the company's president is the general partner.



The Scan Pride is drilling for Samson Resources, Tulsa, OK, in Nacogdoches County, Texas.

The rigs under the company's management have operated around the world. Scandrill now operates 13 land rigs in northeast Texas and once in a while in northern Louisiana.

The company has worked for a mix of small and large independent operators as well as the largest majors. The company's crews have experience and training in drilling sour gas, high pressure wells, deep and shallow wells, and deep-water and shallow water wells.

It is even more unusual for a company to be able to boast that its very first employee is still working for the company. However, that is the case with Bobby O'Neal, the company's Senior Vice Pres-

ident. Mr O'Neal helped form Scandrill in 1977 when the company was called Scan Drilling USA, Inc. Mr O'Neal was working with another drilling contractor at the time and a friend of his at the same company, who was involved in moving a jackup owned by Scan Drilling to the Gulf of Mexico, asked him to help set up the US office. That was the beginning of a quarter century of involvement with the same company.

The Scandrill jackup was brought here to work in the Gulf of Mexico," Mr O'Neal said, "and that is when we began our operations. Scan Drilling actually was started in Singapore by the same group of Norwegians that opened Scan Drilling USA."

The jackup worked in the US Gulf for about two years and then mobilized to Italy. A few years later, the company's investors constructed a posted drilling barge and two land rigs. The barge worked for a couple of years but it was stacked in 1981 due to the dismal market at that time. The land rigs were also stacked after working only a short time since they were delivered during the middle of the downturn in the 1980s.

Market conditions didn't improve quickly, of course, and the posted barge was eventually sold to another company. The jackup never returned to the Gulf.

Scandrill presently manages and operates 13 onshore rigs for limited partnerships that own each of the individual rigs. The general manager for each of the limited partnerships is Martin Mosvold, Scandrill Inc.'s President.

The earliest of the company's 13 rigs was built in 1982, with a couple of its new rigs entering its fleet as late as last year. The Scanrig, built in 1982, was the company's only real newbuild rig. The other units were assembled at the company's facility in Tyler, Texas, from new and used components.

The vast majority of the company's operations are in northeast Texas, generally east of a line between Nacogdoches and Dallas. The company drilled a couple of wells in Beaumont but that is as far south as it has worked. Scandrill also has done a limited amount of drilling in northern Louisiana, primarily

in the Bossier field. That project ran for about a year.

The company has managed to keep all 13 rigs contracted and working. However, Mr O'Neal said, "if the price of gas goes down, we could have several of them stacked by summer."

Stacking rigs always raises the problem of rig hands. When our rigs were going to work last summer, Mr O'Neal said, there were a lot of rigs already working and there were problems staffing up.

"If and when the company begins staffing down," Mr O'Neal explained, "we will certainly try to keep people that we have. If we have to we will move them to other rigs but we intend to try to keep the best that we can."

"We have toolpushers, drillers and derrickmen that have been with us for 10 or 15 years," Mr O'Neal continued, "and we are not going to lay them off."

"Our entire reputation is built around the quality of our toolpushers," adds Paul Mosvold, Vice President of Human Resources for Scandrill Inc. "Our entire structure would have to be changed if we stated having turnover of our toolpushers. It isn't even an option."

The rig crews received hefty pay increases during the past two years but this February a small pay cut was instituted. "You can't lay off one of your workers and drill with less crew," Mr Mosvold said. "The slips around the drill pipe have three handles for a reason."

Scandrill Inc. has survived several industry downturns and is still going strong. It is likely the company will survive this downturn intact as well.

"We are in a much better position to survive a downturn than at any other time in the company's history," said Marty DuBroc, the company's Senior Vice President of Operations. "We respond quickly to our customers' needs and that results in high utilization."

Scandrill is enjoying a 92% utilization rate, which is expected to hold to at least that percentage through the first half of this year. The company has seven rigs under long-term contract with expirations that begin this June and run through August 2003. ■