

# East Canada small but fairly active market area

**WHILE THE EAST** coast of Canada is a small market, with less than a half dozen offshore rigs stationed there, they are expected to stay fairly active due to ongoing development drilling plus several new exploratory and appraisal programs expected in the future. Only a couple handfuls of rigs can work there immediately due to safety and environmental regulations that apply to the rigs so the current population is relatively safe from at least a certain amount of competition. Additionally, the rigs that are currently drilling in the Atlantic are under long term contract or have potential follow-on work upon expiration of their present charters.

## JACKUP ACTIVITY

While much of the news concerning east Canada is and has been about deepwater exploration and production, there is a certain amount of shallow water activity that can be handled with jackup rigs. The shallow water market is not good, with utilization at only 50%, but it must be noted that the utilization figure translates from only one of two jackups in the area under contract, **GlobalSantaFe's** Galaxy II, which is working for **ExxonMobil** in the Sable Island field off Nova Scotia. The rig is in the fifth year of a five-year contract that initially was to expire in early November 2003. That could be pushed back slightly.

"The official expiration date was in early November," said **Steve Cosby**, Manager of Sales and Contracts for the Gulf of Mexico and Canada for GlobalSantaFe. "However, we have gone on a standby rate (in the past) while ExxonMobil was waiting on a structure to be set so that will push the contract to early January 2004."

The contractor is talking with ExxonMobil about possible follow-on work drilling additional development wells, however, that potential work likely would not begin before mid-2004 so there could be an idle period for the rig.

Meantime, GlobalSantaFe is pursuing other possible work opportunities.

The other jackup is **Rowan Drilling's** Gorilla V, which is currently stacked in Nova Scotia. It has been idle since September 2002. Previous to then it was

working for about 2 ½ months for **El Paso** and **Canadian Superior**, however, it was idle for more than 100 days before that contract began.

There is some exploratory work on the horizon for jackups, according to **Linden Terry**, Rowan's Canadian Area Manager, and the company hopes to be awarded some of that work. The obvious companies with potential shallow water programs are **ExxonMobil** and **EnCana**.



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## SEMISUBMERSIBLE PROGRAMS

All three of the area's semisubmersibles are contracted. Two are drilling and the third, GlobalSantaFe's Grand Banks is in the shipyard currently being upgraded for a long-term development program on **Husky's** White Rose field that is scheduled to begin in July. The contract for the drilling program was signed in November 2002.

The rig will drill up to 11 wells during its initial two-year contract with Husky, and there are options for the operator to continue contracting the rig for an additional 2 ½ years.

Husky says that one or more semisubmersibles will be used throughout the life of the field for drilling, re-entering and completing wells. Oil from the field will be recovered with between 19 and 21 wells including 7-8 production wells and 10-11 water injection wells plus two gas injection wells.

Upgrades being performed on the Grand Banks are more specific to drilling development wells than anything relat-

ing to safety or environmental regulations, according to Mr Cosby.

"There is an assortment of items we are upgrading," Mr Cosby said, "such as enlarging our liquid mud capacity."

"There are probably 25 different items on the list to make the rig more efficient and fit for purpose for the development drilling program," he added.

Other semisubmersibles drilling offshore east Canada are **Ocean Rig's** Erik Raude and **Transocean's** Henry Goodrich. Transocean's rig is contracted to the **Terra Nova Group** for devel-

opment drilling on the field until the end of February 2005. The Erik Raude was working for **PetroCanada** earlier this year and had additional work lined up with EnCana following PetroCanada's program.

## **FUTURE ACTIVITY**

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There is a bit of work planned for the future but not an overwhelming amount. Newfoundland is presently primarily in the development phase of its various projects, including the Terra Nova development that is covered by the Henry Goodrich semisubmersible, and some development drilling from the Hibernia structure's platform rigs.

"There have not been a lot of exploratory wells lately," said Mr Cosby, "nor does there seem to be a lot of interest or telephone calls regarding potential exploratory wells coming up."

"There are some operators there that have indicated they have some exploratory wells in their portfolios," he continued, "but they are wells that we have been talking about for years."

Along the Nova Scotia coastline, Mr Cosby said, there are some operators talking about exploratory wells in the jackup water depth range. He also adds that there are a number of deepwater leases that were obtained during the past 2-3 years.

"Those leases are going to have to be drilled in order for the operators to keep them or give them up," he said.

## **CHALLENGES**

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The harsh environment is obviously a challenge, and there are few rigs, especially deepwater rigs, that are capable of drilling year round offshore east Canada. Other than environmental considerations, drilling contractors and operators are required to meet certain federal and provincial regulations governing safety and other equipment on a rig. A high specification rig that was designed and built for harsh environment areas such as east Canada or the North Sea would likely require few modifications to meet local regulations.

If a rig was designed for a less harsh environment, the modifications could be significant. Costs could approach \$10 million depending upon the amount of upgrades and modifications. However,

once the upgrades are performed, the rig can essentially drill off east Canada at any time.

The federal government and provincial governments require a certain amount of local content as far as labor and rig crews are concerned. This can become a sticky point when dealing with a labor pool that might not have the necessary skills or qualifications when it comes to operating a state-of-the-art semisubmersible or drillship.

"It's difficult enough to fill highly skilled and highly technical positions in the Gulf of Mexico," Mr Cosby said. "In Canada skill sets for a unique piece of drilling equipment are not readily available."

The provinces require up to a certain level of the rig crew to be Canadians, but that could make operations difficult on a one or two well program.

Replacing the usual crews with other workers removes their ability to work together, which is vitally important to

the crew's safety and the rig's HSE record.

Additional costs arise when a rig is brought from the Gulf of Mexico to east Canada for a one or two well project during the summer, for example.

"We may take some of the crew from the Gulf to Canada, for example," Mr Cosby said. "At minimum we will keep them on our payroll so we don't lose them and we will have access to them when the rig comes back to the Gulf."

"At the end of the day," he continues, "that adds to the operating cost for that rig."

Rowan has been working offshore east Canada for about 20 years, according to Mr Terry, and the company uses mainly local personnel.

"We have some Canadians that have been with us for 20 years or more," he said. "We also have about 100 Canadians working in the Gulf of Mexico on the Gorilla II and III." ■