Soaring drilling activities in Middle East drive up personnel and rig shortages, equipment costs

RIG UTILIZATION IN the Middle East region has been explosive, said **Pat O'Shaughnessy**, group general manager of Muscat, Oman-based **National Drilling & Services Company** (NDSC). **Saudi Aramco** has more than 100 rigs operating in the field, and **Petroleum Development Oman** (PDO) will likely see a 30%-40% increase in rig count by the end of this year. "All over the Middle East, there's a lot of activity wherever you look," he said.

PDO accounts for about 90% of Oman's crude oil production and nearly all of its natural gas supply. In February 2007, PDO announced the discovery of 3 oil fields. One, Budour Northeast, is located in the Birba area of South Oman. The other 2 are extensions of the Ufuq and Dafiq fields, whose discovery was originally announced last year.

The Budour Northeast field will be appraised this year on the basis of a long-term production test of the discovery well and the drilling of 2 or 3 additional wells. The discovery well revealed that the field, at a depth of about 3 km, contained oil along a vertical distance of 67 m. A preliminary test showed it could produce at a stable rate of 8,000 bbl/day. The other 2 discoveries – in the north of the country at depths of about 1,500 m – are hooked up for long-term production.

In addition to finding new fields, operators are maximizing production from existing fields and maintaining old fields, which has helped to bring in more rigs and work to the region, Mr O'Shaughnessy said.

NDSC currently operates 4 land rigs for PDO on 4-year contracts, although 2 will be expiring this year.

Mr O'Shaughnessy remarked on the region's rig scarcity: "Essentially there are no idle rigs in Oman, or anywhere in the Middle East."

The biggest challenge for drilling contractors in the area, he continued, is the same story being heard in oilfields around the world — finding and retaining people.

KCA DEUTAG's 3,000-hp rig T-79 started operations in June 2006 for the South Rub Al-Khali Company (SRAK), a consortium formed by Shell, TOTAL and Saudi Aramco, in the Empty Quarter in the heart of Saudi Arabia. The concession is located in a harsh environment, with the nearest road 500 km away.

QATAR

Bullishness on natural gas is the driving force for offshore activity in Qatar. For instance, 7 of **Noble Drilling**'s 9 rigs in the country are working on Khuff gas wells. At more than 900 Tcf, the Qatar North Field is the world's largest unassociated gas field, with development feeding not only local market development, but LNG and GTL activity, as well.

The heavy emphasis on natural gas development began about 3 years ago, explained **Charlie Yester**, **Noble International**'s vice president and division manager in Qatar. Mr Yester said he expects gas-driven activity to level off in about 3 years. Meanwhile, oil production and exploration continues, albeit at a slower pace. Of the 25 jackup rigs working in Qatar, 13 are working on Khuff Gas projects and 12 on oilfield development projects.

The North Field gas wells boast enviably high rates, yet don't exhibit extreme pressure, Mr Yester said. Each well can produce 100MM – 130MM scf/day, and a single platform more than 1 B scf/day.

While the technical challenges are not overwhelming, the people conundrum is little different from anywhere else now. "It's a challenge," Mr Yester remarked. "The increased activity, here and in other regions, has put pressure on the labor market, both for supervisors and others. Noble has initiated recruitment, training and retention plans at all levels to mitigate the prospect of other people hiring our staff."

Language also poses a challenge, he added. In Noble's 16-rig Middle East /

India fleet, there are 22 different nationalities employed.

"The Middle East has been good for us," Mr Yester observed. "It's historically been a safe place to work. We have a great team and everyone pulls together to provide safe and efficient work for our clients."

Noble brought 2 rigs into the Qatar market in 1995 and now has 14 rigs in the Arabian Gulf and two in India managed from the office in Doha, Qatar.

SAUDI ARABIA

For **KCA DEUTAG**, the Middle East has been and continues to be a high-activity region, said **Ian Lane**, director - Southern Business Unit for KCA DEUTAG. He cited Saudi Aramco, which has increased its rig count from 35 in 2002 to a planned 130 by the end of 2007, including 25 offshore units.

"A number of these offshore units have come from the Gulf of Mexico," he noted. "Over the last 2 years, long-term contracts at attractive rates in the Middle East have attracted some rig operators out of the GOM, where contracts are typically short duration. Difficulty of securing insurance for hurricane damage in GOM also has been a contributing factor."

The T-77 land rig is working in Oman for PDO. KCA DEUTAG has 14 rigs working in the region.

Accompanying the uptick in activities are the rising demand for personnel and consequently the rising cost of personnel and equipment, he said.

Dayrates, as well, have been increasing. Jackups are now in the $165,000-$180,000 range for long-term contracts, and 2,000-hp land rigs are in the $25,000-$30,000 range, also for long-term work, according to Mr Lane.

The region also has seen many new entrant operating companies, such as **SRAK**, formed in 2003 as a joint venture of **Shell**, Saudi Aramco and **TOTAL**. "They're bringing more work into the area and increasing competition for existing assets and personnel," he said.

On the flip side, new entrant drilling contractors also are coming into the Middle East. Mostly these are established drilling contractors expanding their operations, Mr Lane noted, although many new drilling contractors from India and China have moved in as well.

KCA DEUTAG has 14 rigs in the Middle East, including 2 in Pakistan, 1 in Oman/Qatar and 2 in Saudi Arabia (1 working for Saudi Aramco and 1 for SRAK), and 8 working for PDO in Oman, up from 7 a year ago.

Offshore, the 230-ft jackup Thule Power recently underwent extensive refurbishment and is being mobilized from Sharjah (in the United Arab Emirates) to Saudi Arabia.