



# Offshore Drilling Report

## October 2018

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*In this report you will find an overview of dayrates, utilization and contract awards for jackups, semisubmersibles and drillships as of October 2018. For any questions or feedback regarding this market report feel free to contact me by email using the following email address: [Tarjei.Myklebust@nov.com](mailto:Tarjei.Myklebust@nov.com)*

## Contents

Market utilization and dayrates.....	2
Rig additions and attrition .....	3
Rig contract awards .....	3
A commentary on October’s rig contract awards by Tom Yost.....	5
Drillships.....	6
Semisubmersibles .....	7
Jackups .....	8

## Market utilization and dayrates

As shown in the table below the total fleet of drillships, semisubmersibles and jackups (not including rigs under construction) totals 777 rigs. Two thirds of the rigs are jackups while the semisubmersible and drillships make up 17% and 15% respectively. In September drillships had the highest utilization rate with 66.7%, however over the span of the last month, drillships have been overtaken by jackups that have a utilization rate of 65.8%, up by 1.2% since end of September. Semisubmersibles have also increased their utilization rate in the last month, however the increase is due to rigs being scrapped rather than more contracts being awarded. Utilization, for the purpose of this report, is calculated as rigs that are either under contract at the moment, or have a future contract coming up.

Utilization						
	Total number of rigs	Current contracted	Future Contracted	Not contracted	Utilization	% Change in utilization from last month
Drillship	113	59	14	40	64.6%	-2.1%
Semisubmersible	135	72	8	55	59.3%	0.5%
Jackup	529	322	26	181	65.8%	1.2%
<b>Total fleet</b>	<b>777</b>	<b>453</b>	<b>48</b>	<b>276</b>	<b>64.5%</b>	<b>-0.5%</b>

While the utilization table showed that utilization is increasing for both semisubmersibles and jackups, the level of dayrates over the past 6 months tell a different story. Almost all segments have seen declines in dayrates, with the ultra-deepwater and deep water drillships seeing the largest decrease of 13.16%. Large jackups have also seen a double-digit decline. The bright spot comes from the deepwater semisubmersible segment which have seen dayrates improve by almost 15% over the last six months. This proves that the higher level of scrapping activity seen in the semisubmersible segment compared to the drillship segment is having a positive effect on dayrate levels.

Average Dayrate*			
	1-Nov-2018	08-May-2018	% Change in average dayrate
Drillship (≤ 7,999')	\$87,241	\$87,241	0.0%
Drillship (8,000'+)	\$324,560	\$373,741	-13.16%
Jackup (350' + IC)	\$101,745	\$113,551	-10.4%
Jackup (other)	\$62,605	\$64,640	-3.15
Semisubmersible (≤ 7,999')	\$225,643	\$241,381	-6.52%
Semisubmersible (8,000'+)	\$306,994	\$267,536	14.75%

\*Source: Riglogix

## Rig additions and attrition

So far in 2018 we have seen 15 rigs delivered into the market, 13 of which are jackups. Over half of the jackups delivered are Pacific Class 400 rigs, most of which were purchased by Borr drilling. Only one jackup was delivered in October. This was Borr drilling's Natt jackup. The two remaining rigs delivered in 2018 are semisubmersibles, one of which, the Bluewhale II; a D90 design semisubmersible owned by Bluewhale Offshore, was delivered in October. There has been no drillships delivered in 2018.

When it comes to attrition, 55 rigs have been retired so far in 2018. Most of them are jackups, but 14 semisubmersibles and 6 drillships have also been retired. In October 1 drillship, 3 semisubmersibles and 1 jackup have been scrapped. The scrapped drillship is the Belford Dolphin, built in the year 2000. The semisubmersibles are the Bredford Dolphin, Stena Clyde and the Archimedes, where the former was built in 1980 and the two latter were built in 1976. The scrapped jackup is the Noble Ed Holt, built in 1981.

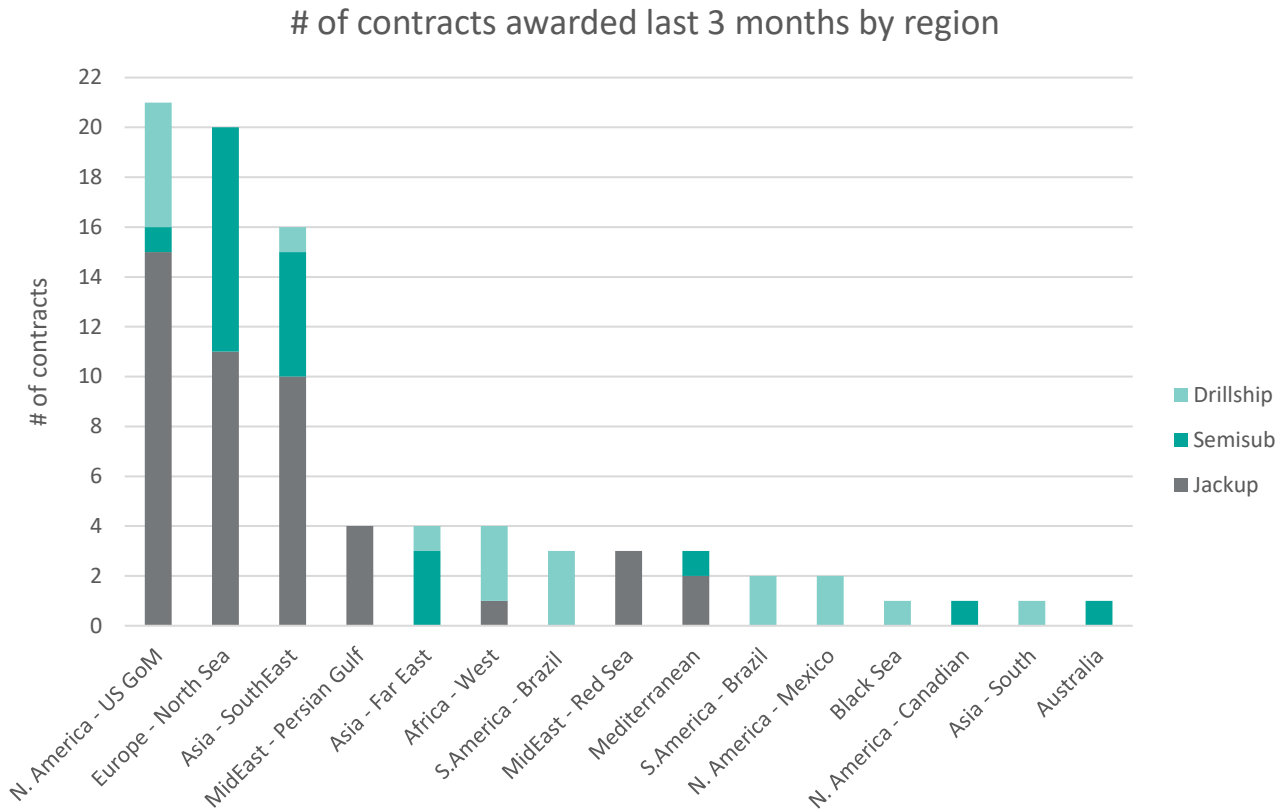
	Rig Additions		Rig Attrition	
	2018 Ytd.	October 2018	2018 Ytd.	October 2018
Drillship	0	0	6	1
Semisub	2	1	14	3
Jackup	13	1	35	1
<b>Total</b>	<b>15</b>	<b>2</b>	<b>55</b>	<b>5</b>

## Rig contract awards

25 new contracts were awarded in October, which totaled 4,900 rig days. Jackups had the highest number of contracts awarded, as well as the highest average length of contract with 213 days. However, this data is skewed by the fact that one of the contracts, for the Al-Zubarah rig in the Persian Gulf, has a duration of 1,095 days. If this rig is excluded the average rig days per contract for jackups is 131 days. Drillships and semisubmersibles got 6 and 7 contract awards respectively. More in depth information on the contract awards in October can be found in Tom Yost's commentary section below.

Rig contracts awarded October 2018				
	# of contracts	# of contract days	Average contract length	Longest contract (days)
Drillship	6	908	151	365
Semisub	7	1,437	205	600
Jackup	12	2,555	213	1,095
<b>Total</b>	<b>25</b>	<b>4,900</b>	<b>196</b>	<b>1,095</b>

The chart below shows an overview of contracts awarded in the last three months by region. The most active regions based on rig contract awards were the US GoM, The North Sea and South-east Asia. As expected most of the contracts in those regions were for jackups, as there are many more jackups in the fleet than floaters. However, it is worth noting that the share of semisubmersible contracts, especially in the North Sea, but also in South-east Asia is quite high. In the US GoM drillships, rather than semisubmersibles are getting contracted.



## A commentary on October's rig contract awards by Tom Yost

It has been a good quarter for offshore rigs going back to work world-wide, with each rig, a bright spot for our customers and NOV. In review of the October rig contracting summary many NOV package rigs are highlighted. Ensco DS-12 (Atwood Achiever) has recently switched operators from Kosmos to BP with a 4-month stacking period between contracts. This dual activity drilling package is one of BP's higher specification rigs and will allow more interaction with BP and their automation focus teams. BP also hired the mid-water floater, Transocean Paul B. Lloyd. This rig has been in and out of BP's fleet for the past few years, and they will put it to work for a \$20K increase over its current contract with Zennor Petroleum in the North Sea. The market keeps taking older mid-water semis like the Paul B. Lloyd!

Another NOV packaged drillship, Saipem 12000, will go back to work in Q1-19 with ENI in Pakistan after being stacked in Las Palmas for the past 8 months. This well will be the first well drilled in Pakistan since 2010 and is partnered with ExxonMobil and Pakistan Petroleum. The Transocean KG2 dual activity drillship is also going back to work, having completed work with Woodside in Myanmar. The rig will move to CNOOC in China to drill multiple wells and this is interesting as CNOOC has their own floaters for deep water operations and Transocean have not drilled in China recently.

Two more Ensco rigs getting work are the 8505 and 8504. Ensco 8505 was ready stacked in Grand Isle but has signed a 1-year contract with ENI in the GoM at \$150K which is a \$45K increase in day rate over its previous contract with Marubeni. Its sister rig, the 8504 is mobilizing to Japan in Q1-19 after a 2-year stacking period. What is interesting about this contract is that it is with Japex, an operator that typically uses Japan Drilling's vessel, Chikyu, for its deepwater drilling programs. Japan is a new frontier for Ensco and hopefully this rig stays longer than this one well contract.

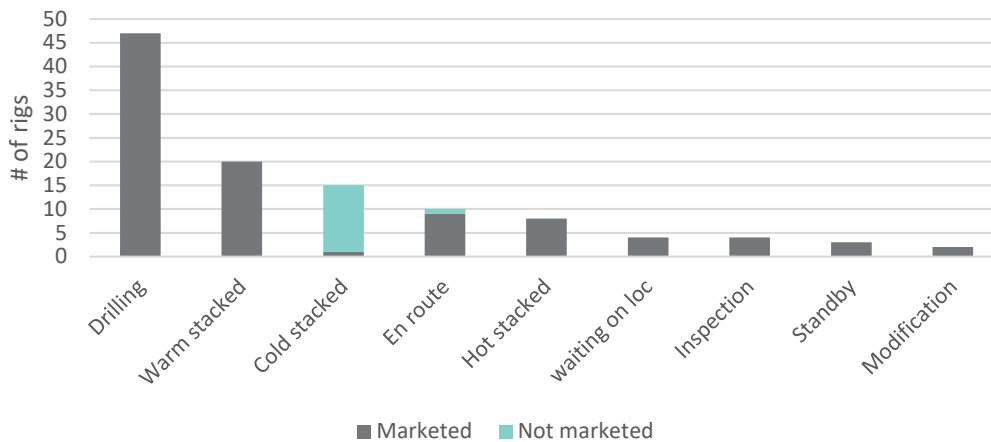
Finally, Equinor has contracted the Rowan Stavanger for long term work in Norway starting in Q3-2019. As part of this contract, Rowan has ordered a complete suite of automation upgrades from NOV, which includes the first sales of NOVOS to Rowan! This is the most complete order to date for drilling automation and downhole optimization. The package includes not only drilling automation, but also tripping automation which has lead the customer to further upgrade their Cyberbase control system to the latest version, v.14. NOV worked closely with Rowan to satisfy the specification provided from the operator, Equinor, including making the rig wire drillpipe ready so it is able to utilize drilling optimization downhole with NOV's wired drillpipe and apps.

Looking forward the future of automation for offshore is moving at a very rapid pace, with the first successful deployment of NOV's NOVOS reflexive drilling automation on an active heave drillship.

## Drillships

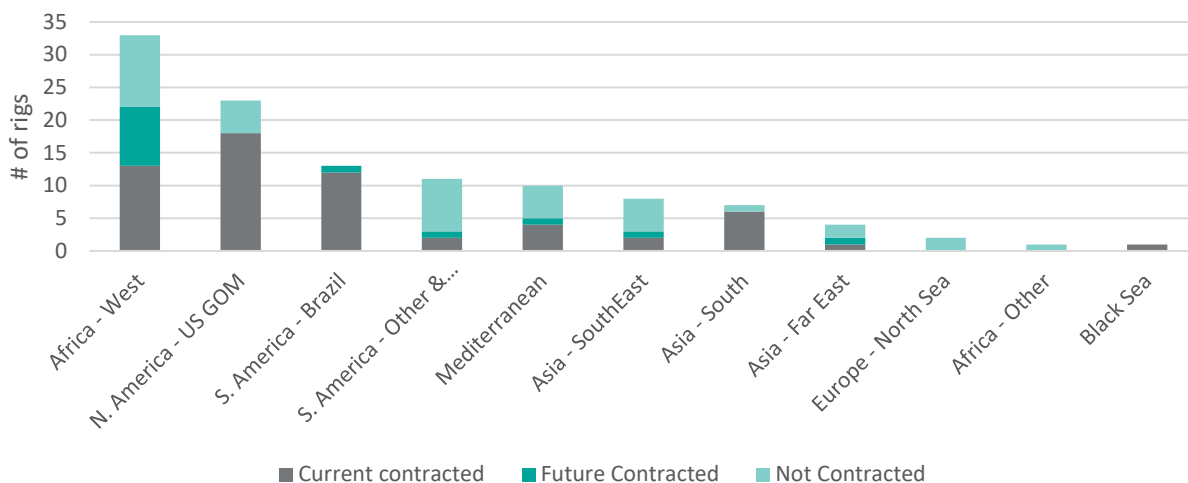
The graph below shows the distribution of the fleet of 113 drillships by their current status and whether they are marketed or not. 47 drillships are drilling at the moment with another nine marketed drillships en route and four waiting on location. 28 rigs are either hot or warm stacked, while there are 15 cold stacked rigs, 14 of which are not being marketed.

Total supply by status - Drillships



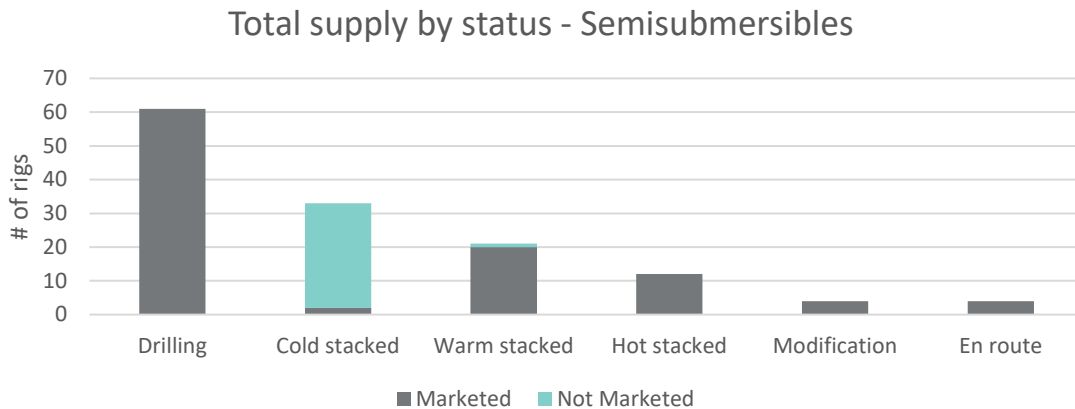
The region with the highest number of drillships is West Africa with 33 vessels. This is however also the region with the highest number of vessels without contract, as shown in the graph below. The US GoM has the highest number of contracted rigs with 19 and a utilization of 78.3%. Brazil has the highest utilization among the larger regions, with every rig either under contract or future contracted. The Asia South region (7 vessels) also has a very high level of utilization, with 6 out of 7 ships under contract, although it is worth noting that there is a large supply of idle vessels in the neighboring region, South-east Asia, where 5 out of 8 vessels are without contracts.

Drillship supply and demand by region

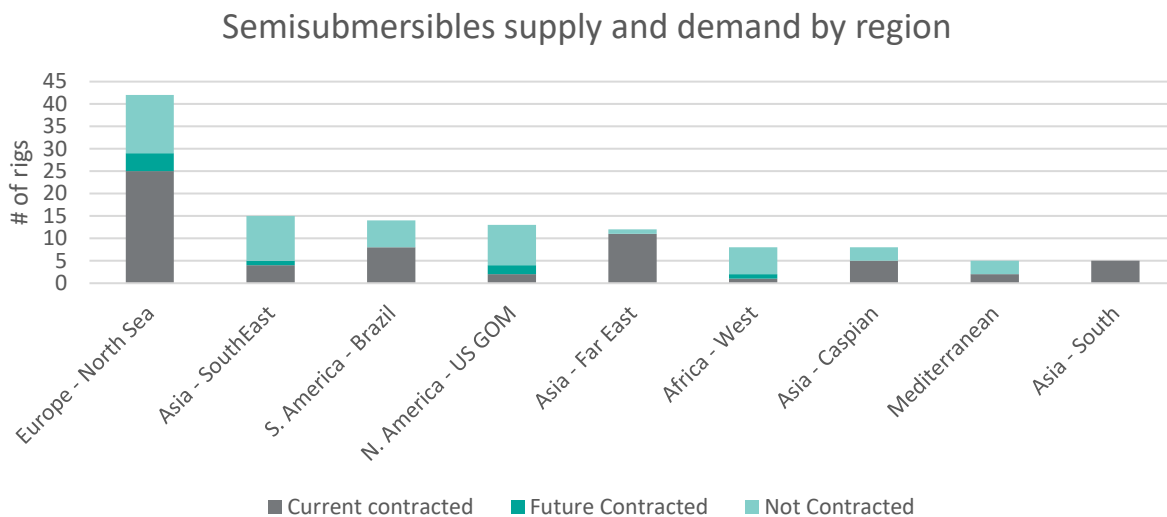


## Semisubmersibles

The current semisubmersible fleet consists of 135 rigs, of which 61 are drilling, four are en route and another four getting modifications. 32 rigs are either warm or hot stacked. 33 semisubmersibles are cold stacked, 31 of which are not being marketed.



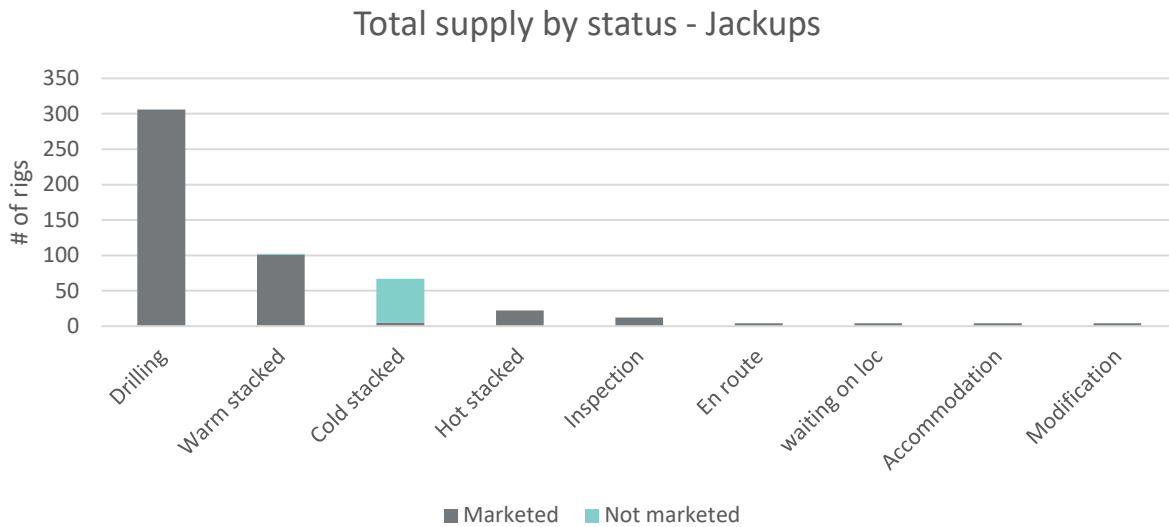
As shown by the graph below, the North Sea is by far the largest region measured by number of semisubmersibles. There are 42 semisubmersibles in this region and the utilization rate is 69.1%. Harsh Environment (HE) semisubmersibles in the North Sea are currently enjoying increasing dayrates and higher utilization than the rest of the fleet which has recently led Awilco drilling to order a new HE semisubmersible rig. The second largest region for semisubmersibles is South-east Asia with 15 rigs, however most of these rigs are stacked. In Brazil there are 14 semisubmersible rigs, 8 of which are contracted, while the Asia Far East region enjoys the highest utilization out of the large regions with 91.7% utilization for its 12 semisubmersibles. Regions with less than 5 semisubmersibles are not included in the graph.





## Jackups

The current jackup fleet consists of 527 rigs of which 306 are drilling, four are en route and another four are waiting on location. 123 of the jackup rigs are either hot or warm stacked. 67 rigs are cold stacked, with 62 of them not being marketed.



The largest region by number of jackups is the Persian Gulf which has more than two and a half times the number of jackups as the second largest region. The Persian Gulf has 167 jackups and a utilization rate of 74.3%. The second largest region is the Southeast Asia which has 65 rigs and a utilization of 57.8%. Then follows Asia Far East and the North Sea with 52 and 45 rigs, and 67.3% and 73.3% utilization respectively. In the Gulf of Mexico, there are 42 jackups on the Mexican side, with a utilization of 57.1% and 30 rigs on the US side with a utilization of only 40%. The large region with the highest utilization is South Asia which has a utilization of 76.3% for its 38 rigs. Regions with less than 5 jackups are not included in the graph.

