

To attract people and capital, industry must educate the public

Critical issues in drilling & completions with Naresh Kumar, Chairman, Deepwater Drilling & Industries Ltd.

By Jerry Greenberg, contributing editor

In the regions in which you operate, what are the critical issues facing the offshore contract drilling industry? What are some solutions to meet, mitigate or take advantage of those issues and challenges?

India's economic growth has led accelerated efforts for exploration and production, resulting in substantial demand for various services, including offshore drilling. However, since the economic slowdown and the collapse of oil prices from the record levels of 2008, E&P activity has slowed down worldwide, resulting in a crash in dayrates in India and the surrounding region.

Slowly but surely, crude prices are picking up and so are drilling efforts. Dayrates are increasing, and for the next few months we expect to have constant increases in the dayrates, which provide greater opportunity for the drilling contractors and other service providers to capitalize on and strengthen their position.

Talking specifically about the Indian region, many private small players have been established during the last decade, and short-term drilling requirements are increasing with these operators. For a drilling contractor operating in India, long-term contracts look more attractive in such a volatile industry.

Offshore drilling is one of the most complex engineering procedures. From exploration to the final flow of hydrocarbons involves constantly changing technologies; hence, technology adoption and adaptation, with the continuous need to train and re-train manpower, remain a



Naresh Kumar is chairman of Deepwater Drilling & Industries in India, a recently established company providing offshore drilling and related services to national and international E&P companies and evaluating offshore projects in India and Asia Pacific. The company intends to provide multiple services in the offshore sector through acquisitions and collaborations with service providers. Mr Kumar is a member of the IADC Executive Committee.

constant challenge to all offshore operators and contractors.

HSE has also become a critical issue, especially post the Macondo incident. All operations are required to be carried out within the strictest ambit of safe and environmentally responsible manner, which ultimately requires drilling contractors to upgrade themselves from time to time for safer operations.

Also, coordination with government agencies and operators and knowledge sharing are crucial aspects for drilling contractors to avoid such incidents.

Describe some of the services your company will provide to the offshore sector and the challenges of providing them in India and the Asia Pacific region.

Our company is looking into offshore drilling services in both shallow-water and deepwater areas with a focus on India, Southeast Asia and Middle East. With policy initiatives, the Indian government has increased exploration efforts many fold in the last decade, and more than 67% of the blocks offered are in offshore areas, resulting in a plethora of opportunities for the offshore services sector.

We are looking to address such drilling requirements arising in the region, depending upon the availability and attractiveness of the opportunity. Also, there will be incremental demand for various support vessels. It is one area we can also look for expansion.

Deepwater exploration is increasing in India mainly on the eastern coast, which represents a unique set of challenges due to complex reservoir conditions. All service providers require technological inputs in terms of extreme-reach wells, which involve state-of-the-art steerable systems and cutting-edge technologies like logging while drilling and casing while drilling, major inputs in the form of stimulation vessels and other well intervention technologies to address these challenges.

Will your company own its own drilling rigs or would you operate like an agent to assist offshore drilling contractors to bring their rigs to the region?

We have mastered the modified charter model in India earlier where we hire rigs from other drilling contractors and operate them for the E&P companies in the region. It has been very successful for both and tested for over 20 years. We will be looking to enter the similar model again which is most efficient.

However, having said that, we are open to other modes of cooperation, for example, joint ventures and providing all bundled services available in India. Acquisition of drilling rigs or companies is very much on the agenda depending on opportunities available in the region from time to time.

Would the acquisitions or joint ventures be primarily with companies outside the region in order to bring their services to your region?

Ours is a progressive company, and we are open for various models depending on viability and attractiveness of an opportunity, whether it's joint venture, acquisition or charter-hire model. Our strong experience in the Indian oil industry of more than two decades makes us a preferred partner for foreign companies to be associated with and is an incentive for them to enter the Indian market.

We are more concerned about bringing new technologies to India with companies having the latest cutting-edge technologies.

What are some of those cutting-edge technologies, and how would they benefit your customers? What would be some of the challenges and issues in bringing those technologies to India and the other regions in which you operate?

With the easy-oil era over, Indian oil and gas exploration is entering difficult terrain. For example, the east coast of India, which is relatively new compared with the west coast, brings new challenges for operators and drillers. It has complex reservoir structures with high-pressure and high-temperature zones. The deepwater area requires coordinated efforts and new technology for smooth operations. For better exploitation of these reserves, you need extended-reach wells that involve state-of-the-art steerable systems and other technologies like logging while drilling. HPHT operations also require new-generation rigs.

Further, various vessels required to assist exploration efforts are an important component of overall cost. Any innovative technology that can bring down the operator's cost and help better exploitation of reserves safely would be on our wish list to bring to India.

Some of the producing oil fields are depleting, and there is a vast scope of techniques to enhance the production and recovery factor. Finding these applicable technologies is a challenge and requires considerable effort to bring them here and make them adoptable to local challenges.

Would companies that you might work with in joint ventures or collaborations be international oil companies or primarily drilling and service companies?

We certainly are looking for partners to address the opportunities in drilling and allied services in India since our company's focus is to strengthen its position in its core business first. However, given the growth of the Indian E&P sector, we may possibly look for some interest in E&P blocks in collaboration with some international oil companies.

Would you take an interest in a block as part payment for your company's services, or purely as an investment, or both?

The company's decision of taking an interest in a block will purely be as an investment decision rather than taking a part payment for the company's services. Our experience and strength in Indian E&P sector will certainly help us to pursue our investment decision.

If more deepwater rigs begin moving from the US Gulf of Mexico due to the delay in obtaining

drilling permits, could that affect your business in the regions in which you operate?

It certainly has affected the dayrates the world over, and India is no exception. Dayrates for deepwater rigs have decreased due to excess availability resulting from the deepwater drilling moratorium in the US Gulf of Mexico. We are not too exposed as yet to the deepwater market, so as of now it doesn't impact us. But we certainly are evaluating opportunities in the deepwater area. A positive side of this can be the rigs moving out of US Gulf can be of use to India, and we can work with owners to hire on lease/charter/modified charter/JV etc basis to offer them here in India.

Attracting workers to the oil and gas industry seems to be a constant battle. What are the challenges you might face in regions you operate?

Offshore drilling, being a highly technologically driven industry, requires especially qualified, skilled, experienced personnel for operations. There definitely is a manpower crunch in the industry, and drilling companies have to be careful to retain and attract the best talent for their operations. We are in a unique position to provide better opportunities for people to join as we are considered a preferred company by employees due to various pluses we offer vis a vis our other counterparts in India.

An issue that drilling contractors are facing in India is a limitation of expatriates in a single project. In a global industry such as offshore drilling, we need to have expatriates for the operations at certain critical positions. The IADC South Central Asia Chapter has taken up the issue with policymakers, and we hope that it will find a logical solution.

You are a big advocate of educating the public about the oil and gas industry. Why do you think they need to be educated?

Oil companies are one of the biggest contributors in any economy, and it is not only difficult but almost impossible for humanity to survive without hydrocarbons in today's times, which is not brought to the knowledge of the public. It is of utmost importance, in my view, to remind people what role hydrocarbons are playing in their every action and for comfort of life and what will not be available to them if hydrocarbons are not made available to them. Also, it's interesting to showcase what all happens to get a drop of oil and gas. I am confident this will change perception about our industry in the world and will garner respect and support in our endeavor.

The Indian oil and gas industry's progress is fairly new. It's after the government's policy initiative a decade ago with the introduction of the New Exploration Licensing Policy (NELP) that it gained momentum. Over the years, the oil industry has gone through a paradigm shift and today is one of the most advanced technologically driven industries, full of challenges. This as well needs to be showcased to the general public to change their perception, in turn helping industry to attract a younger generation to take part in this vital sector.

India is one of the largest engineering and management graduate-producing nations and has the potential to become the talent pool hub for the world as it became for the IT industry.

What is or can the oil and gas industry provide to educate the public?

No doubt media plays a most crucial role in today's world, and also the most effective tool to reach masses quickly. Ad campaigns both in electronic media – with footage of operations, challenges that are gone through, risks taken, investments that are made – and in print media may be the best to start with, followed by regular interaction and networking with them, including visits to the complex facilities.

While it is in the interest of the industry itself to increase the number of technical institutes to prepare skilled professionals for oil and gas, it will also be an effective medium for increasing awareness and attracting young students to the industry. Whatever the vehicle, the industry must begin to honestly inform the public of its changing dynamics and their potential impact on them.

What do you and the industry expect to gain from the public's education about the oil and gas industry?

The manpower crunch is one of the constant challenges that the Indian oil industry faces. Increased awareness of the industry will definitely attract a younger generation to the industry and can address the manpower crunch problem. A favorably perceived industry always attracts investors in this capital-intensive industry.

The oil industry has been labeled as gender biased, which in today's time is totally incorrect. These myths must be removed from the general public's perceptions to attract more women to the industry. The right information will certainly help to have a more favorable response of the public toward industry.

Further, I personally strongly believe that bringing facts to the general masses can make them understand how vital and essential this industry is for them and will negate the opposition which industry gets at times.

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