



Offshore Decommissioning Conference 2017

P & A Rig Consortiums – Cost Savings and Other Benefits

About Rig Management Group (RMG)

- **Rig Management Group (RM) established in 2006.**
 - Main activity : Establish and facilitate rig consortiums for Operators
- **Providing consortium members:**
 - Access to rig capacity/ warm rig through complete P&A programs
 - Single well slots in long rig contracts
 - Benefits of continuity in discontinuous P & A programs
 - Negotiation power for relevant 3rd party services
 - A rig “fit for purpose”
- **RM is**
 - Neutral - no part in rig contract or contracts for 3rd party services
 - Facilitator - the Consortium Members are decision makers



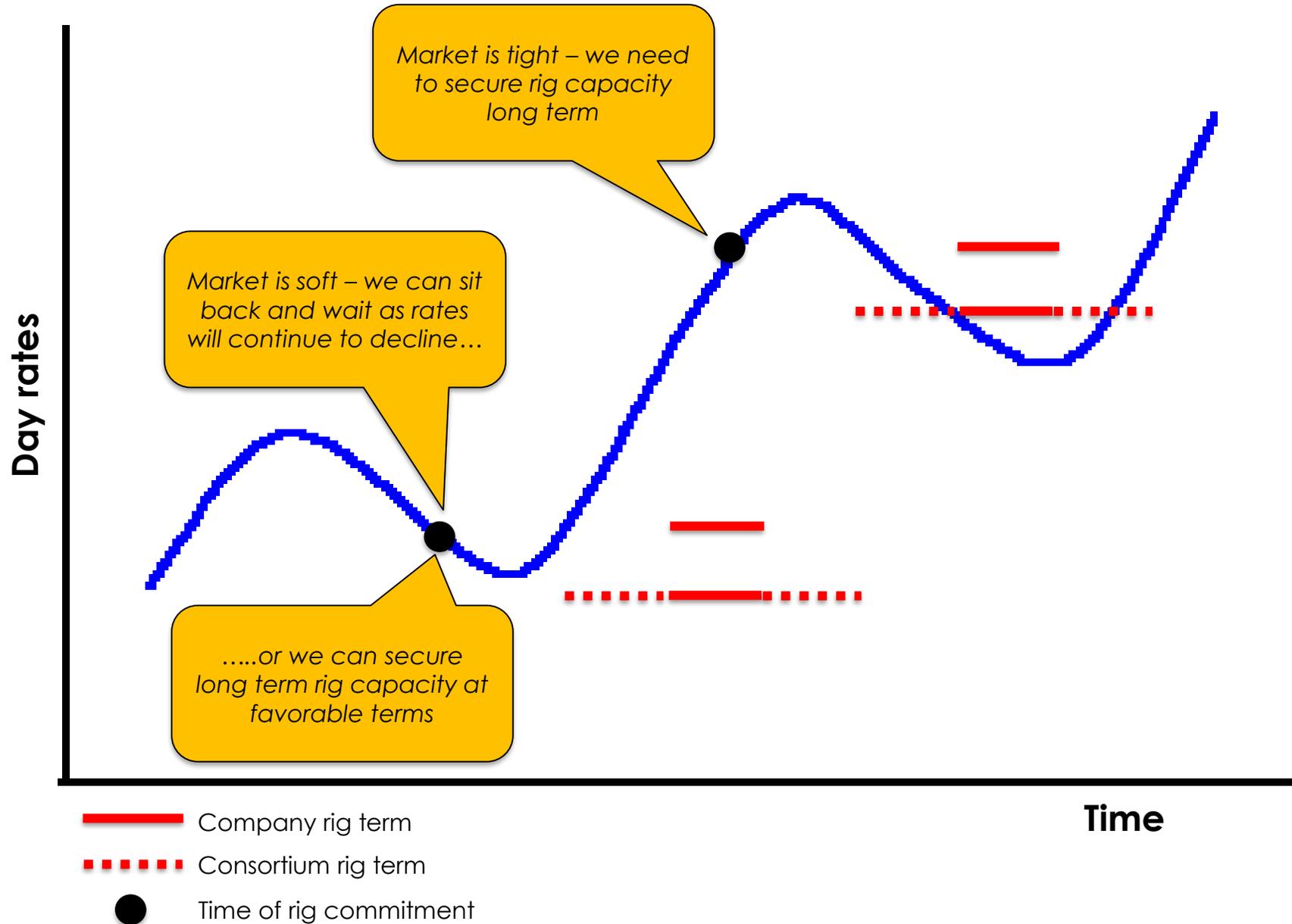
To date - 5 consortiums with 20 operators

<p>NCS I</p>  <p>West Alpha</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Time based</p>	
<p>NCS II</p>  <p>Borgland Dolphin</p>		
<p>NCS III</p>  <p>Transocean Arctic</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Slot based</p>	
<p>NCS IV</p>  <p>Leiv Eiriksson</p>		
<p>NCS V</p>  <p>Borgland Dolphin</p>		

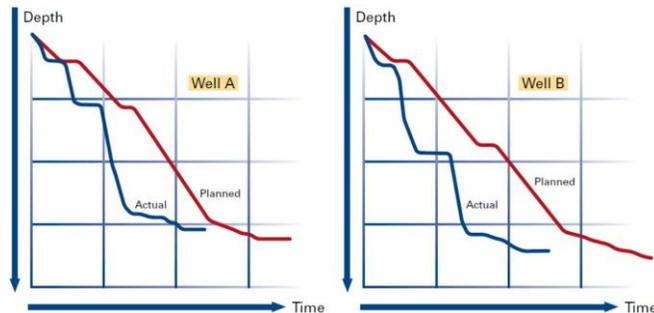
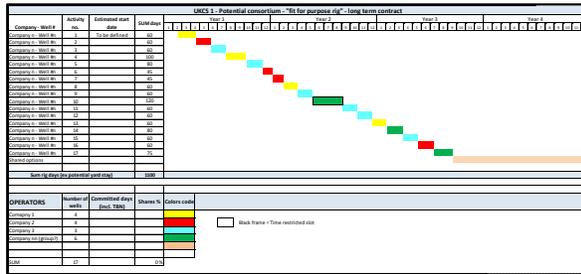
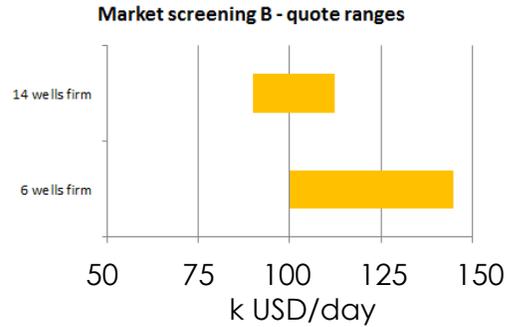
- Coordinating 20 operators
- Totally 16 rig years
- 90+ wells (exploration/appraisal, development, P&A wells)
- Super-majors, mid-caps, small players
- Operators / contractors come back for more
- Concept value is well recognized
- Developing international positions (UK, West Africa, Harsh area regions)



Approach to the rig market throughout the business cycle



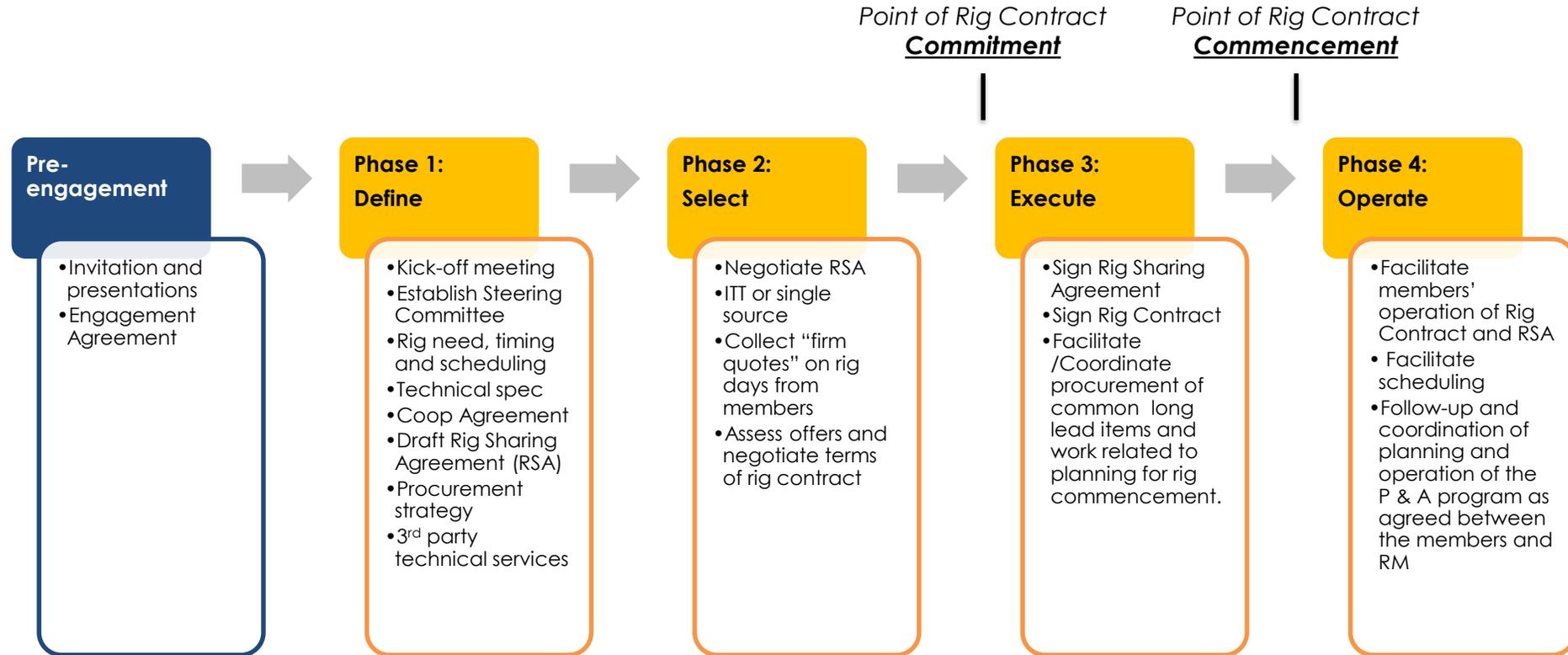
Safe Efficiency - benefits for all the members



- **Cost**
 - Rig rates
 - 3rd party services
 - Efficiency
 - Synergies
- **Flexibility**
 - Long-term contract makes long-term planning for each individual member possible
 - Members may swap slots if required
- **Efficiency**
 - Synergies between members
 - Best practice
 - Common personnel/ equipment
 - Rig crew and 3rd party personnel will gain extensive experience with similar P&A operations
 - **Conclusion : A rig fit for purpose !!**



Process – stepwise commitment

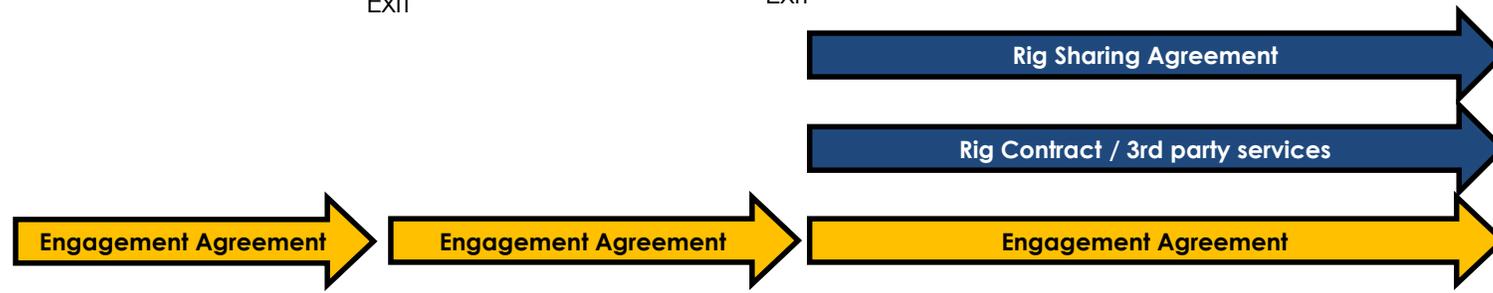


◆
Engagement Agreement

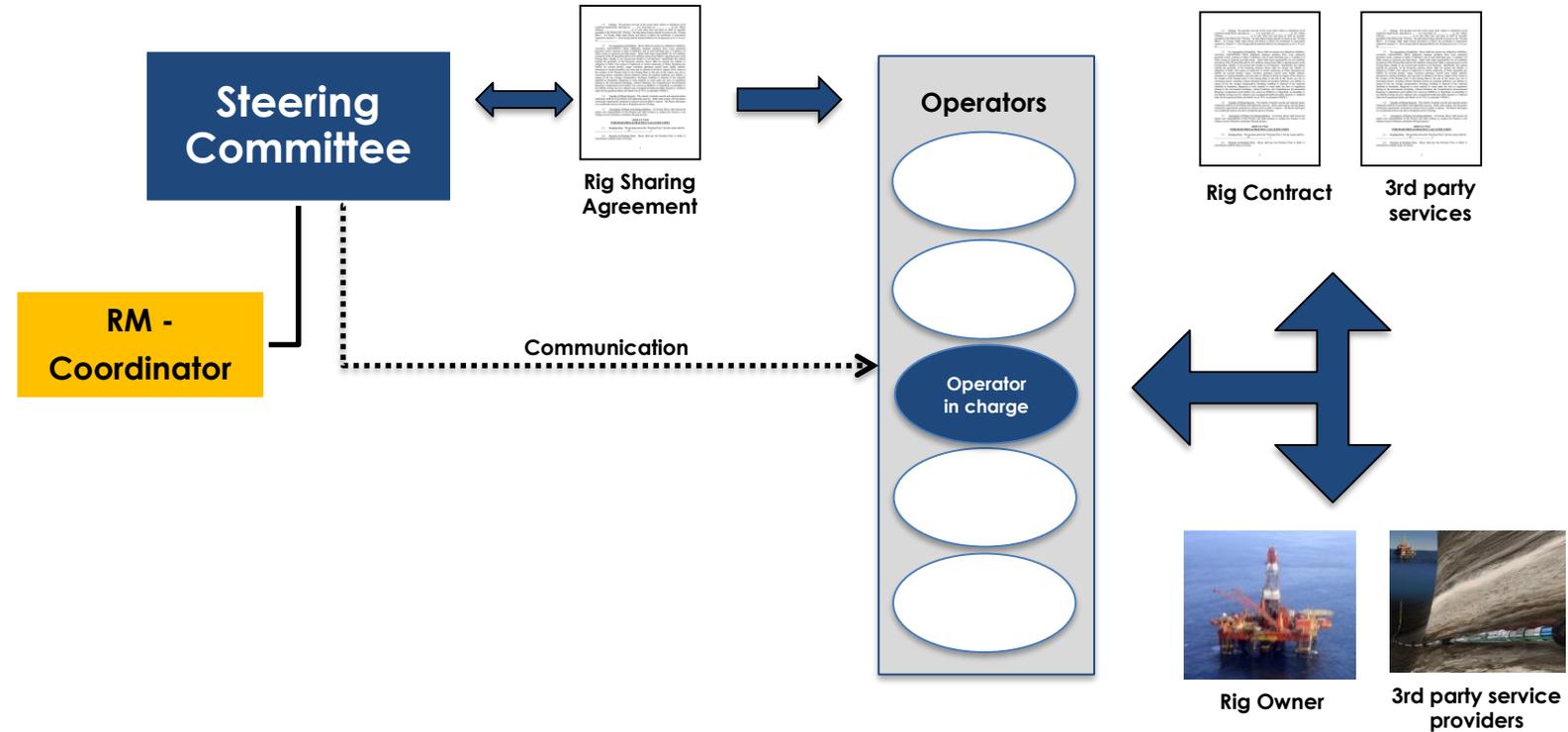
◆
Select phase or Exit

◆
Execute or Exit

◆
Accept Rig for Operations



Governance structure – operating phase



Rig Sharing Agreement

- Agreement between consortium members and RM.
- RM as a neutral facilitator

Rig contract / 3rd party services

- Contracts between Operator and contractor
- RM not party to contracts/operations



Example : Cost savings for an 80 days campaign of P & A activities for one Operator :

- **Direct rig costs :**

- Secure a SS-rig individually for 80 days, cost for a «low spec.» rig = 80-90k USD/day.
- Secure a rig in a 1-1.5 year consortium, cost for a similar rig = 70-80k USD/day.
- For an 80 days period the Operator saves : $80 \times 10\text{k USD/day} =$ USD 800 000

- **3rd Party Services – Spread costs :**

- Rig rate : 75 k USD/day.(1/3 of spread costs acc. to Operators)
- 3rd party services estimate : 150 k USD/day.(2/3 of spread costs)
- Potential saving of 10% for 3rd party services (80 days versus 1-1.5 year) :
 - 15 k USD/day x 80 days = USD 1 200 000

- **Synergies :**

- Experience transfer/ best practice between Operators.
- Continuity/ learning curve of personnel.
- Equipment/ installation, rental, purchase, optimisation.
- Inspections, audits, repairs.
- Assumed operational efficiency improvement of 10%, 8 days reduced rig time + 3rd party costs could be saved : $225 \text{ k USD/day} \times 8 \text{ days} =$ USD 1 800 000



Summary of total cost savings for an 80 days P & A campaign in a rig consortium.

- Direct rig costs : USD 800 000
- 3rd Party Services : USD 1 200 000
- Synergies (experience, efficiency etc..) : USD 1 800 000
- Total potential savings : USD 3 800 000
- Total costs for an 80 days P&A campaign on an individual basis :
 - 235 k USD/day x 80 days : USD 18 800 000
- **Total cost savings for an 80 days P & A campaign in a rig consortium : 20 %!!**



Status today : Advantages/ Challenges/ Conclusion

- **Advantages :**

- RM has taken the initiative to establish dedicated P&A rig consortiums in the UK.
- Several operators shown interest – Increased volume of wells to be permanently abandoned.
- Secure long term contracts - Attractive day rates in a (still !) soft rig market.
- Access to a «warm» rig for all operators through the entire contract period.
- «Purpose-equipped» rigs - Cost savings and synergies for the consortium members.
- Long term consortium - Flexibility for changing plans and unforeseen challenges.
- The consortium concept can also be used in other Decommissioning areas, where you can achieve costs savings/ increased efficiency by longer contracts/ synergies between Operators.
 - Example : Heavy Lift Vessels.

- **Challenges**

- In a «soft» rig market Operators awards rig contract directly.
- Our rig consortium concept is a «new experience» for UK Operators. (Rig sharing is not common practice)

- **Conclusion**

- **More co-operation between Operators necessary, to achieve substantial cost savings in connection with future P&A well operations.**





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