Technical Announcement

U. S. Department of the Interior
Bureau of Ocean Energy Management
Gulf of Mexico OCS Region

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Offshore Drilling Industry and Rig Construction Market in the Gulf of Mexico

OCS Study BOEM 2013-0112

The Bureau of Ocean Energy Management (BOEM), Gulf of Mexico OCS Region, announces the availability of a new study report, *Offshore Drilling Industry and Rig Construction Market in the Gulf of Mexico.*

Mobile offshore drilling units (MODUs) are marine vessels that drill wells in the earth to discover and produce hydrocarbons. MODUs consist of an ocean-going vessel with all of the systems required to support drilling, including a rig, power systems, pumps and other equipment. Several types of MODUs exist, but three classes - jackups, semisubmersibles, and drillships - comprise the majority of the fleet. Offshore oil production currently represents approximately one-third of global supplies and is expected to account for half of world production by 2015. As offshore production increases in importance, MODUs will play an increasingly critical role in bringing hydrocarbon supply to market.

A rig will transition between inactive states many times throughout its life, and as a rig ages, it will spend an increasing portion of its time cold-stacked. After being cold-stacked for several years, reactivation costs become prohibitive and a rig becomes dead-stacked. Dead-stacked rigs are used for parts before being sold, either for another use or for scrap.

U.S. yards are unlikely to win contracts for jackups employed outside the region due to competition and transport costs.

Dayrates vary over time within and between regions. The strong relationships between oil prices and dayrates and oil prices and the number of working rigs suggests that much of the temporal variation in global average dayrates can be explained by changes in demand due to commodity prices. However, oil prices between regions are highly correlated and are unlikely to account for observed inter-regional differences. Region-specific factors such as prospectivity and political and environmental conditions lead to inter-regional differences in utilization rates and rig age and technology, which leads to inter-regional differences in dayrates. Within a region, dayrate differences are due to contract duration, rig technology and age, and the market conditions at the time the contract was negotiated.

This report is available on CD from the Bureau of Ocean Energy Management, Gulf of Mexico OCS Region, for $15.00, and free of charge as a pdf file downloaded from the BOEM website. Copies can also be viewed at selected Federal Depository Libraries. The addresses are listed below.

To order a CD, use the Gulf of Mexico OCS Region contact information below and reference OCS Study BOEM 2013-0112. To download a PDF copy, use the Environmental Studies Program Information System (ESPIS) and search on the study report number. In the near future, you will also be able to get this report also from the National Technical Information Service.

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