



[Seahawk sells rig amid downturn in shallow-water drilling](#)

October 14, 2010

Houston Chronicle

Jennifer A. Dlouhy

Seahawk Drilling is selling one of its rigs to an India-based oil service firm — and CEO Randy Stilley warns that could be just the first of many, as the company tries to raise cash and get rid of money-draining assets during a slowdown in new shallow-water well projects.

“We just don’t think we’re going to be able to put all of our rigs back to work in the U.S.,” Stilley said. “From a cash-flow standpoint, we really need to raise some cash.”

On Sept. 29, the company signed a deal to sell its Seahawk 2505 drilling rig to Essar Oilfield Services for \$14.5 million, a discount from its approximate book value of \$42.5 million. The Seahawk 2505 was one of 14 idled rigs in the company’s 20-vessel fleet.

With daily carrying costs of about \$3,000 to \$4,000 to maintain even idle stacked rigs, Stilley said any sale is an instant cash boost to the balance sheet and the plugging of an economic drain on the company.

Seahawk also has furloughed at least 150 employees, roughly 25 percent of its workforce. Since the Deepwater Horizon disaster, federal regulators have given the green light to 12 new shallow-water wells, with another seven applications pending.

Despite a flurry of recent approvals — with six new permits issued since Sept. 28 — the pace still lags behind historic levels. Before the oil spill and new drilling mandates, the government was permitting an average of 16.8 wells per month in 2008 and 8.5 each month in 2009, when the recession drove demand down. During the first quarter of 2010, before oil started flowing into the Gulf of Mexico, the government was approving an average of 10.3 wells each month.

Stilley said it could take years “to get back to a more normal level of permitting activity.” In addition to the slower flow of new well permits, Stilley said he expects some operators will scale back their drilling in the Gulf of Mexico as regulators propose new mandates on those operations and Congress mulls other changes.

“My concern is that we have such a dynamic regulatory environment, some of our clients may decide it is more trouble than it is worth to drill in the Gulf of Mexico,” he said.

The industry was just beginning to rebound early this year, after companies shelved some shallow-water drilling plans due to the recession in 2009.

“We were beginning to see permitting activity go up and demand for rigs go up,” Stilley said. “Most (operators) intended to have a more active drilling season in the last half of this year than the first half, so we were expecting a pretty big increase in demand.”

The current supply of jack-up drilling rigs in the Gulf of Mexico may have been pegged to a surge in demand two years ago. “Most of us built up our companies based on that level of activity,” Stilley said.

Although Seahawk’s work is 100 percent focused on the Gulf of Mexico now, the company had intended to seek or move assets to other regions earlier this year.

###

House Natural Resources Committee Republican Press Office

Contact: [Jill Strait](#) or [Spencer Pederson](#)

202-226-2311

<http://republicans.resourcescommittee.house.gov>

[Facebook](#) | [YouTube](#) | [Twitter](#)