



Realistic exploration well plans are key to attracting investors

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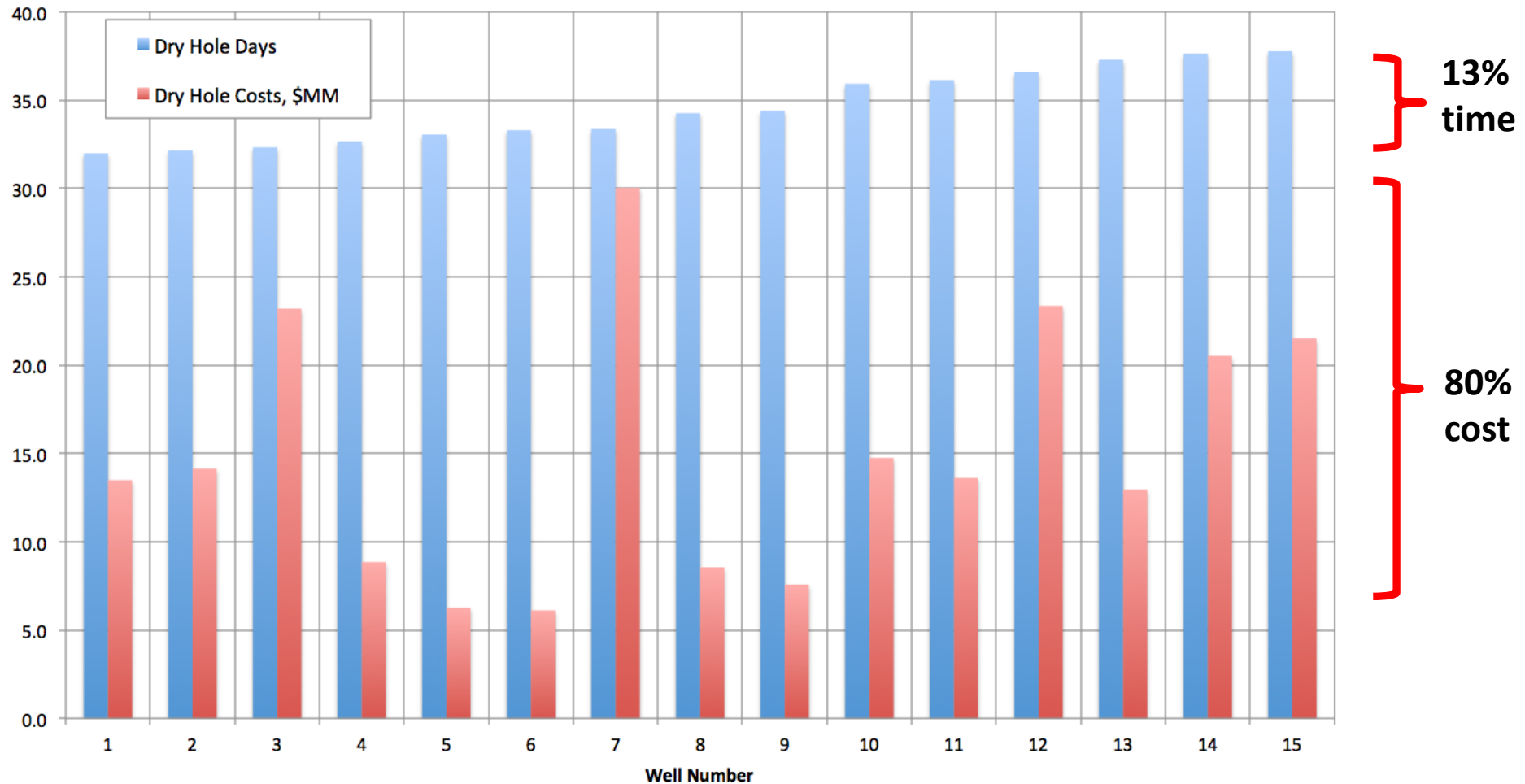
What is a shrewd investor seeking when looking at a prospect?

- Viable prospect – trap, resource estimates, seismic etc
- The realistic cost of the exploration well (s)
- A good understanding of how the prospect would be drilled
 - Country entry plan
 - Well Designs
 - Long Lead Equipment and Services
 - Logistics Plan
 - Contracting Strategy
 - Realistic time line from FID to Spud

What will a well cost?

Historical Spread of Dry Hole Well Times & Costs

variance



What makes up a well cost ?

- Well Times
- Rig rates
 - Offshore rates are down by as much as 80% at present
 - Onshore rig rates variable
 - USA – down by 50%+
 - NA / ME – steady
- Tangibles – steel etc: prices are down by 10% at present
- Service Rates: prices are down by ~30% at present
- Terms of service (mob fees, standby rates)
- Set up costs – supply base, runways, wharf, roads etc
- Overheads – huge range

How will the well be drilled?

The Well Plan:

- Fit for purpose well design
 - Offset Review
 - Casing design:
 - slim bore?
 - miss out casings?
 - simplify the abandonment – question possible ‘keeper’ options!
- Data Acquisition – use of appropriate technology
 - FEWD or wireline?
 - Coring – firm or bypass?
 - Well Testing, Sampling While Drilling, MDT?

How will the well be drilled?

The Campaign Plan

- Identify long lead items early – not just wellheads and casing but some services too – specialist logging tools for example, aircraft
- Identify key processes
 - Government
 - Drilling Permits
 - HS&E approvals
 - Tendering and Procurement
- Focus on precise contract terms and not just on the day rates
 - point and date of mobilisation for equipment (boats and helicopters are good examples)
 - Standby terms
- Look to share services and rigs – especially in remote areas

How can we get the best value from initial exploration campaign?

- Plan ahead and be realistic;
 - Early and quality well concepts and costs are invaluable
 - Government processes can take time
 - Your own processes can take even longer !
- Examine your own standards;
 - Are they fit for purpose for this campaign?
 - Are all of the risks really possible?
 - Risk Assess your options
- Engage early with rig and service providers – they need to plan too
- Last minute plans are very expensive!