



PRESENTING SOME *New Concepts*

IN DRILLING CONTRACTOR-OPERATOR RELATIONSHIPS

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I believe that closer teamwork between the operator and the contractor in the planning, drilling, and completion of a well offers our greatest opportunity for increased efficiency.

The drilling contractor is drilling 92 per cent of the nation's oil and gas wells. He has become a vital part of the oil-producing industry. He has done his job well, as evidenced by the fact that he is able to drill at about the same price per foot today as he did in 1942. This has been accomplished in spite of rapidly mounting costs. The drilling contractor wants to continue to offer his customer better service at the lowest possible price. To accomplish this, he must explore every new idea or method which will reduce the time required to drill a well. Time is money to a contractor. It is the variable which determines both cost and profit. The attack on time can best be made by closer teamwork between the contractor and the operator. Several ideas are proposed which will promote closer co-operation between the contractor and the operator. Among these are:

1. More complete information should be included in the bid proposal sent to the contractor.
2. A standard drilling contract form should be adapted.
3. Standardization of blowout-preventer requirements is desirable.
4. The contractor should furnish a more accurate rig inventory, and the operator should be more diligent in seeing that bids are accepted only from rigs adequate for the job.
5. The contractor and operator should co-operate in the designing of mud programs which will permit maximum drilling rates consistent with safe control of the well.

The contractor is becoming aware of his responsibility to his customers and the oil

industry in general. He is striving to provide better trained personnel, maintain good accounting practices, and operate his business in a sound manner.

The American Association of Oilwell Drilling Contractors is providing the contractor with safety programs, personnel training schools, and the finest advice on accounting, tax, and insurance matters. The individual contractor is making more and more use of these facilities with excellent results.

The drilling industry has become a billion-dollar business. It is growing up; and despite severe growing pains, it is ready and qualified to play its vital role in the American oil industry.

I have been asked to talk to you about new concepts in the relationship between the contractor and the operator. This is a rather formidable sounding subject, and I am not sure that I shall be able to distinguish a new concept from an old one in every respect. From the work I have done toward preparing this talk, I have learned one fact viz., the contractor is using every concept he can conceive, both new and old, to increase the frequency of his relationship with the operator. Some, I am told, are even resorting to the concept of cutting prices. However, I have it on what I consider good authority that cutting prices is not exactly a new concept; and, therefore, it is not considered to be within the scope of this paper.

Before we get into the discussion of ideas which might prove controversial, I want to quote some statistics. I have two reasons for presenting these figures. First, a paper which doesn't have a few tables or a slide

or two is hardly qualified to be presented on an API program. These tables, then, can be regarded as qualifying material. The second reason is that I, as a drilling contractor, am proud of what these figures show. They were compiled by the American Association of Oilwell Drilling Contractors.

Why am I proud of these statistics? Because they tell the story of the increasing importance of the drilling contractor to the oil-producing industry. He now drills 92 per cent of all the wells drilled. Moreover, he is doing his work very efficiently. In the face of costs increasing by 94 per cent since 1942, he has managed to drill without increasing his price per foot. This has been possible because he was able to reduce his drilling time by half. This is a record any contractor can be proud of. We hope we can continue this fine rate of progress. Whether we can or not depends upon a number of things, some of which we have control over, and some we do not.

We can't, for example, do anything about the increase in operating costs brought on by the inflationary trend of our national economy. We can do something about practices by both contractors and operators which cause more time to be spent drilling a well than is absolutely necessary. We can also continue to search for technical improvements which will speed up our drilling rate, and thereby reduce the time required to drill a well. In the past few years we have seen this search yield the jet

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