



IUMI 2008 MOBILE OFFSHORE DRILLING UNIT STATISTICS - ANALYSIS

WORLD FLEET

The size of the world fleet continued to grow in 2008. The current world fleet stands at just under 700 units, up from 610 units in 1999. The Gulf of Mexico, however has seen a downward trend in its fleet size, which was at 125 at the end of 2008. This can be attributed to a number of factors, including increased activity in other parts of the world, and disruption to Gulf of Mexico activities due to hurricanes. Contracted Rig numbers overall have increased worldwide, but are slightly down in the Gulf of Mexico. Overall, there has been a sharp increase in contracted rigs since 2004, reflecting the robust health of the offshore energy industry. It should be noted, however, with the sharp pullback in the price of oil in the first quarter of 2009, these trends are very likely reverse themselves over the course of 2009.

NEW BUILDINGS

There were 45 new rigs delivered in 2008 and the surge in building activity will yield over 60 new rig deliveries in 2009 and 57 new rig deliveries in 2010. New build deliveries will drop off sharply after 2010 and given the slowing global economy and lower global oil demand, it is expected that future new building activity will be at a much more modest rate.

FINANCIAL DYNAMICS

The worldwide rig utilization rate stood at 87% in 2008. The Gulf of Mexico utilization rate was 75%. Overall, relatively flat to 2007, with a slight reduction in the Gulf of Mexico, being offset by a slight increase outside of the Gulf of Mexico. Note that a worldwide rig utilization rate of 87% is the second highest utilization rate recorded since 1990 and represents an effective 100% utilization of all rigs "able to work". The Gulf of Mexico utilization rate for 2008 was 74%, this is up from the 70% in 2007. The lower utilization rate in the Gulf can be attributed to the continued disruption caused by hurricane activity in 2008 and years prior. Day rates were up again for all types of rigs and in all regions of the world. The increase in day rates for all rigs, worldwide was 24%. This was less than the almost 40% increase in 2007. The worldwide average day rate for drillships and semisubmersibles exceeded \$300,000 in 2008, however day rates for similar vessels in the Gulf of Mexico exceeded \$400,000 per day. This can be attributed to the extreme demand for rigs capable of drilling in the deepwater Gulf of Mexico. Day rates are at historic highs due to the record level of oil price in evidence throughout most of 2008. The high oil price resulted in expanded drilling programs worldwide, thus an increased demand for rigs of all types.

LOSSES

Loss analysis is based on claims in excess of \$1m. Excluding hurricane claims, in 2008 the number of attritional claims increased for the third year in a row. This can be attributed to increased utilization rates over the past three years, as well as increased costs of repairs, materials and equipment in the oil patch. The average claim cost, excluding hurricanes, in 2008, although down slightly is still trending higher over the past five years, again reflecting the increased costs of drilling offshore. Although the upward trend in frequency over the past three years may not indicate a longer term upward trend, it bears watching. The claims spike evident in the years 1997-2002 was the result of a prolonged soft market and inadequate deductibles. The short term upward trend in attritional losses in 2005-2008 brings into question the adequacy of deductibles given the increased costs of offshore operations.