

## Interview: Marcus Chew, CEO, Energy Drilling, Singapore

*Marcus Chew, CEO of Energy Drilling, a rapidly growing [Singaporean](#) drilling company, offers a comprehensive insight into the competitive environment of South East Asia's tender rig market, and highlights how the company intends to capitalize on the upstream shift towards the deepwater sphere.*

***In 2012, Energy Drilling was founded right at a time when SapuraKencana acquired Seadrill's tender rig operations, during which you and your current management team grew into a leading player in the tender business. Can you illuminate more about the vision behind the creation of Energy Drilling?***

The inspiration to establish Energy Drilling in fact came about in 2011, prior to the transaction between Seadrill and SapuraKencana. Energy Drilling was conceptualized by me and the two former CEO's of Smedvig (now Seadrill), Ole Melberg and Kjell Jacobsen, who are now heading a Norwegian based Venture Capital firm, Energy Ventures, which is the largest shareholders in Energy Drilling.

Together with our current management team, the tender rig business is an area in which we have a great deal of expertise having built up and operated Seadrill's entire tender rig fleet. The way we see it, there is a tremendous amount of business opportunities in this area. This was made clear to us in our past experiences, especially at Smedvig, where the tender rig division was delivering the steadiest stream of income among the various asset classes. As tender rigs are used only for production drilling, the contracts for these assets tend to have longer duration, allowing for more predictable cash flows.

At the same time, investments in tender rigs also require the least capital expenditures in relation to other assets in its class. In other words, although it might not be the most appealing business in the industry, tender rigs in most cases offer the best returns on investment and equity. Altogether, these experiences have demonstrated to us that with a deep understanding of the business, backed by great people and good assets, we can generate good value. Having previously managed Seadrill tender rigs so successfully and gained the trust and loyalty of our crews, we have the ability to attract some of the best talents in the industry.

***With a background in naval architecture, you have made some significant contributions that have helped advance the tender rig industry in terms of capabilities. What have been some of your proudest achievements in this regard?***

One thing we are particularly proud of is the fact that we were able to successfully transform the tender rig business from a shallow-water drilling concept to a deepwater drilling solution. In the late 1990s, together with Aker, we presented a paper demonstrating that this can be done on a Tension-Leg Platform (TLP) during the Offshore Technology Conference, which was generally initially received with much skepticism. We had to put more work into the computer simulation and model-basin testing to demonstrate the validity of these claims and eventually gained the acceptance of industry professionals. [Chevron](#) was the first company to implement and use a tender rig on a TLP in Indonesia on the West Seno Field. Following the successful implementation of this technology, we subsequently won contracts on the Spar with Murphy Oil in the Kikeh field and a contract on the compliant tower (CT) with [Chevron](#) in Angola. With each of these fields located in deep waters we were able to transform the concept of shallow waters into deep waters for a range of deepwater solutions including CT, TLP's and Spars.

More discoveries are being made in deepwater's these days. Take, for example, the Gulf of [Mexico](#), which is one of the most developed offshore areas in the world today. A decade ago, 80 percent of production there originated from shallow waters while the remaining 20 percent came from deep waters. Today, this production ratio has been reversed and the same will happen in the West African and Southeast Asian region. When this occurs, producers will have to choose between the different solutions such as subsea solutions, which are always more expensive and pose challenges in terms of well control, as demonstrated by the Macondo incident. On the other hand, the tender rig solution is comparatively safer and more cost effective and oil companies are beginning to take note of

that. [Total](#), for instance, will be implementing a TLP with tender assisted drilling in the deepwater Moho-Nord field, as will [Petrobras](#) in the Papa Terra offshore [Brazil](#) field later this year.

In addition to the deepwater concept, during our time in Seadrill, our team also introduced a number of innovations that have greatly contributed to the efficiency of tender rigs and drilling operations. For instance, we presented optimized pipe handling to facilitate “off-line” stand-building which save about 15 percent in tripping time. We also introduced off-line logging, off-line cementing and off-line coil tubing capabilities on the tender rigs working now in SE Asia and West Africa.

### ***Where is Energy Drilling looking to position itself in the market?***

The premium market is certainly where we want to be in the long term. However, we are initially building barges because we need to establish the company in the market. Although we do enjoy an excellent track record in the industry during our time in Smedvig and Seadrill and have some of the best people on board, we still need to earn the industry’s recognition as a new company.

Since barges are less capital extensive, they are perfectly suitable for us as a starting point. In addition to this, there are relatively more shallow water activities in the region today than there are in deep water. As we establish ourselves in the market, we will be looking to move into the premium deepwater markets with our EDrill-3 rig that will be ready in mid 2015. The EDrill-3 will be the first tender-assist semisubmersible based on GustoMSC’s OCEAN400-TD design and is well suited for harsher environments than the current units.

### ***As a [Singaporean](#) based country, why did you not chose to build the EDrill-3 rig in [Singapore](#), a country renowned for its rig building capabilities?***

Because we are building in China, we are able to save on fabrication costs. As a startup company in a capital-intensive industry, this is critical. In this regard, the Chinese yards have been able to provide us with highly attractive financing options and packages. In essence, these are the strategies they have adopted in order to gain a foothold in the rig construction business and compete with the like of [Singaporean](#) yards. This of course serves to our advantage since we are able to get the assets we need with a minimal amount of upfront investment.

Nevertheless, Chinese yards have been making significant leaps in terms of the quality of the assets they deliver. In addition to this, we have placed a full-time team at the yard to ensure all quality expectations are met and adhered to. Because they are detached from the actual day-to-day operation of rigs, most construction yards will inherently not know all there is to know about certain requirements or functionalities. This is also why we always have on-site project teams to fill that knowledge gap. This is precisely why [Singaporean](#) yards are market leaders today; because they have been exposed to this know-how for so long through close work with clients like us. This is something Chinese yards are replicating nowadays as well and over time will undoubtedly become formidable competitors to [Singaporean](#) players.

If, on the other hand, we were not building on speculative grounds we would then have undoubtedly chosen to manufacture our assets in [Singaporean](#) yards with the likes of Keppel. In that case, the premium they command is well worth the quality and certainty of delivery that [Singaporean](#) yards provide.

### ***How would you assess the competitive environment in the tender rig business? And why should clients choose to work with Energy Drilling?***

The issue with the tender rig concepts we were employing at Smedvig and Seadrill in the past was that we were the only strong player in our market. We controlled more than 50 percent of the assets and in excess of 80 percent of the revenues. I see this as more of a curse; I have always yearned for more competition. If we had more competition, innovation in our sector would have grown at a much faster rate and could have potentially taken the deepwater concept so much further. Although some would aspire to have such a dominating market position, I find that such a structure only holds innovation and the industry back.

Now that there is more competition in the market, introducing newer and more advanced rigs, there is a real chance to grow the size of our industry and for new participants such as us to grow along with that. We welcome competition. We have a great deal of industry management experience and have some good ideas on how to take

it forward. We also know how to specify and build best-in-class tender rigs and have some of the most experienced tender rig personnel in the world who are well recognized and respected by our global clients.

***As you approach receiving your assets starting in 2014, have you secured any contracts for them?***

We are currently bidding for a number of projects and are also in discussion with familiar clients from before. As of now, we have not yet secured any contracts, but this is not something I am losing sleep over. My conviction remains the same; if you have good assets and people in place, the work will follow. Perhaps the only thing that we cannot control is whether the oil companies are ready for this.

Unfortunately, clients today are still employing outdated rigs primarily because there are no new alternatives available. Although we will be priced at a premium to the older assets, I am confident that clients will employ us because our new rigs will be able to provide greater operational efficiencies and less down time.

***For Energy Drilling, 2012 and 2013 can be considered as the company's years of establishment. However, as you begin operations in 2014 and beyond, what will your priorities be as CEO of the budding company?***

The most important step for us now is to create a company that we can all be proud of. What I aspire of Energy Drilling is to be a company with which all employees can identify and be excited to work at each and every day. In parallel, we want our customers to view Energy Drilling as a company that they can trust and be confident in the fact that we can honor the commitments we make. These are the two key elements that I stress to our teams. If we are able to achieve this, then we have succeeded as a company.

Owing to our good forthcoming assets and great team, I am confident we will be able to secure contracts for our rigs in the near future. Subsequently, we will be looking to grow the company in line with our vision to become a competitive solutions provider for deepwater production drilling.

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