

# rigamarole



**SPRING 2011, NO. 30**

A PUBLICATION FOR THE PEOPLE, CUSTOMERS, SUPPLIERS  
AND FRIENDS OF **DIAMOND OFFSHORE DRILLING, INC.**



**THE OCEAN BLACKHAWK AND OCEAN BLACKHORNET**  
"DIAMOND OFFSHORE'S NEWEST DRILLSHIPS"

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## 02 A Giant Rising From the Sea

Before June 2007, OGX didn't exist. Today the Rio de Janeiro-based E&P company sits on top of at least seven billion barrels of certified oil and gas deposits, the most Brazilian reserves controlled by a private-sector company. Five Diamond Offshore rigs are helping OGX with the drilling activity.

## 12 Fleet Gets Shipshape

Diamond Offshore has ordered two high-specification ultra-deepwater drillships to be delivered in 2013. The new drillships, the *Ocean BlackHawk* and *Ocean BlackHornet*, are scheduled to set sail from Hyundai Heavy Industries' (HHI) shipyard in South Korea during the second half of 2013. Today, these 12,000-foot water-depth rated drillships exist only on paper as complex engineering designs and specification lists. But by the time these dynamically positioned vessels report for their first assignments, they will be outfitted with equipment and capabilities unsurpassed by any rig in the world.

## 18 Falkland Fervor

After a 12-year hiatus, offshore drilling has resumed in the Falkland Islands. Two exploration companies, Desire and Rockhopper, are hoping for and expecting the best. An untapped basin north of the Falkland Islands is estimated to contain billions of barrels in oil reserves. In 1998 \$10-per-barrel oil prices challenged the commercial viability of development, and the North Falkland Basin was abandoned. Today, Desire Petroleum and Rockhopper Exploration have moved in, drilling with controlled urgency and equable optimism.

## 24 Apart from the Herd

Small, agile oil and gas companies always have some advantages. At Walter Oil & Gas Corporation, they begin with an attitude that everyone in the company belongs to the family. Jim Looke, Vice President, Drilling and Production Operations, said as much by introducing *Rigamarole* to as many of the company's 50-person staff as he could when we visited last December.

## 28 Hometowns of Diamond Offshore

The cultural heritage of Diamond Offshore employees is rich and varied. In many cases, the men and women who crew our rigs come from the small towns and villages that help make up the heartland of the countries they represent. In this issue, we take a look at Bogalusa, Louisiana.

## 38 Facets

News and views from Diamond Offshore.

**rigamarole** is published for and about the people and customers of Diamond Offshore. For more info, write us, call or visit [www.diamondoffshore.com](http://www.diamondoffshore.com).

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(EXECUTIVE PORTRAIT)

## A Letter from Larry Dickerson, President and Chief Executive Officer



**Diamond Offshore and the offshore drilling industry faced incredible challenges in 2010, but as always, we found ways to get the job done. These are after all, by any historical measure, still very good times for our industry, and we remain confident in the overall health of our business. We recently expressed that confidence with orders for two new-build, dynamically positioned ultra-deepwater drillships.**

These will be truly state of the art vessels, constructed at Hyundai Heavy Industries' shipyard in South Korea. The cost per drillship is expected to be approximately \$590 million, including commissioning, spares and project management—far lower than the \$750 million cost for a new-build at peak pricing.

In terms of specification, we intend to be an industry leader. These ships will each be capable of drilling wells up to 40,000 feet deep. Each will feature a seven-ram blowout preventer, have dual activity capability and a hook load capacity of 2.5 million pounds. Each rig will handle 20,000 metric tons of variable deckload and will house a 210-person crew in living quarters that are designed to meet Brazil's NR30 standard.

We have named the rigs *Ocean BlackHawk* and *Ocean BlackHornet*, names we believe connote strength, performance and power while tying back to the oil business and also relating to the color of the Diamond Offshore logo. Likewise, our new paint scheme moves away from our traditional gray hull to black.

Taking into account these ships, and our 2009 acquisitions of the dynamically positioned semis *Ocean Courage* and the *Ocean Valor*, we have now ordered, purchased or upgraded seven 10,000-foot ultra-deepwater units over the last four years. When the two new drillships are completed in 2013, Diamond Offshore will have a total of 16 deepwater and ultra-deepwater rigs available to operators throughout the world.

The *Courage* and the *Valor* both mobilized to Brazil last year and after some challenges of their own, are now deployed under long-term contracts with Petrobras. The *Courage* is currently working in a particularly difficult high-current

environment about 120 miles off northeastern Brazil in 6,759 feet of water. The ocean floor in the area can be described as a box canyon running northeast and southwest with the opening to the northeast. Our drilling location is situated near the northwest face of the canyon and our BOPs are in the canyon with less than a mile of safe, deep water to the northwest of the location. The location is made more challenging by the surface currents which reach as high as 4 knots at times and run perpendicular to the direction of the canyon.

Also in northeastern Brazil, but much closer to shore, is our high-specification jack-up, the *Ocean Scepter*, which is working for OGX. The area is known for strong winds and large ocean swells, creating a difficult environment for a jack-up rig to get on location. In early February a very small weather window allowed us to position the rig near the drill site and on 20 February with the wind at zero and the ocean swells subsided, we were able to move on location without incident.

The offshore drilling industry has never been about easy, it's about meeting the challenges and getting the job done. We believe the new drillships we are building and the rigs we have upgraded and purchased in the past few years equip us to do just that.

But our work is not finished—there will be more Diamond Offshore ultra-deepwater rigs to come. All will carry the familiar black diamond, which represents quality crews and a commitment to operational integrity, personnel safety and innovative solutions to our customers' frontier drilling needs.



By Scott Redepenning  
Photography by Lee Mawdsley

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# A GIANT RISING FROM THE SEA

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**In a three-year span, OGX moves from complete unknown to holding the largest private oil & gas prospects in Brazil.**

Before June 2007, OGX didn't exist. Today the Rio de Janeiro-based E&P company sits on top of at least seven billion barrels of certified oil and gas deposits, the most Brazilian reserves controlled by a private-sector company. In September 2009 OGX punctured the seafloor for the first time, thus beginning an exploratory campaign that has seen 20 wells drilled in less

than a year, primarily using Diamond Offshore rigs. This effort has resulted in 32 positive discoveries, which is now nudging the original seven-billion-barrel estimate upward. These are breathtaking numbers for an upstart that has yet to produce a single drop of oil. Yet OGX executives take it all in stride and promise tall production figures within a short time.

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**“[WE] JUST STARTED THIS COMPANY A FEW YEARS AGO, BUT BY THE END OF OUR EXPLORATORY CAMPAIGN WE WILL HAVE DRILLED MORE WELLS THAN ALL OTHER COMPANIES WORKING IN BRAZIL COMBINED, EXCEPT FOR PETROBRAS.”**

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“We are certainly excited by the success of our exploration, but it is all part of a deliberate and expected plan,” says Reinaldo Belotti, Production Development Director for OGX. “That plan has us producing our first oil in mid-2011. We already have everything we need ready to go—the vessels, platforms, pipes, infrastructure, everything.”

Belotti refers to this as Phase One, and the intent is to produce around 20,000 barrels per day by the end of 2011. From there the production curve makes a steep sweep upward. By the end of 2015, the company intends to produce 700,000 barrels per day and by the end of 2019 will push production up to 1.4 million barrels per day. To accomplish this, OGX plans to use 19 FPSOs, 25 wellhead platforms and four tension leg platforms handling hydrocarbons flowing from around 700 wells. These figures only account for the 22 Brazilian offshore exploration blocks fully controlled by OGX. The company also holds several blocks onshore and in Colombia, some in partnership with outside operators.

The next 12 months promise to be an enormous turning point, as OGX shifts from all-out spending to booking its first revenue—a milestone excitedly anticipated by the company’s shareholders. For now OGX continues the deliberate plan, drilling exploratory wells utilizing five Diamond Offshore rigs—the *Ocean Ambassador*, *Ocean Lexington*, *Ocean Quest*, *Ocean Star* and *Ocean Scepter*—as well as two rigs from another competitor.

## **FAST COMPANY**

Prior to 1997, all Brazilian oil and gas concerns were controlled by the national oil company, Petrobras. In that year the Brazilian government broke the monopoly and opened the country to outside operators. According to Belotti, these outsiders didn’t exactly break down the door.

“The market was opened 13 years ago, yet in the past three years OGX has already become Brazil’s second-largest holder of prospects after Petrobras,” he says. “We had major companies come here, yet it seemed they were just testing the waters, and they usually operated in partnership with Petrobras. They maybe wanted to expand on their own, but they were reluctant to recruit the necessary talent from Petrobras, the respected partner. Some tried to operate with teams who were not intimate with the workings of Brazil and the specifics of the country’s sedimentary basins, but there was limited success. So in the end they remained working in partnership.

“Then!” beams Belotti. “Eike Batista came along.” Eike Batista is Brazil’s best-known and most influential entrepreneur, a man whose original fortune was made in gold mining. In 2007, attracted by the considerably higher success rates of drilling for black gold versus digging for the yellow stuff, Batista founded OGX, immediately raising \$1.3 billion in private funds to launch the company. The following year OGX went public with the largest IPO in Brazil’s history, raising an additional \$4 billion. The company has never looked back,









using its abundant funding and Brazilian roots as a powerful propellant to fast success.

“We have some great advantages because we are Brazilian,” says Belotti. “OGX is the first E&P company that has been able to work intensively here with an aggressive business plan and a dedicated team of our own. We know how to make business work here. We understand the culture, the regulations and most importantly the geology of the basins. Most of us were either retired or near retirement from Petrobras when Batista recruited us. I was at Petrobras 32 years and was the very first engineer who came to OGX. Now we have 200 employees and have about 6,000 people working for us through contractors. This has been very rapid and exhilarating.”

Ricardo Juiniti Bernardo, Executive Manager of Well Operations for OGX, agrees. Displaying a bit of proud astonishment, he runs down the list of company accomplishments to date. “In a very short time, we formed the company, bid on and acquired our exploratory blocks, recruited the core team, conducted the IPO, set up operations and logistics, shot 3D seismic in three basins, had the data processed and interpreted, high-graded our prospects, contracted drilling rigs, supply boats and helicopters, trained and crewed up, drilled 20 plus wells and have already found a lot of oil,” Juiniti says. “We worked hard to get this big train started, and now we’re really making it move.”

Juiniti, also a Petrobras veteran, says Batista’s entrepreneurial spirit is why the company has progressed so aggressively. “He just started this company a few years ago, but by the end of our exploratory campaign we will have drilled more wells than all other companies working in Brazil combined, except for Petrobras,” he says. “Batista makes things happen. He trusts us to do our jobs well, but he’s very involved strategically. He also takes part in celebrating our milestones. When we spudded our first well with the *Ocean Ambassador*, he was with us in our 3D room watching the live ROV feed of our first meter being drilled. We popped a few bottles of champagne that day.”

Juiniti points out two “trophy” items in OGX’s boardroom that commemorate this same well. One is the very drill bit that broke into the reservoir and struck first oil. The other is a framed canvas with the date, time and place of the discovery, actually “painted” with the first oil that came up through the drill string. Both items were presented as gifts to Batista.

## THE BEST OF EVERYTHING

The OGX strategy is powerful in its simplicity. The company aims to acquire and exploit the best exploration blocks, build the best team with superior knowledge of the Brazilian basins and work with the best contractors in the business, who are expected to bring world-class technology to the table. Walk into OGX’s offices and you can see this strategy working, literally.



▶ **OGX Headquarters**  
Rio de Janeiro

As soon as the elevator doors open, you hear the hubbub as you walk onto what seems more like a trading floor than a corporate office. Impromptu meetings are breaking out in one corner; quick decisions are being made and shouted over to colleagues in the opposite corner. Portuguese, French, Spanish and English fill the air. The pace and volume are high, yet abundant smiles and laughter reassure visitors that this is more a product of excitement than stress.

A good third of the people present aren't from OGX at all. They're contractors, who in OGX's business model are kept close as integral players on the team. Experts from Schlumberger, M-I SWACO, Geoservices, Frank's Casing, Pride and Diamond Offshore are here—a situation that Patrick Janes finds to be highly unique. Janes is Diamond Offshore's Drilling Superintendent and OGX Liaison. He works full-time at OGX headquarters as the single point of contact for all matters related to Diamond Offshore rigs.

"Day to day, whatever rig issues may come up, I am here to address them immediately," he says. "Diamond Offshore's Brazil headquarters is in Macaé, 115 miles from here. But if something comes up, they don't have to call Macaé or wait for people to come down from there. They just walk down the hall and I'm on it right away. That's how OGX works with all partners. I've never seen a working environment quite like this. It's extremely efficient."

Janes opens the door to a sophisticated control center and points out that he isn't the only direct connection to

Diamond Offshore rigs at OGX. Wide-screen monitors fill two rooms from floor to ceiling, displaying everything that's happening on every rig in real time. Around the clock, technicians monitor all drilling activities, from mud pit levels to penetration rates. They see everything that rig personnel are seeing, and if they notice anything that needs to be addressed, a phone call gets the issue quickly resolved.

Reinaldo Belotti refers to this as "integrated project management", saying that the approach has been integral to his company's rapid success. "Having an extra set of eyes onshore in constant communication with the rigs has optimized our operations while also optimizing safety," he says. "We are the only company in Brazil with real-time monitoring and support in the home office that looks at the whole picture. If there is any gain or loss of fluids to the formation, we know it now. If anything deviates from the drilling program, we alert the rig immediately."

## **THE AMBASSADOR TO BRAZIL**

OGX's dizzying ride to drilling success all began with one rig, the *Ocean Ambassador*. Belotti remembers the momentous feeling when this 1,100-foot water-depth-rated semisubmersible first pulled into position over an OGX block. "When we started looking for rigs, we had some problems," he says. "This was mid-2008 and oil prices were well above \$100 per barrel. Every rig in the world was being used and OGX was nothing; we had no track record. We met with Diamond Offshore,

▶ **Ricardo Juiniti Bernardo,**  
Executive Manager of Well Operations



▶ **Reinaldo Belotti,**  
Production Development Director



▶ **Patrick Janes**  
Drilling Superintendent,  
Diamond Offshore, and  
OGX Liaison



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# “I BELIEVE OGX IS A VISIONARY COMPANY AND DIAMOND OFFSHORE PROVED TO US THAT THEY ARE AS WELL.”

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and they instantly gave us maximum effort and respect. We worked for a win-win contract, and when that first rig struck oil, we showed a doubtful market that OGX is for real. This launched us into being able to secure more rigs. We will never forget that Diamond Offshore stepped up for us, and we have been close partners ever since.”

Ricardo Juiniti embellishes the point. “I believe OGX is a visionary company and Diamond Offshore proved to us that they are as well. Even though we were unknown, they saw our potential and believed in it. They took a leap of faith with us and it has paid off on both sides. They were the first to work with us. They were the first to put a representative in our office, and we’ve used this model for the way we work with all of our partners. We believe that’s why our performance has been so good from the beginning.”

This performance, in fact, has been record setting. With 20 wells drilled in one year, non-productive time has been held under 15%, an astounding number for an exploratory campaign where non-productive time typically hovers around 25%. “Plus, one would expect it to be higher for a start-up company like OGX,” says Juiniti. “Then you add in that the *Ambassador*, *Quest* and *Star* had never operated in Brazil. So how do you put all of this together with new crews and new everything else? I believe we have done this by working with the best companies, the best technology and the best management model.”

Belotti points out another major contributing factor—safety. “We work hard to have the safest operations, and Diamond Offshore helps because of their safety culture,” he says. A telling example occurred this year when OGX renewed its well-control insurance policy and the premium actually decreased. “Premiums were increasing all over the world because of the Deepwater Horizon incident, but ours came down,” Belotti says. “The insurance company looked at our operations model, the companies we are working with, the procedures we are using, the decision processes in place, the support center we operate here. They saw all of this and reduced our rate.”

Patrick Janes says pleasant surprises like this are simply a product of the OGX way. “Everything is straightforward with them. They are very honest, very open, no secrets. They will tell you exactly how they feel and what they need, and we do everything we can to deliver. The officers all work together in one room, and decisions are quick and definitive. There is never any confusion when you’re working with OGX. We know who to talk to; they know who to talk to. Things get done fast and properly.”

## EXPLORER TO EXPORTER

All of the oil demanded by the vast country of Brazil is supplied by Petrobras. Thus every drop that OGX produces will likely be exported. The exception is that any natural gas extracted from their land operations will go to sister company MPX to be used for electric power generation in Brazil. Gas from its offshore leases will be dealt with differently. Another sister company, OSX, operates a shipyard in partnership with Hyundai to produce the FPSOs and wellhead platforms needed when the fields move into the production phase.

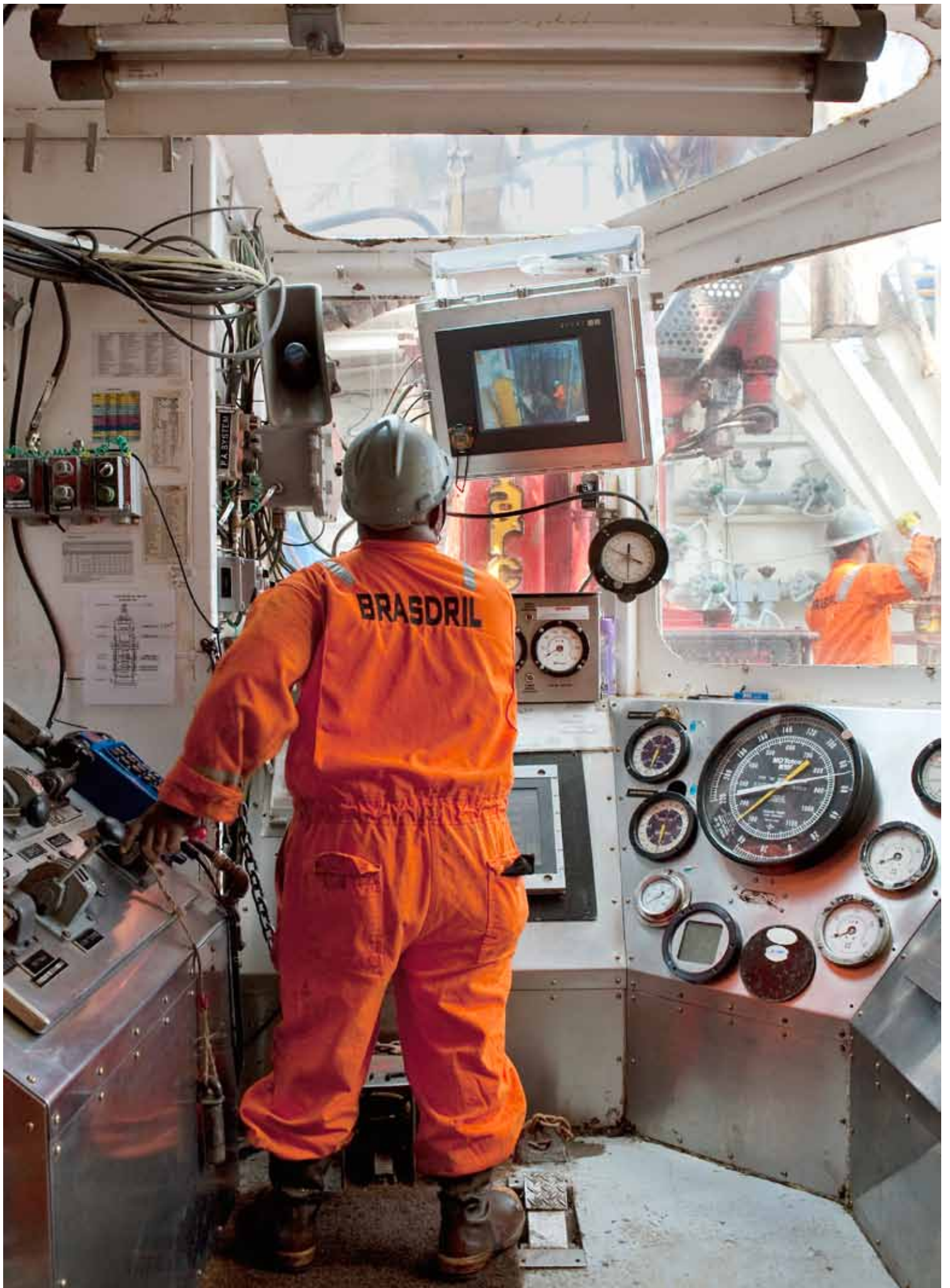
This close-knit family of companies has its current holdings well planned out, yet Belotti assures us that they are just getting started. “We have plans to acquire more blocks when they become available, but this issue right now is in the hands of our Congress. When they decide to offer another bid round, we will enter strongly to acquire more. We believe this is coming soon. We went to Colombia to get more blocks because there were none to be had in Brazil and we wanted to continue to expand. The only reason we did this is because some of our executives have a lot of experience in Colombia, so we felt comfortable going there. Those are onshore blocks, but our main focus is offshore Brazil.”

OGX’s current blocks are all in shallow water, no more than 500 feet deep. Belotti says this has been advantageous because operations are easier and less expensive, plus the company is proving it possible to find a lot of oil. “Let me be clear, however, that we don’t necessarily prefer shallow water over deepwater,” he says. “We simply prefer to acquire the best opportunities, the best blocks that make the most business sense to our company. It is not the depth of the water we care about, but the volume of the oil. We all worked for Petrobras, so we know how to do deepwater.”

For now OGX will stay the current course, not so quietly making its mark in the Brazilian and world energy markets. “I believe Brazil needs several different oil companies operating here to fully produce the country’s enormous potential. The African coast opposite Brazil produces twice what we do, and we don’t have half the challenges they have. I believe we can create great opportunities for our people and increase the value of our country. That is a big motivator for me at OGX.” Juiniti adds, “The petroleum industry in Brazil is really in its infancy. I came to OGX because the challenge of starting a company from scratch was too unique and exciting to pass up. Batista believes in real partnership. If the company succeeds, we succeed. I have a hand in my own success. But mainly I am attracted by the challenge.” ■

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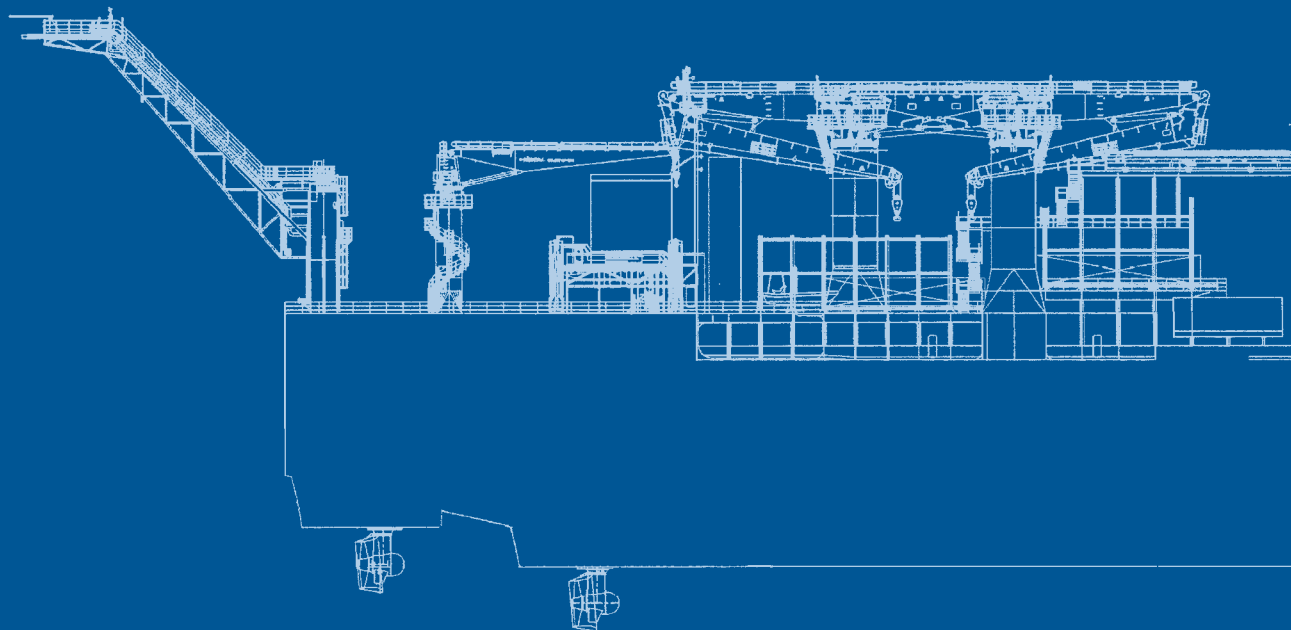
SCOTT REDEPENNING IS AN INTERNATIONALLY EXPERIENCED FREELANCE WRITER, COMMUNICATIONS CONSULTANT AND UNIVERSITY LECTURER.

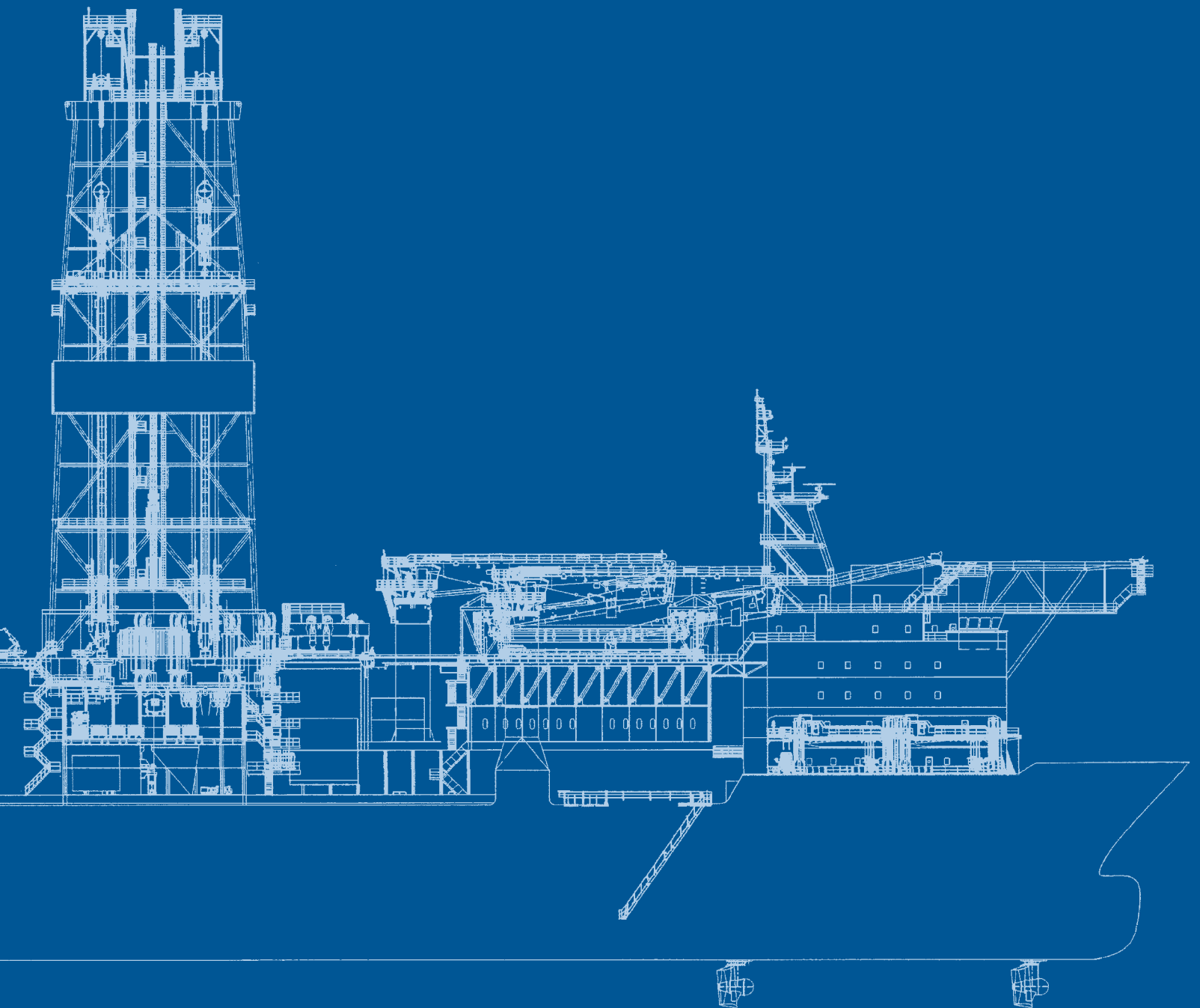


# Fleet gets shipshape

Within three years from now, Diamond Offshore's *Ocean BlackHawk* and *Ocean BlackHornet* will set sail from Hyundai Heavy Industries' (HHI) shipyard in South Korea. Today, these 12,000-foot water-depth rated drillships exist only on paper as complex engineering designs and specification lists. But by the time these dynamically positioned vessels report for their first assignments, they will be outfitted with equipment and capabilities unsurpassed by any rig in the world.

by Scott Redepenning





# Ocean BlackHawk

*Rig Type* DP drillship  
*Rated Water Depth* 12,000 feet  
*Year Built* 2013 (estimated delivery)

*Hook Load*

2.5 million lbs

*Design*

Gusto P10000

*Variable Deck Load*

20,000 MT

*Annular BOP*

(2) 18-3/4"; 10K psi

*Ram BOP*

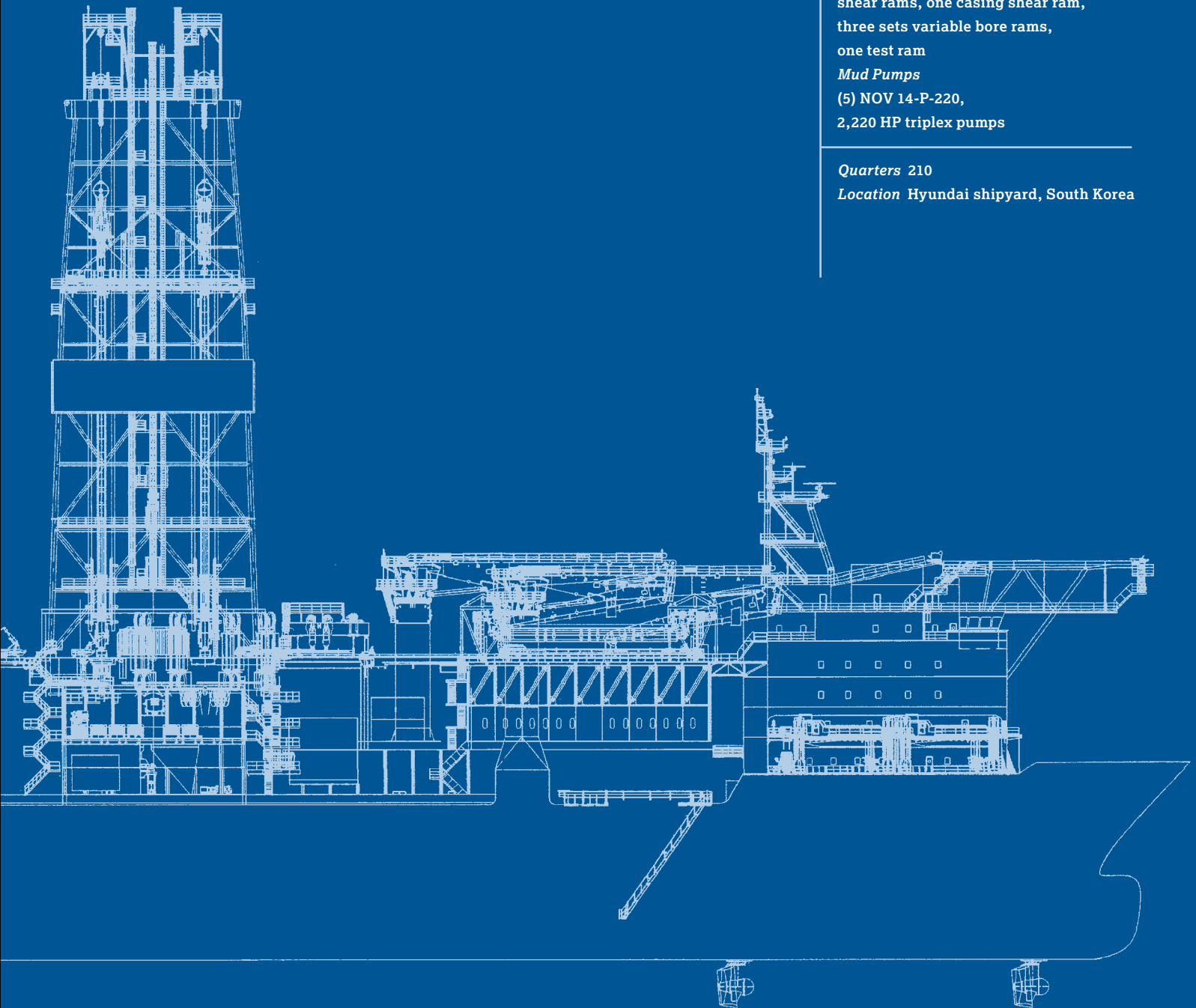
(7) 18-3/4"; 15K psi, with two blind/  
shear rams, one casing shear ram,  
three sets variable bore rams,  
one test ram

*Mud Pumps*

(5) NOV 14-P-220,  
2,220 HP triplex pumps

*Quarters* 210

*Location* Hyundai shipyard, South Korea





The ships will be identical, both capable of drilling wells up to 40,000 feet deep. Each will feature a seven-ram blowout preventer, dual activity capability, hook load capacity of 2.5 million pounds, and riser tension to 3.6 million pounds, which will deliver 18-pound-per-gallon mud at a 10,000-foot water depth from five mud pumps, pulling from 2,800-cubic-meter active and reserve mud tanks. Each rig will handle 20,000 metric tons of variable deck load, 7,400 cubic meters of fuel, 1,400 cubic meters of potable water and 6,000 sacks of dry bulk. The ships will hold station utilizing six 5-megawatt DP thrusters and will house a 210-person crew in living quarters that are designed to meet Brazil's NR30 standard.

"These drillships will be the highest-spec rigs in the Diamond Offshore fleet, but most notably they'll be the best in the industry," says Jon Shoemaker, Manager of Special Projects, who was closely involved with tendering, evaluating and awarding the shipyard contract. "We asked HHI for a lot of push-the-envelope type of specifications, and their engineering delivered. Their base design satisfied our requests without major modifications, and we could see that the drillships will clearly be built for the present ultra-deepwater market and beyond. We feel very good about these rigs being ready to work now as well as into the future when the drilling challenges become even greater."

Michael Acuff, Vice President, Contracts & Marketing, agrees. "We believe we are building the kinds of rigs major operators around the world are looking for," he says. "We're seeing clear trends that the ultra-deepwater market is going to be strong long term, especially in the drillship realm. Our customers are showing a preference for high-specification drillships, so we want to offer assets in that space. Our customers have been looking for us to do this, and our decision has been very well received."

Drillships provide advantages in certain drilling program scenarios. If a customer is working multiple regions, the *BlackHawk* and *BlackHornet* will be able to move between assignments under their own power at up to 12 knots. Fewer transport days mean that drilling commences sooner, and with operators facing all-in costs of up to \$1 million a day, drilling time is of the essence. Drillships are also ideal for remote and newly developing regions because of their immense storage and deck load capacities. Diamond Offshore's units will be able to pack in enough equipment and drilling fluids to drill two or three wells and work long term in an area where there is little field-supporting infrastructure.

## Deep presence

Diamond Offshore has significantly deepened its rig offering over the last few years. With the 2009 acquisitions of the DP semis *Ocean Valor* and *Ocean Courage*, as well as major Victory-class upgrades within the fleet, the company will have 16 deepwater rigs available when the *BlackHawk* and *BlackHornet* are delivered, seven of those with 10,000-foot water-depth capability.

"These drillships open a new product line for us," says Acuff. "Our portfolio starts with jack-ups and mid-water semis, and then we move up to deepwater units. We have been actively updating and increasing our fleet specifications, and these drillships are the pinnacle of those efforts. We will now have the full complement. We can provide any customer with any type of rig they need. Combine that with our people and our operations record, and customers are really getting what they want—the whole package."

Moe Plaisance, who heads Contracts & Marketing worldwide, sees what's happening in places like Brazil, West Africa and Southeast Asia, and knows Diamond Offshore is strategically moving in the right direction in terms of fleet expansion. "Nothing drives business better than discoveries, and our customers are making discoveries," he says. "They are pushing us to provide rigs that can meet the challenges of ever deepening waters. Our new drillships are going to fit the bill whatever they may ask for."

Plaisance says the rigs are being designed so that they can work in the ultra-deep waters of the world, including the Gulf of Mexico, which has become a special case due to the Macondo incident. Diamond Offshore personnel hold key positions on a joint-industry task force that was formed post Macondo in order to make recommendations to the government on how to eliminate such incidents. "Being active on this task force has certainly guided us in designing these rigs," says Plaisance. "We are building them in anticipation of the new regulatory environment. For example, the seven-ram BOP is probably more rams than will be required. But we intend to be an industry leader in terms of specifications for these rigs."

"There's not much going on in the Gulf right now, but when drilling resumes, there will be a flurry of activity," he adds, "and we believe there will be an increase in demand for high-spec units that meet the requirements. We intend to be there."

# Attractive pricing

In 2009, Diamond Offshore was able to purchase the newly built *Ocean Courage* and *Ocean Valor* because the original owners couldn't finish the payments due to the global credit crisis. At that time, buying distressed assets was an opportunistic way to acquire new rigs at low prices. Yet as more companies clamored to bid on these opportunities, the prices quickly pushed upward. Now the big price breaks are in building rigs from scratch, and the market is responding. Currently there are 11 new orders worldwide for ultra-deepwater units. Diamond Offshore was an early entrant in this trend and has secured a price of \$590 million per drillship, including shipyard costs, commissioning, spares, onsite project management in South Korea, and transport to first assignment.

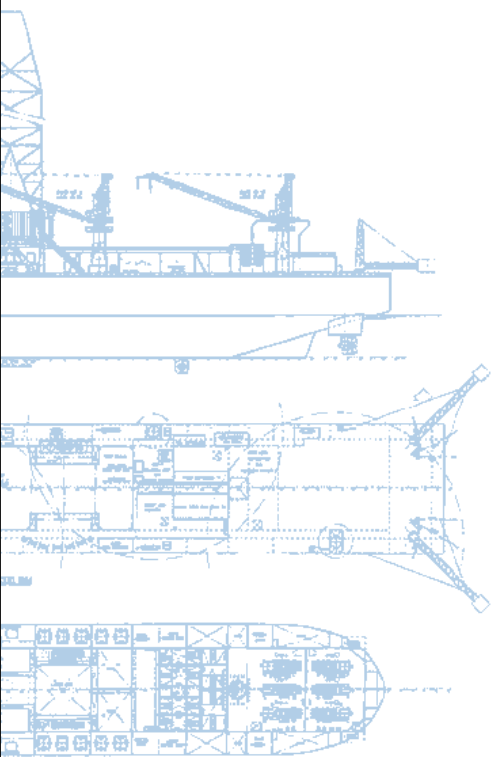
Michael Acuff explains the changing trends. "Right now we are seeing something that hasn't come along in a while, low pricing on new-builds. The industry is currently in the last third of the new-build cycle that started in 2006. Shipyard activity is tapering off and creating excess capacity, so shipbuilders are reducing prices to get new orders in. As we did with the Victory-class upgrades and the acquisitions of the *Courage* and *Valor*, we saw another great opportunity to advance our fleet and get good return on our money—and we seized the moment. We've seen dayrates go as high as \$650,000 for ultra-deepwater units during peak times. But we made our ROI calculations based on today's rates, which are running from \$425,000 to \$450,000 per day. At those rates this is a good investment, and that still leaves us with a lot of upside."

The confluence of attractive pricing and a positive market outlook is unquestionably driving optimism for the *BlackHawk's* and *BlackHornet's* prospects. Acuff says the third favorable factor is Diamond Offshore itself—the Company's experience, reputation and customer relationships.

"When we look at where our customers are heading, we feel confident these rigs will be employed. Of course this isn't a given. There are 20 rigs being delivered from the cycle finishing up and 11 more being built now. But we are comfortable with this because of who we are—our track record as a legacy contractor. Our customers have been very excited to talk to us about these rigs."

Moe Plaisance adds, "This is an opportunity to match our great people with the latest equipment. I'm really excited that we're providing our people and our customers with rigs of this caliber. These ships will be the best of the best, and our people are going to make them even better."

Diamond Offshore President and CEO Larry Dickerson concludes, "We carry with us the Diamond Offshore name, systems and personnel, and we believe that has strong appeal to our customers. These vessels are absolutely at the cutting edge. There may be nearly a dozen new orders right now for deepwater units, but our ships will be distinguished by top-line specs and a black diamond that represents unequalled commitment to operational integrity." ■



# Ocean BlackHornet

*Rig Type* DP drillship  
*Rated Water Depth* 12,000 feet  
*Year Built* 2013 (estimated delivery)

*Hook Load*

2.5 million lbs

*Design*

Gusto P10000

*Variable Deck Load*

20,000 MT

*Annular BOP*

(2) 18-3/4"; 10K psi

*Ram BOP*

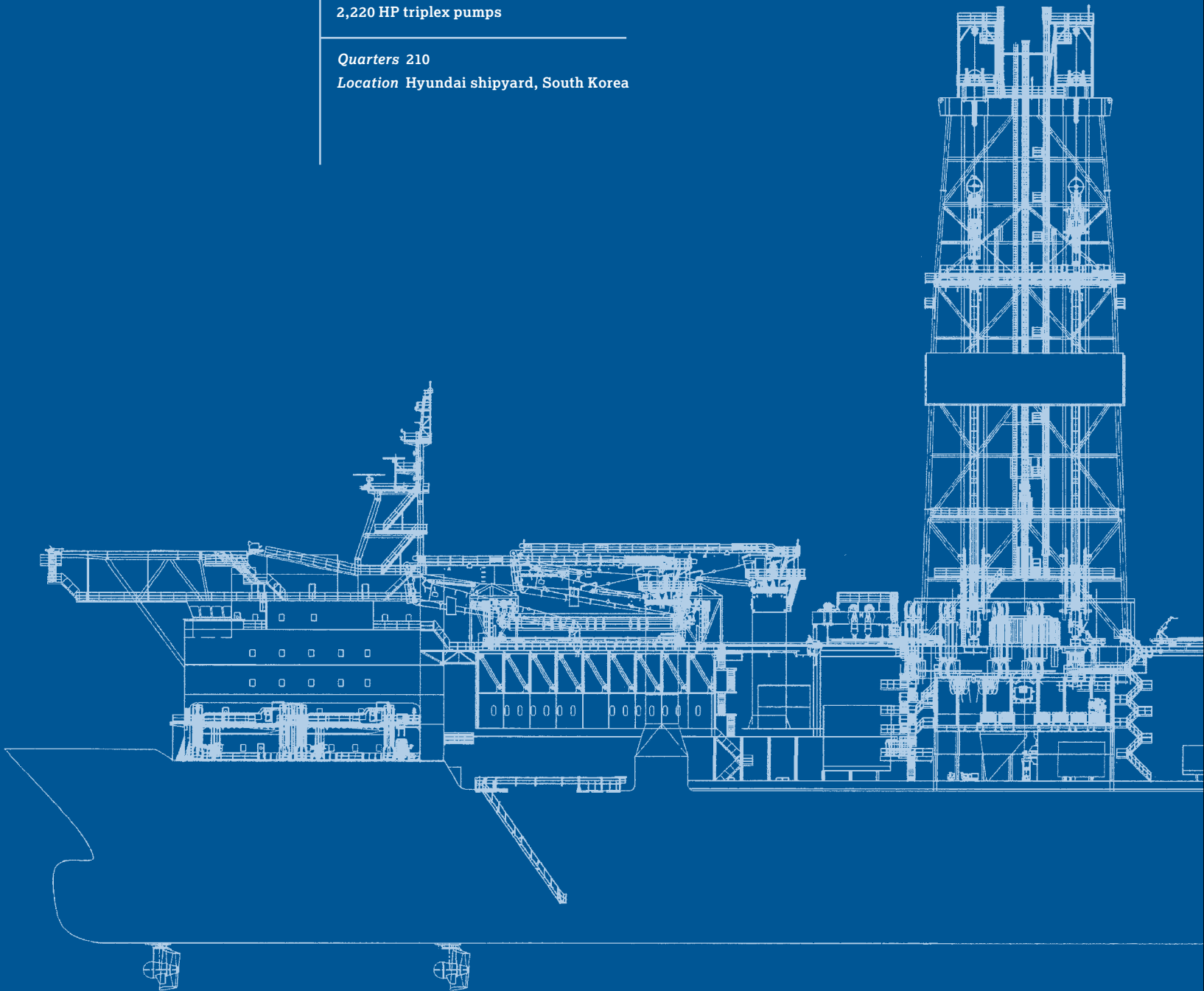
(7) 18-3/4"; 15K psi, with two blind/  
shear rams, one casing shear ram,  
three sets variable bore rams,  
one test ram

*Mud Pumps*

(5) NOV 14-P-220,  
2,220 HP triplex pumps

*Quarters* 210

*Location* Hyundai shipyard, South Korea





By Scott Redepenning  
Photography by Chris Shinn and Lee Mawdsley

# FALKLAND FERVOR



After a 12-year hiatus, offshore drilling has resumed in the Falkland Islands. Two intrepid exploration companies, Desire and Rockhopper, are hoping for and expecting the best. An untapped basin north of the Falkland Islands is estimated to contain billions of barrels in oil reserves. In 1998 six exploratory wells were drilled primarily by Shell with encouraging results. But \$10-per-barrel oil prices challenged the commercial viability of development, and the North Falkland Basin was abandoned. Now Desire Petroleum and Rockhopper Exploration have moved in, drilling with controlled urgency and equable optimism.

In early 2010 the two UK-based trailblazers broke ground in the basin utilizing Diamond Offshore's *Ocean Guardian*, a 1,500-foot water-depth rated semisubmersible. The effort has already produced one promising discovery known as Sea Lion, with more anticipated in the coming months.

Desire and Rockhopper began to intently refocus on the Falklands in 2004, a time when oil prices, exploration and new-country entries all were on the upswing. Both companies had set their sights on exploring in the highly promising North Falkland Basin, yet according to Rockhopper CEO Sam Moody, it was several years before they ever got a chance to fire up the drill bit.

"It's really a matter of simple economics," he says. "When activity began to pick up, a number of frontier-type companies formed up to work in the Falklands. Of course when activity rises, rig prices tend to get very expensive, which made it difficult for a small group like us to get a contract. But recently, when oil prices started to ease off a bit, we got our opportunity. Desire secured the *Ocean Guardian* and we made an agreement to use the rig during part of the contract. It took a while to get here, but we're certainly happy with where we are now."

Bob Lyons, Operations Director for Desire, explains further. "Had all gone as planned, we would have begun drilling in 2005, but it just wasn't sensible to drag a rig down here. So it was a matter of hurry up and wait for the rig market to soften a bit. Last year this finally happened with mid-water drilling units, which is the kind of rig we needed. We talked to Diamond Offshore and agreed on the *Guardian*. This ended up being quite the win-win type of contract.

It suited us for economic reasons, but it also suited Diamond Offshore, as they were looking to move the *Guardian* out of the North Sea because things had gotten a little quieter there. We were able to put together a sensible mobilization program on the budget we had."

Thus the *Guardian* made the 8,000-mile journey from northern to southern hemisphere and is now the only offshore rig operating anywhere near the Falkland Islands. This lone unit has been quite busy. The current contract calls for 10 wells, two of which Desire assigned to Rockhopper and one to BHP Billiton. Rockhopper's Sea Lion discovery was the second of these wells, and was made in 1,500 feet of water at a drilling depth of 9,000 feet. Once first oil was struck, the *Guardian* was moved to drill other prospects. In September the rig returned to Sea Lion and reentered the well to conduct a flow test. The results were successful, says Moody.

"We are quite pleased with what we found. Now we are trying to decide how best to appraise that discovery and also continue to explore. We look to be onto a fairly large feature," he continues, "probably in the region of 50 square kilometers. But there are a lot of unknowns at the moment about how big it actually is, and really the only way to find out is through more drilling, which will be a combination exploration and appraisal. So we are quite keen to continue with the *Guardian*."

After the second Sea Lion stint, the *Guardian* moved to a Desire prospect known as Rachel. In late October the well reached target depth and began a logging program. "Through wireline we are measuring various rock and fluid properties, which will hopefully tell us what we have down there," says Lyons. "After this we will drill another four wells back-to-back, and we're hoping to do more beyond that. We are anxious to see the results of the Rachel well, and Rockhopper is eager to drill more based on the Sea Lion discovery."

The two companies have ample cause for optimism, according to Lyons. "The reserves are potentially huge. From what has been mapped and modeled, the North Falkland Basin could contain up to three billion barrels of oil. We don't really know yet, but this has the potential to be a serious oil province. Within our own prospect inventory, we believe we are sitting on several million barrels."

## Acres of opportunity

Desire and Rockhopper each holds licenses on thousands of square kilometers in the North Falkland Basin, by and large the most significant acreage in the region. Rockhopper obtained its blocks in 2004, while Desire had been there since 1998 as a small equity holder in Shell's original drilling campaign. Bob Lyons says Desire would have started drilling back then, but timing couldn't have been worse.

"Oil was cheap and big companies like Shell lost interest in the area. They released the acreage and Desire picked up some sizable portions. We felt there was still quite a lot of interesting potential to explore. The only problem was by the time we were ready, we couldn't get the resources down there to do the drilling."

Eventually Rockhopper came along, the economics of the oil market shifted, and the exploration landscape changed. "When we set up the company in 2004, we already had a warm feeling that there could be something



significant there,” says Sam Moody. “We knew Shell had recovered live oil in one of their wells back in 1998. We were reasonably certain that oil hadn’t just gone away.”

Moody, a relative newcomer to the oil patch, says the Rockhopper adventure all began with a phone call. “I had done a deal unrelated to the oil industry with a chap who lives near me. In conversation he once mentioned that he owned two islands in the Falklands. Well, one day he rang me up and said we ought to start an oil company down there. He had read up a lot about the drilling campaign of 1998 and about the Falkland government promoting opportunities. We managed to get hold of a geologist who had worked on the original campaign, and he guided us to the areas of most interest. We approached the government and applied for our first blocks. At that time there wasn’t much competition. When we acquired our later blocks, where Sea Lion sits, activity was picking up, and we had to present a much more involved drilling program to qualify. So Rockhopper sort of fell into place. Just fate, I guess.”

## Geographically challenged

As remote locations go, the Falklands would have to rank near the top of the list. The archipelago sits only 290 miles east of Argentina, but getting there is more planetary expedition than puddle jump. Once a week a commercial flight comes in from Santiago, Chile. Once a week a military air transport comes in from the UK. Everything else arrives by sea, which consists of an 8,000-mile, 33-day trek across the waves from Great Britain. Crewing and supplying an offshore rig from this distance under these limitations is no small feat of logistical acumen.

Lyons says, in spite of the difficulties, this very challenge is what makes the contracting of the *Ocean Guardian* so satisfying. “At first, drilling contractors were just not interested in coming here because this place is so remote and they were getting all the work they wanted in much easier locations. Plus for political reasons South America was basically out of bounds as a supply or operations base. To bring a drilling unit here, it would have to be mobilized from the North Sea, Gulf of Mexico, Africa or Southeast Asia. All of these are many thousands of miles from the Falkland Islands. It’s just hard to get here from anywhere else. At that time the cost of mobilization was something in the neighborhood of \$50 million before you’ve even done any drilling. If we did manage to have a rig make the journey, we would want to keep it for several wells. So in the end, what we’ve accomplished with the *Guardian* is pretty impressive.”

Jimmy Moore, Diamond Offshore’s Area Manager for Europe, Africa and Middle East, says this kind of operation takes much more foresight and planning than typical rig assignments. “If you need to send something heavy to the rig, it’s a month’s trip by boat, so you have to be extra careful about having contingency equipment on board. Nothing is easy to get, including people,” Moore says. “Because the flights were only once a week, we’d sometimes have people miss their chance to get out on the crew change and they would have to stay in the Falklands an extra week. But we’ve gotten these kinds of issues worked out, and things have been working really well down there.”

To alleviate the flight limitations, Desire and Rockhopper have chartered a crew-change flight that makes the 36-hour round-trip from the UK every two weeks. “Even so,” says Lyons, “we still have to be extremely organized. We have to have the right people in the right place at the right time both coming and going, because if someone misses a flight in or out, they are stuck for at least a week, maybe two.”

Moody adds that the saving grace of all this logistical exertion is that once the operation is running smoothly, working in the Falklands is actually quite easy. “The weather is about the same as working in the North Sea, but probably a bit more benign, so there are no unique challenges there,” he says. “The regulations are based on UK laws, so we know what to expect. The culture is very British. It’s like being at home on the other side of the world. All things considered, the Falklands are rather an enjoyable place to do business.”

## Partners of import

Bob Lyons calls his company a “one trick pony,” in that 100% of Desire’s interests lie in the Falklands. Rockhopper is in the same boat, which makes the two companies ideal candidates to also be on the same rig. Sam Moody says the connection goes even deeper. “There are several good reasons to cooperate. We have adjacent acreage positions, plus we have farmed into two of Desire’s licenses. On the one hand, we are neighbors and co-explorers in the same region, where we can share supply-chain and personnel logistics to save costs. But we are also venturing out together on some blocks.”

The companies count barely more than a dozen employees between them. Both are built to be lean and agile, and thus rely heavily on outsourced technical expertise. The day-to-day running of drilling operations and engineering is done by AGR Petroleum Services, while the subsurface work such as geology, geophysics and reservoir engineering is provided by Senergy. “In a company the size of Desire, I have to wear many hats,” says Lyons. “The buck stops with me on daily operations, so I am in constant communication with our contractors. Then there are the times when I have to don my corporate hat and tend to things like forward strategy, reporting, fundraising. All of this sufficiently fills up my day.”

With so much of their operations riding on outside contractors, Lyons and Moody agree that their choices in working partners have to be near perfect. This is why in addition to AGR and Senergy, the two executives were reassured when Diamond Offshore came into the fold. “Because the location was so isolated, we wanted to work with a drilling contractor that was up to the job, with a rig in good condition,” says Lyons. “Another factor is since the laws in the Falklands mirror those in the UK, we needed a rig that was already certified under UK safety regulations. The *Guardian* had this, plus we were already very comfortable with Diamond Offshore in the first place.”

Before founding Desire, Lyons had worked with Diamond Offshore throughout his career, in the UK, Australia, Southeast Asia, the Middle East, Italy and lastly in Brazil, where he worked on a deepwater project using a Diamond Offshore rig. “I’m familiar with all the drilling contractors, and the thing about Diamond Offshore is that the company is



run with great consistency,” he says. “No matter which rig or which region we are talking about, there has always been a very good relationship between drilling contractor and operator. They have very experienced people who are quite reasonable to deal with. In my observation it has always been this way, and that gives you quite a lot of comfort coming into a new venture like this. We are a small company, so we have to be sure we will get quality service with no surprises, and that has never been in doubt with Diamond. I must say that from top management down to the people getting the work done on the rig, all have stepped up to the plate and have been very impressive.”

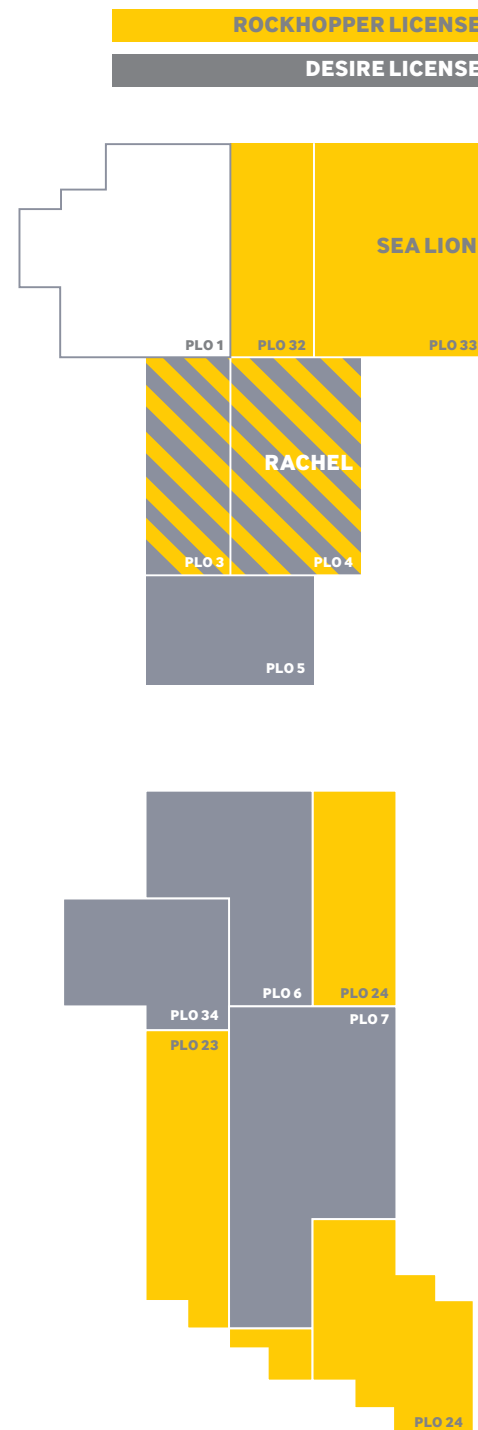
Unlike Lyons, Sam Moody is working with Diamond Offshore for the first time. Yet he says he was very familiar with the company’s reputation. “Let’s add it up. We are in a remote location in an underexplored basin at the end of a long logistics chain. You’ve got to have people who know what they’re doing, who have been around a bit, who are efficient and experienced. And I can say without any reservation, Diamond Offshore came highly recommended in that regard.”

Jimmy Moore, who throughout his Diamond Offshore travels has worked with every size client from supermajors to regionals to wildcatters, says the relationship with Desire and Rockhopper is uniquely close-knit. “Because of their size, we get more direct interaction with the top people,” he says. “This is their livelihood. If a well doesn’t come in, that can make or break a company. So you will be talking to the highest level people on a day-to-day basis. They get into the logistics and everything. We work with them very actively and closely.”

## Future prospects

The *Ocean Guardian* is about halfway through the current contract, yet Desire and Rockhopper are already looking much farther out into the future. “We would like to keep the momentum going with this rig,” says Moody. “Our hope is to drill a number of extra appraisal and exploration wells at the end of the current campaign. Rockhopper is a fast-moving, entrepreneurial company. We can make decisions and implement them very quickly. A PR person would probably use a word like ‘dynamic’ to describe us. All I know is that we are keen to keep running.”

The Sea Lion discovery is certainly a promising starting block, yet Moody is quick to point out that his company is being careful not to run too fast. “We hope our campaign will give us an idea of just how much oil we have. At that point we will have enough information to write a proper development plan. For a small operator like us to move from exploration to production would be a step change that we are currently not set up for. There is no overwhelming desire to have a great big shiny office building with a flag out front and 1,000 employees. We have more than enough to keep us busy now. We need to go one step at a time, play close attention to the risks that are there and not try to be too clever.” ■





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# Apart from the Herd

**Small, agile oil and gas companies always have some advantages.**

*At Walter Oil & Gas Corporation, they begin with an attitude that everyone in the company belongs to the family. Jim Looke, Vice President, Drilling and Production Operations, said as much by introducing Rigamarole to as many of the company's 50-person staff as he could when we visited last December.*

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"These are all the guys who make my life easy," Looke said. "It's a great place to work."

Walking through Walter's second-floor offices at 1100 Louisiana in downtown Houston, he chatted about their alma maters, their kids and their hobbies. Geologist Peter A. Hetherington, for example, has written a 700-page history of Poland in his spare time; and engineer Robert Casselman plays tennis competitively.

Regulatory Coordinator Judy Archer, a 23-year veteran here, sat elbow-deep in paperwork. "She does a great job talking to the BOEM," Looke said. "And by the way, they are one of the best-run federal agencies—extremely professional."

Most of the Walter crew has worked more than 10 years with the enterprise founded by the late Joseph Walter and his son, Rusty Walter, in 1981. They include employees of two Walter subsidiaries—Superior Natural Gas and the oil trading firm Vision. "We're growing old together," Looke said.

Joe Walter's first business, Houston Oil & Minerals, hit it big with a wildcat well off Bolivar in Galveston Bay in 1975. "That was a few years after Santa Barbara's blowout," Looke said. "He couldn't sell the deal, so he drilled the well with almost 100% working interest and found about 500 billion cubic feet of gas at 16,000 feet."

By 1981, when Joe Walter sold out to Tenneco, Houston Oil & Minerals had 3,000 employees, with operations in the United States, South America and the Middle East. "You couldn't find a better man," Looke said.

Rusty Walter built the current company. With operations primarily in the Gulf of Mexico and onshore coastal areas of Texas and Louisiana, production has grown significantly—from about 60 million cubic feet of natural gas a day in the 1980s to about 220 million cubic feet of gas and 25,000 barrels of oil a day today.

The company and its international affiliate have also conducted international operations resulting in the first oil and gas production in Equatorial Guinea.

Looke's career began with the drilling contractor Sedco (later acquired by Transocean). Thriving on adventure, he learned that side of the business in eight years around the world, with stints off Thailand, Canada and Scotland as well as in the Middle East.

"You know how you always remember the first guy who hires you? His name was Rabbit Wilson," Looke recalled. With a civil engineering degree from the University of Texas, Looke hoped for a job in Sedco's construction division. Sedco had a program for young engineers who wanted to work their way up, but they needed them offshore. Wilson told Looke the construction business had lost a lot of money. "Right then I said, I'm interested in drilling."

While he was with Sedco, the Iranian Revolution sometimes gave Looke more adventure than he needed. He vividly recalled a plane flight he took in 1979, five days after the U.S.'s failed attempt to rescue American hostages from its Iranian embassy.

"I was working on a land rig as a tool pusher. I got on an airplane from Qatar that was supposed to be going to Athens, Greece," he said. "I was real tired; I had been up for a

Walter first contracted Diamond in 1995 for subsea development projects. "We have now completed 81 subsea wells, 54 from floating rigs and 27 from jack-up rigs. We prospect in an area with water depths from about 400 feet to 3,100 feet with second-generation rigs owned by Diamond. We drill a well, put a subsea tree on, tie it back to a platform," Looke said.

BP's tragic Macondo blowout and spill last year frustrated Walter, like everyone else working in the Gulf, especially at Ewing Bank Block 834, where the *Ocean Voyager* had drilled to 15,000 feet when the federal government halted deepwater drilling last May.

The seismic chart still hung, like a map to buried treasure, in a company hallway. "We think this may be a discovery in excess of 50 million barrels, and we've done all the hard work," said Hetherington, the geologist.

He pointed out a black, oval-like area showing the reserves covering a 900-acre anomaly. "We had two more weeks to finish the well and see what we had. And they called up and said, 'TA (temporarily abandon) your well and take it stack side.'"

With bureaucratic lockdown still holding, Looke didn't know when they will reopen that project. "We'd like to go back to it," Looke said.

*"We need energy so much in this country, and the GOM was such a great place to do business with the new technology being developed. When I fly over the Gulf, I get excited to see all the platforms, all the jobs, all the energy we're producing. I just wish the oil and gas companies could do a better job communicating our business."*

couple days. Next thing I knew, we are landing in Tehran. They were stopping over to get some Iranians who wanted to leave the country." He feared he would be yanked off the Belgian airliner.

After seven years as a consulting engineer in Louisiana, he joined Walter in 1989. He'd married Rusty Walter's sister, Carole, a company partner, a year earlier. "We made a deal that I'd leave after a few months if it didn't work out with no hard feelings, and that was 21 years ago," Looke said, grinning. "I have a good day when I can keep her brother happy at the office and her happy at home."

The Gulf of Mexico accounts for about 90% of Walter's production operations now, with projects in south Louisiana, Texas and Oklahoma. "We've drilled 450 wells in the Gulf since 1984," Looke said.

Long-term relationships with service companies like Diamond Offshore enable Walter to operate with just five engineers, six geologists and a small land department. "We've been using some of the same service companies for over 20 years. The greatest thing we do is provide a lot of jobs indirectly," Looke said.

Completion Engineer Eric Collum called Diamond "our number one driller." He and others in the office that day lauded Diamond's great people, integrity and willingness to work through problems.

Three other good Walter prospects also remain on hold—all told, potentially 10 years, production. "We have the lease until 2013, but with rigs leaving the Gulf and only a handful of rigs likely to stay in the Gulf, there's going to be a scramble.

"We're lucky that we're small and use a lot of outside vendors. So we don't have to lay people off. We're just not spending money. A service company has to constantly employ its equipment to stay alive."

Even in busier times, Walter takes a contrarian approach to up and down cycles.

"With a private company you just do things that make sense. Everybody has investors; we have other partners. But you don't have to follow the herd," Looke said.

"During the slow times, we're busier than most; and during the hectic times, we're a little bit slower. You get more opportunities during slow times; your costs for drilling and services are cheaper and more efficient."

For the moment, he gets more time with Carole and their eight kids—Steven, Joe, Elizabeth, Walter Collins, Caroline and Catherine, all in their 20s, and teens Mary Frances and Christiana.

"When you have eight children, you're always doing things with the children," Looke said.

Steven, a University of Virginia alum with a Stanford

*“The seismic chart still hung, like a map to buried treasure, in a company hallway. “We think this may be a discovery in excess of 50 million barrels, and we’ve done all the hard work.”*

MBA, lives in Houston with his wife, Lindsey. Joe, a Princeton and Stanford grad, works in Dallas. Elizabeth, who’s applying to medical school, lives in California. Caroline attends the University of Alabama; Catherine’s at the University of Vermont; Collins attends Houston Baptist University. Mary Frances is a junior at Episcopal High School and Christiana is now in eighth grade. So if you’re counting, that’s two down and six more to go, education-wise.

“I spend a lot of time at horse shows and visiting kids in college,” Looke said.

Last year’s UT-Alabama championship was a game he could not lose, “no matter which team won,” he said.

“I made the mistake early in the season of saying if we both ended up there, I’d buy the tickets. So I was dressed in half UA supporter gear and half UT.” Amazingly, they still all gather for vacations and holidays. They enjoy property in

environmental mindset, he also recommends John Hofmeister’s *Why We Hate the Oil Companies*.

A dearth of young people in the profession is just one of the reasons Looke worries about the long-term effects wrought by the Macondo fallout. “Offshore drilling is always going to be dangerous, but we’ve come such a long way. We had an accident that shouldn’t have happened. But to shut down the whole industry is like having one airplane crash and shutting down all the airlines. Or having one mine blow up and shutting down all the mines. The sad thing now is that a lot of people in the GOM are losing jobs. And eventually the rigs are going to move overseas.”

Even before the Macondo tragedy, he suggested, the big hurricane years of 2005 and 2006 brought higher insurance rates and tighter regulations that created operational challenges.



the Hill Country and near Hockley. For spring break, they often head to the beach. “If you have good bait, they all show up,” Looke quipped.

None of his kids appears, for now, to be headed into the family business. “I’ve tried to talk a whole bunch of them into becoming petroleum engineers or geologists but haven’t had a taker yet,” Looke said. “When you get down to it, you want your kids to find something they like to do, help others and be a good Christian.”

Rusty Walter, he noted, encourages that spirit in the company as well. “He’s amazing. He serves on many boards, including The Methodist Hospital, Museum of Natural Science, Young Life and several different Christian church camps.”

Looke also devotes community time to education; he’s been on the board of Kipp Academy, a Houston charter school, for more than seven years. He especially likes fostering young talent for the oil and gas industry.

“I love to talk to kids about becoming engineers; we always have summer interns here,” he said.

On their first day, he hands interns a reading assignment: Daniel Yergin’s Pulitzer Prize-winning *The Prize: The Epic Quest for Oil, Money & Power*. He keeps a box of the books in his office for other visitors as well. “Everyone should read it,” he said. To understand America’s

Looke thinks better times will return; he’s just not sure when—although some in the industry have suggested 2013. “The Gulf has cycles,” he said.

In the meantime, Walter has land rigs in West Texas, operations in Oklahoma and deep gas wells in Louisiana. They’re also drilling a sidetrack offshore in shallow water. “We’re staying busy,” Looke said.

He was most excited about a proposed 19,000-foot test well off the shores of Cameron Parish, Louisiana, he hopes to spud as early as possible in 2011.

“There will always be opportunities,” he said. “And what’s going to happen with no offshore drilling in the Gulf of Mexico...the price of oil’s going to be over \$100 a barrel and gasoline is going to cost \$4 a gallon.

“We need energy so much in this country, and the GOM was such a great place to do business with the new technology being developed,” he said. “When I fly over the Gulf, I get excited to see all the platforms, all the jobs, all the energy we’re producing. I just wish the oil and gas companies could do a better job communicating our business the way they do overseas where the oil and gas industry tends to be looked upon more favorably.” ■

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FREELANCE WRITER **MOLLY GLENTZER** IS BASED IN HOUSTON, TEXAS.



# *Hometowns* **OF DIAMOND OFFSHORE**

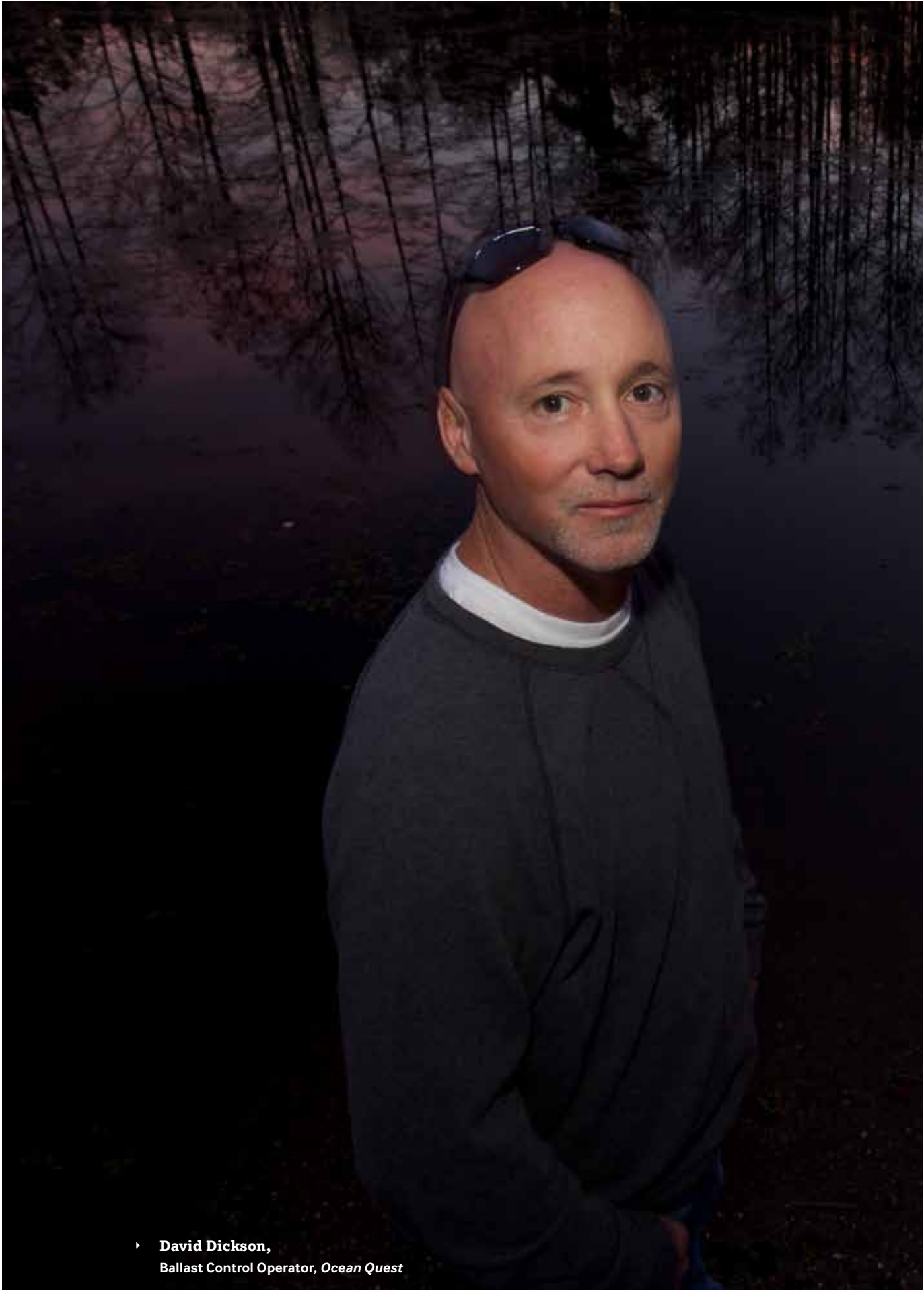
IT'S A MAGICAL LIFE

## **Bogalusa, Louisiana**

About an hour's drive north of New Orleans, you might expect to find a Cajun haven in Bogalusa, Louisiana—the only city in Washington Parish, one of eight “Florida parishes” that once belonged to Spain. But the first settlers here migrated from the Appalachian Mountains in the 1830s. These hardy, Scots-Irish Uplanders scuffled with the Choctaw and Creek natives, bringing Protestant fundamentalism and a taste for moonshine whiskey to the region.

*By Molly Glentzer, Photographs by Jeff Heger*





▶ **David Dickson,**  
Ballast Control Operator, *Ocean Quest*





**Descended from early Pennsylvania stock, they built log cabins in the German and English style, examples of which are displayed a few miles away at Franklinton’s Mile Branch Settlement historic park.**

Mississippi sits just across the Pearl River, a few miles from town. The Bogue Chitto also flows here. With alluvial plains meeting gently rolling terrain, the landscape surprises a visitor as much as the area’s history.

It stayed remote and heavily forested with longleaf yellow pine until about 1906. That’s when northeastern industrialists Charles and Frank Goodyear established the Great Southern Lumber Company and built Bogalusa to support what became, for a time, the world’s largest pine sawmill.

Temple-Inland now owns the mill and its adjacent box plant, but their gray stacks towering near the vintage downtown remain Bogalusa’s biggest landmark and primary industry. The Goodyears’ “Magic City” slogan stuck, too—although Diamond Offshore employees who live here said family ties, abundant fishing and hunting, and the pleasures of quiet country living provide the true enchantment.

Roy Miley, an electrical superintendent based at the Brazil Shorebase Office in Macaé, and his wife, Debbie, a chemical engineer and quality control rep for Temple-Inland, love rocking on their back porch with coffee or iced tea in hand and Labradors Daisy and Coal nearby.

The beautiful home they built after they married eight years ago sits atop a hill about 12 miles northwest of town, next door to her parents’ place. Two generations back, her family had a tung oil farm here. (The area’s

loamy hills provided perfect conditions for that industry, with trees imported from China in the 1930s, but Hurricane Camille wiped out the tung plantations in 1969.)

The Mileys like taking their BMW and Honda motorbikes to his family’s place in Townsend, Tennessee, for long rides through the Smokies. More often, though, he hunts or helps out at Plainview Baptist Church up the road, where he’s a deacon. He maintains his mother’s 13 acres, including a vegetable garden. And they dote on their grandchildren, three-year-old Payton 3, and one-year-old Kara.

“We ride around on the four-wheeler or tractor or do our exercise walk down the road with a stroller and wagon,” Miley said. “We like slower-paced country living; and with family all here, it’s not like we go places to entertain.”

October’s Washington Parish Free Fair and happenings at Bogalusa’s Cassidy Park, including a light display at Christmas and a wild-game cook off in March, draw many local families.

Deck coordinator Richard Knight (*Ocean Saratoga*) often takes his wife, Angel, and young daughters, Alyssa and Grace, there when he’s at home.

“We’re pretty outdoorsy,” Knight said, “and we like sports.” He follows LSU and the Saints as well as the Franklinton Devils, who won the State 4A football championship in December 2010.

The Knights also live a few miles from town, on part of a 100-acre spread that Angel’s grandfather split between his daughters. While Richard hunts deer and rabbit on the family land, Pearl River fishing has called louder of late. He and Angel’s grandfather recently finished building a three-bedroom, three-bath camp house there.



"We'll probably spend a lot of holidays there now," Knight said. Ballast control operator David Dickson (*Ocean Quest*), who came to the area after marrying his wife, Lori, 21 years ago, fishes the rivers for bass. "Whenever I can slip away, I try to get out in the boat," he said. It's quality time with Lori and their 15-year-old son, Wyatt, he said.

Dickson likes small-town living, even though Bogalusa catches a hard time for its mill smells, he said. "It depends on which way the wind's blowing; but the town would be in trouble without it. And we've got pretty parts of town."

Rig superintendent Brandon Morris (*Ocean America*) likes the quiet life—to a point. Few things make him happier than revving up the loud engines of the two pristine Mustangs—a customized '65 coupe and an all-original '68 fastback—in his climate-controlled garage.

He showed the fastback at the competitive World of Wheels show held in January 2010 in New Orleans. The coupe, a gift for his wife, Jodi, took six years to restore. "It was painted two or three times before we got her in the right hands and painted right," Morris said. Hurricane Katrina didn't help: storm waters submerged the body as it awaited a paint job in Chalmette, Louisiana.

Four other vehicles also sit in the driveway, including an old Toyota truck Morris rebuilt with a Chevy engine and big wheels for mudding. He's building another shed for the '68 Camaro he's hunting. "My brother had a '68 when we were growing up," he said. He's wanted one ever since.

(His 16-year-old daughter, B.J., noted that none of the cars are hers. She's lobbying for a much newer model Camaro.) The cars, Morris said, "are just something to tinker with. There's not much else to do out here."

Well, except for the fence repairs and clearing. "We're still recuperating from Katrina as far as the land is concerned," Morris said. He's only recently finished clearing all the timber lost on his four acres. "There wasn't a telephone pole standing," Jodi Morris said.

"Katrina did all kinds of damage," said storekeeper Eugene Sticker (*Ocean Baroness*). He and Sherry, his wife of 36 years, live near the middle of town in a house that once belonged to his great-aunt and uncle. Sticker grew up next door, where his 80-year-old father still lives.

"We moved off a time or two, but I always come back home," he said. "One thing about working offshore is that you can live anywhere."

Sticker's brood includes sons Bradley (who's married with two kids) and Chadley, Sherry's youngest sister who lives nearby with her three children—and one more due in April.

The pillows and art in their neat living room suggest a fascination with safaris, but the Stickers rarely stray farther than Tulsa, Oklahoma, where Chadley lives. "We also like to drive over to the coast and go to the outlet malls," Sticker said. "And we watch the Saints games on TV, of course." Before going to Brazil with Diamond, he hadn't traveled outside the U.S. It's a long way from where he

▶ **Eugene Sticker,**  
Storekeeper, *Ocean Baroness*

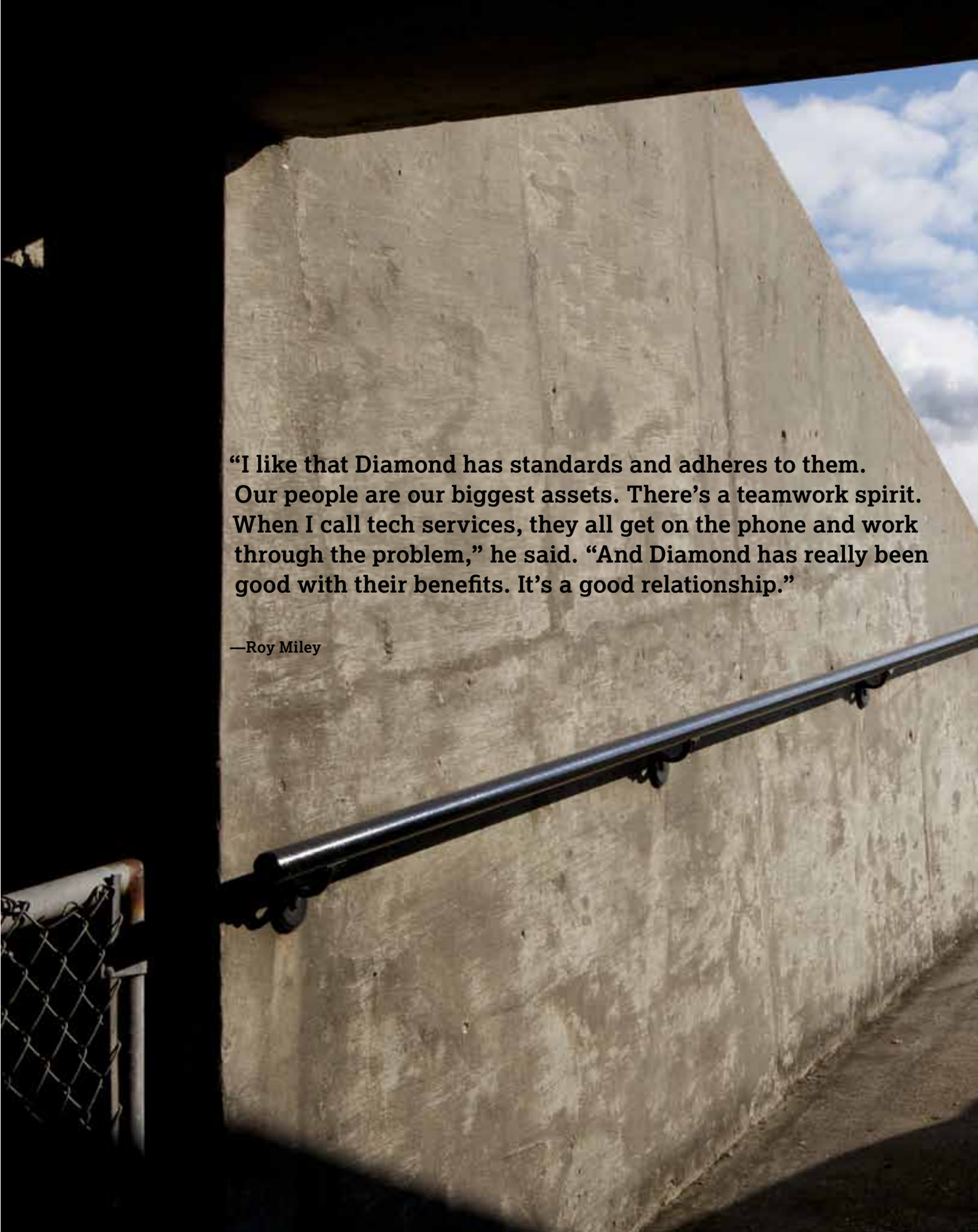


▶ **Roy Miley,**  
Electrical Superintendent, Brazil



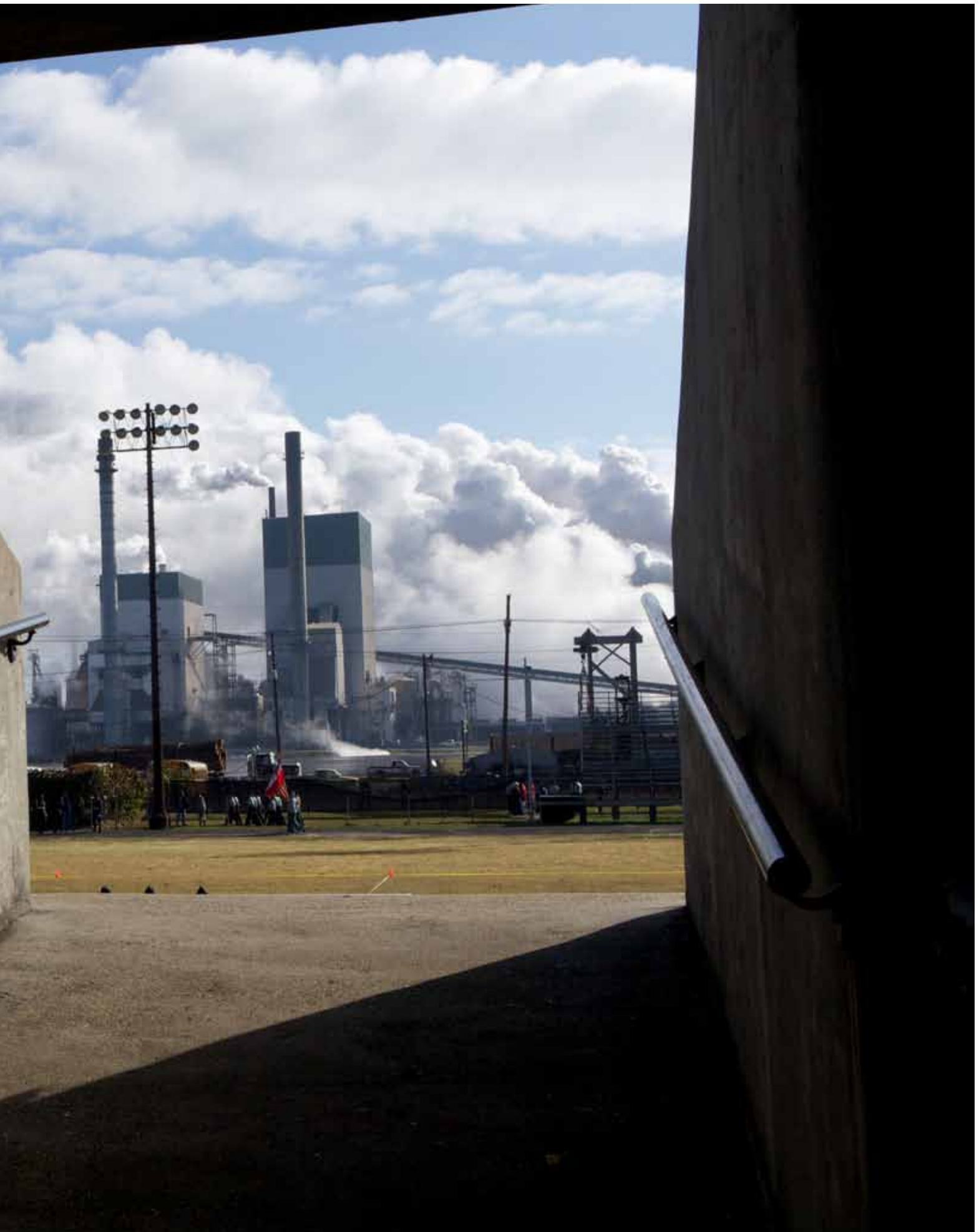
▶ **Brandon Morris,**  
Rig Superintendent, *Ocean America*





**“I like that Diamond has standards and adheres to them. Our people are our biggest assets. There’s a teamwork spirit. When I call tech services, they all get on the phone and work through the problem,” he said. “And Diamond has really been good with their benefits. It’s a good relationship.”**

**—Roy Miley**



▶ **Richard Knight,**  
Deck Coordinator, *Ocean Saratoga*





thought he'd be 33 years ago, when he first went offshore—including some time with Odeco's catering operation. "Dad retired from the box factory. He had quite a few years in. That's what I thought I was looking at," he said. Sticker's been back with Diamond 16 years.

Dickson hired in on a welding crew 13 years ago and continues to work his way up. "It's a good company that's treated me very fairly," he said.

He's enjoyed seeing some of the world—including Africa and Mexico before Brazil. "There's some beautiful country over there," he said. "And the big Cristo Redentor (Christ the Redeemer) statue in Rio is awesome. Pictures just don't do it justice."

Morris has seen a lot of the world with the company, too. He took the *Ocean America* from the Gulf of Mexico as far as South America last year, overseeing repairs in Singapore before following the rig to Karratha, Australia.

After stints at the Bogalusa Daily News and Mallard Bay Drilling, he joined Odeco as a roustabout in 1991 and rose to super in late 2009. "I'm still trying to get used to the computer and phones," he said, pointing to mentors like Greg Carpenter for keeping him on track.

Miley's been around the block, too. He worked on the *Ocean Endeavor* in the early '90s, but returned to shore for jobs at the now-defunct Mississippi Army Munitions plant and a Gaylord box plant. "Bruce McGee called me every year until he lured me back in 1997,"

Miley said. He was assigned to the *Ocean Clipper* until being promoted to a super position in January 2009.

"I like that Diamond has standards and adheres to them. Our people are our biggest assets. There's a team-work spirit. When I call tech services, they all get on the phone and work through the problem," he said. "And Diamond has really been good with their benefits. It's a good relationship."

The influx of rigs to Brazil makes time there hectic, Miley said, and schools have been intense lately. "I had as many as four in one hitch," he said. "The new *Ocean Valour* and the *Ocean Courage* rigs are some complex dudes."

He's also working on his Portuguese. "When you're offshore, your vocabulary's about work. Now that I'm onshore, I'm having to learn more," he said.

Still, he's grateful for the job. So are Morris, Knight, Dickson and Sticker.

"It's been a blessing," Sticker said. "You do have to figure you'll be away from family on holidays, birthdays and special occasions, but when I'm home, we can spend a lot of time together."

"There've been times when I missed the fair, missed Christmas, missed everything," Morris said. "But being able to have all this is worth it."

"At the end of the day," Dickson suggested, "there's nothing like coming back home. Everybody acts like they haven't seen you for years." ■

**Ocean Rover—Perfect GEMS Score**

Murphy and Diamond Offshore are approaching a milestone—after many years of outstanding service here in Malaysia, we will mobilize the *Ocean Rover* to West Papua, Indonesia.

Team Rover has been a critical part of Murphy’s operations in southeast Asia for many years. Together, we have a track record of “delivering the goods” efficiently and with minimal injuries and impact on our environment. *Rover* delivered Malaysia’s very first deepwater development project—Kikeh—which is the biggest oilfield in Malaysia and produces more than half of Murphy’s worldwide production. Not to mention the dozens of exploration wells under our belt—we have so many great stories to tell!

From top to bottom, contractor and operator, people are the reason that our team is so successful. Our safe work and efficiency have proven to be outstanding in the region and in the world. The thoughtful performance culture and can-do attitude of our crews are known not only to Murphy but to many other operators around here. I am proud to say that Murphy is approached regularly by other operators hoping to “borrow” the *Rover*—recent examples include Hess, Newfield, Shell and even Petronas Carigali.

Murphy is pleased to have worked with Team Rover here in Malaysia and we are very pleased that the rig will remain on Murphy contract for the very challenging work to come. A big thank-you to all the crews and families back home that are TEAM ROVER!

Regards,

**Dale Bradford**

General Manager, Southeast Asia Operations  
Murphy Oil, Kuala Lumpur, Malaysia

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**Ocean Sovereign—Safe, Cost-Effective Well Drilling; Operational Excellence**

Kodeco has reached a milestone of three years of drilling operations—drilling and completing 37 wells during that time period.

With this program, Kodeco has set a new high-level benchmark in Indonesia for safe, cost-effective and productive well drilling delivery.

Diamond Offshore has played an important role in this delivery and I appreciate your efforts on our behalf. It has been a pleasure working with you and I look forward to working with Diamond again in the future. Thanks for all your hard work.

**John Zerbi**

Drilling Manager  
Kodeco Energy Company, Ltd.

I would like to mention the many years the *Sovereign* has worked in Indonesia and the positive impact that work has had on the Indonesian people associated with the rig over the years.

On behalf of the Kodeco drilling team, we have enjoyed working with Diamond Offshore and the *Sovereign* over the past four-plus years. During this time Diamond, Kodeco and our third party contractors were able to set new benchmarks in HSE and operational excellence in Indonesia. Based on this performance, I can say with confidence that the Diamond Offshore *Sovereign* team and the *Sovereign* have demonstrated marked improvement during our drilling campaign.

**Ken Compton**

Senior Drilling Superintendent  
Kodeco Energy Company, Ltd.

**Ocean Nomad—Exceptionally High Standard of HSE**

As we have now received confirmation that the rig is off hire to Nautical and SPD as of 11:30 today, I just wanted to take this opportunity to say thanks to all involved in what has been a truly remarkable year for SPD. Delivering four wells for three clients, all in line with the project objectives and costs, with an exceptionally high standard of HSE management is something that everyone involved should be rightly proud of.

So once again thanks to everyone, and hopefully we’ll all be working on projects together soon.

Regards,

**Murray Cooper**

Well Construction Manager  
SPD

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**Ocean Guardian—High Levels of HSE Performance, Team-Based Approach**

On behalf of the Board of Directors and the management team at Rockhopper Exploration, I would like to thank everyone for their efforts in successfully completing our recent exploration campaign in the North Falkland Basin.

The success of this campaign has been a reflection of the professional and team-based approach to solving the many and varied challenges posed by operations conducted in a remote exploration environment. The results of the wells and the Sea Lion flow tests have provided the basis for the future growth of Rockhopper as a company.

Rockhopper is committed to maintaining high levels of HSE performance, and a review of the statistics has confirmed that the operations were conducted in the safe and efficient manner that is key to the success of any project.

We look forward to working with you again during the next stage of this exciting project.

Yours truly,

**Samuel Moody**

Managing Director  
Rockhopper Exploration



**Ocean Princess—  
Successfully Delivering  
Wells for Key Projects**

A long-term partnership brings benefits to both parties. The Diamond Offshore team has worked with us for the bulk of the time Talisman has been operating in the North Sea, with the *Ocean Princess* successfully delivering wells for many key Talisman projects, most recently Auk North.

Both companies have worked very closely on improving safety performance, and I would like to thank everybody at Diamond, offshore and onshore, for their great support over the past 10 years.

**John Forest**

Senior Vice President/Country  
Manager  
Talisman Energy

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**Ocean Courage—  
A Very Good Start**

The *Ocean Courage* had a very good start: a great discovery in the first well! We congratulate all the team for the effort undertaken in the beginning of activities.

Calaca  
Petrobras

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**Ocean Titan—  
Admirable Job**

We are into the 18th month that ANKOR has had the *Ocean Titan*. We have drilled or worked over 13 wells during that time frame. The *Titan* and its fine drilling crew have done an admirable job. We thank you and hope that the relationship will continue.

**William T. Folsom**  
ANKOR

**Ocean Bounty— Exceptional Cooperation,  
Responsiveness and Attention to Detail**

I would just like to pass onto you all a special thanks. It has been a fantastic past four weeks. Inspirational effort by all, to say the least.

Your cooperation, responsiveness and level of attention to detail have been exceptional. Participation towards managing the SBM mud system has been exceptional and has been of great benefit in assisting operations to run smoothly.

Making all the right decisions and responding in the appropriate manner regarding hole characteristics throughout the different hole sections was of critical importance in regards to successfully casing each hole section. End result operations moved forward throughout in a very positive manner with an excellent outcome. Without your support, none of the above could have been achieved so successfully. The time and level of effort to provide such good support is much appreciated. It truly has been a pleasure working with you all. Thank you for assisting in the achievement of such a smooth operation over the past four weeks.

Additionally, excellent support on the safety front. I'm really impressed with your rig culture, the team *Bounty* spirit and the safety culture that has been developed. It works well and obviously your influence has had a considerable impact. Much appreciated and thanks.

**Chris Lambert**

Woodside Wellsite Manager, *Ocean Bounty*

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**Ocean Nomad—Working Relationships  
Extremely Positive, Strong Safety Culture**

I would like to express my appreciation for your support during our recent drilling operations on the Kraken well. The well was completed safely and efficiently, and this was due in no small part to the dedication of you all.

The working relationship with SPD and the other contractors on the rig during the operations, was extremely positive. Throughout the drilling and testing operations it was clear that everyone on the *Ocean Nomad* had a strong safety culture and a desire to get the job done efficiently without compromising on safety. This is highlighted by the fact that the well was completed with zero NPT attributable to the rig and no LTI's—an outstanding achievement.

You are excellent ambassadors for Diamond Offshore, and based on this experience I would be very happy to work with the *Nomad* or another Diamond rig in the future. It was a pleasure working with the *Nomad* and I wish you all well for the future.

Best regards,  
**Steve Jenkins**  
CEO  
Nautical Petroleum

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**Ocean Victory—  
Perfect GEMS Score**

Congratulations to the crew of the *Ocean Victory* on receiving a perfect GEMS score from Newfield Exploration.

In filling out the evaluation form, Newfield commented: "Enjoyed working on the *Victory*. Rig and crew did a great job. Hope to work on the rig again in the future."

**Greg Zielinski**  
Newfield Exploration

# RIGS & LOCATIONS

DIAMOND OFFSHORE RIGS BY TYPE AND LOCATION



## SEMISUBMERSIBLES

ANGOLA	DEPTH	EQUIPMENT
OCEAN VALIANT	5,500	SP; 15K; 3M

### AUSTRALIA

OCEAN AMERICA	5,500	SP; 15K; 3M
OCEAN PATRIOT	3,000	15K; 3M

### BRAZIL

OCEAN COURAGE	10,000	DP; 15K; 4M
OCEAN VALOR	10,000	DP; 15K; 4M
OCEAN BARONESS	7,000+	VC; 15K; 4M
OCEAN STAR	5,500	VC; 15K; 3M
OCEAN ALLIANCE	5,250	DP; 15K; 3M
OCEAN QUEST	4,000	VC; 15K; 3M
OCEAN WINNER	4,000	3M
OCEAN WORKER	4,000	3M
OCEAN YATZY	3,300	DP
OCEAN YORKTOWN	2,850	3M
OCEAN CONCORD	2,300	3M
OCEAN LEXINGTON	2,200	3M
OCEAN WHITTINGTON	1,650	3M
OCEAN AMBASSADOR	1,100	3M

### ANGOLA

OCEAN CONFIDENCE	10,000	DP; 15K; 4M
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### EGYPT

OCEAN ENDEAVOR	10,000	VC; 15K; 4M
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### FALKLAND ISLANDS

OCEAN GUARDIAN	1,500	15K; 3M
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### GOM-US

OCEAN MONARCH	10,000	VC; 15K; 4M
OCEAN VICTORY	5,500	VC; 15K; 3M
OCEAN SARATOGA	2,200	3M

### INDONESIA

OCEAN ROVER	8,000+	VC; 15K; 4M
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### NORWAY

OCEAN VANGUARD	1,500	15K; 3M
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### UNITED KINGDOM

OCEAN PRINCESS	1,500	15K; 3M
OCEAN NOMAD	1,200	3M

### VIETNAM

OCEAN GENERAL	3,000	3M
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## JACK-UPS

BRAZIL	DEPTH	EQUIPMENT
OCEAN SCEPTER	350	IC; 3-4M

### MONTENEGRO

OCEAN KING	300	IC; 3M
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### EGYPT

OCEAN SPUR	300	IC
OCEAN HERITAGE	300	IC

### GOM-US

OCEAN TITAN	350	IC; 15K; 3M
OCEAN COLUMBIA	250	IC

### INDONESIA

OCEAN SOVEREIGN	300	IC
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### MEXICO

OCEAN NUGGET	300	IC
OCEAN SUMMIT	300	IC

## INTERNATIONAL DRILLSHIPS

### BRAZIL

OCEAN CLIPPER	7,875	DP; 15K; 3M
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### SOUTH KOREA

OCEAN BLACKHAWK	10-12,000	DP; 15K; 5M; UC
OCEAN BLACKHORNET	10-12,000	DP; 15K; 5M; UC

## COLD STACKED

### SEMISUBMERSIBLES

#### SOUTH EAST ASIA

OCEAN BOUNTY	1,500	VC; 3M
OCEAN EPOCH	3,000	3M

#### GOM-US

OCEAN VOYAGER	3,200	VC
OCEAN NEW ERA	1,500	3M

### JACK-UPS

#### GOM-US

OCEAN SPARTAN	300	IC
OCEAN CHAMPION	250	MS
OCEAN CRUSADER	200	MC
OCEAN DRAKE	200	MC

## MAP LOCATIONS

- 1 Gulf of Mexico**  
5 Semisubmersibles  
8 Jack-ups
- 2 Brazil / Falkland Islands**  
15 Semisubmersibles  
1 Drillship  
1 Jack-up
- 3 North Sea**  
3 Semisubmersibles
- 4 Mid-East / Mediterranean / Africa**  
3 Semisubmersibles  
3 Jack-ups
- 5 Asia Pacific/South Korea**  
6 Semisubmersibles  
1 Jack-up  
2 Drillships (under construction)

### Key

- ▶ **UC** Under Construction
- ▶ **DP** Dynamically Positioned / (SP)
- ▶ **IC** Independent-leg Cantilevered Rig
- ▶ **MC** Mat-supported Cantilevered Rig
- ▶ **MS** Mat-supported Slot Rig
- ▶ **VC** Victory Class
- ▶ **SP** Self-Propelled
- ▶ **3M** Three Mud Pumps
- ▶ **4M** Four Mud Pumps
- ▶ **5M** Five Mud Pumps
- ▶ **15K** 15,000-psi Well Control System



**Diamond Offshore Drilling** is committed to operate at the highest possible level of operational integrity and quality, while emphasizing exemplary performance in the areas of health, safety, environmental protection and regulatory compliance. Diamond Offshore's mission is to exceed customer expectations and continually set the standard of excellence as we assist our customers in their worldwide efforts to discover and produce offshore petroleum resources.



**BRASDRIL**

**BRASDRIL**



DIAMOND  
OFFSHORE

# rigamarole



**SPRING 2011, NO. 30**  
A PUBLICATION FOR THE PEOPLE, CUSTOMERS, SUPPLIERS  
AND FRIENDS OF **DIAMOND OFFSHORE DRILLING, INC.**



**THE OCEAN BLACKHAWK AND OCEAN BLACKHORNET**  
**DIAMOND OFFSHORE'S NEWEST DRILLSHIPS**

# rigamarole

SPRING 2011, NO. 30

## 02 A Giant Rising From the Sea

Before June 2007, OGX didn't exist. Today the Rio de Janeiro-based E&P company sits on top of at least seven billion barrels of certified oil and gas deposits, the most Brazilian reserves controlled by a private-sector company. Five Diamond Offshore rigs are helping OGX with the drilling activity.

## 12 Fleet Gets Shipshape

Diamond Offshore has ordered two high-specification ultra-deepwater drillships to be delivered in 2013. The new drillships, the *Ocean BlackHawk* and *Ocean BlackHornet*, are scheduled to set sail from Hyundai Heavy Industries' (HHI) shipyard in South Korea during the second half of 2013. Today, these 12,000-foot water-depth rated drillships exist only on paper as complex engineering designs and specification lists. But by the time these dynamically positioned vessels report for their first assignments, they will be outfitted with equipment and capabilities unsurpassed by any rig in the world.

## 18 Falkland Fervor

After a 12-year hiatus, offshore drilling has resumed in the Falkland Islands. Two exploration companies, Desire and Rockhopper, are hoping for and expecting the best. An untapped basin north of the Falkland Islands is estimated to contain billions of barrels in oil reserves. In 1998 \$10-per-barrel oil prices challenged the commercial viability of development, and the North Falkland Basin was abandoned. Today, Desire Petroleum and Rockhopper Exploration have moved in, drilling with controlled urgency and equable optimism.

## 24 Apart from the Herd

Small, agile oil and gas companies always have some advantages. At Walter Oil & Gas Corporation, they begin with an attitude that everyone in the company belongs to the family. Jim Looke, Vice President, Drilling and Production Operations, said as much by introducing *Rigamarole* to as many of the company's 50-person staff as he could when we visited last December.

## 28 Hometowns of Diamond Offshore

The cultural heritage of Diamond Offshore employees is rich and varied. In many cases, the men and women who crew our rigs come from the small towns and villages that help make up the heartland of the countries they represent. In this issue, we take a look at Bogalusa, Louisiana.

## 38 Facets

News and views from Diamond Offshore.

**rigamarole** is published for and about the people and customers of Diamond Offshore. For more info, write us, call or visit [www.diamondoffshore.com](http://www.diamondoffshore.com).

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