

# Pace of offshore drilling approvals picks up

**Jennifer A. Dlouhy, Houston Chronicle, 11-3-11**

WASHINGTON -- Government approvals of offshore drilling projects soared in October as federal regulators signed off on 13 deep-water wells during the month - the most since the Obama administration lifted a moratorium on that offshore exploration a year ago.

Analysts said the October statistics should inspire confidence in the rebound of the offshore drilling industry following last year's Gulf of Mexico oil spill.

The pace of permit approvals "should justifiably bolster bullishness about a return to normal in the U.S. Gulf of Mexico," analysts at the investment bank FBR Capital Markets said in a research note.

The wells approved by the Interior Department's Bureau of Safety and Environmental Enforcement included 10 new ones that were not already in progress before the five-month drilling ban last year.

That 13 in October compares to seven approved wells in September and nine in August. And it is higher than the typical monthly caseload from 2006 to 2009, when regulators issued roughly 7 permits per month for deep-water wells.

But the pickup in permits may not translate to a big boost in the number of drilling rigs operating in the gulf. Just five drilling rigs are contracted to work on the newly approved wells; in fact, nine of the 10 new permits were for just one rig.

That's p because operators prefer to have several permits in hand before they lease or mobilize a rig to drill at a site, effectively lining up a batch of work for the contracted vessel, said FBR analyst Benjamin Salisbury.

"For a variety of reasons, they want to have a number of permits lined up to develop a field," Salisbury said. "What we expect to see is operators looking for groups of permits, so they know that after they finish drilling Well A, they have ... a next place to move that rig."

Salisbury noted that oil and gas producers are adapting to post-spill safety regulations and permit requirements by bundling similar drilling applications before submitting them to regulators and even developing consortiums to share rigs with other operators.

That's a change from the just-in-time contracting practice that was common before the 2010 Deepwater Horizon disaster, when operators could count on regulators swiftly signing off on their drilling permit applications.

It also marks an upending of the balance of power in the offshore drilling industry. In the heady days of 2008, when oil prices were soaring, rigs were in high demand and drilling companies were commanding top dollar for the vessels. With a backlog of permits in hand before last year's spill, a pace of five to eight newly authorized deep-water wells each month may have been enough to support 30 or more rigs in the Gulf of Mexico, Salisbury said.

But the industry is still recovering from the five-month ban on most deep-water exploration, effectively starting from scratch in building a portfolio of approved work in the wake of the spill, new safety requirements and the moratorium.

Although some industry leaders have complained about the pace, major oil and gas company CEOs, including Chevron's John Watson, have recently applauded regulators' work.

Watson recently told two Washington forums that regulators are not trying to "slow-walk permits" and are working hard to vet drilling applications under tight resource constraints.