Trinidad Drilling Ltd. Responds to Increased Customer Demand with Relocation of Rigs to Permian Basin, Texas

29.01.2018 | GlobeNewswire

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CALGARY, Alberta, Jan. 29, 2018 (GLOBE NEWSWIRE) -- Trinidad Drilling Ltd. (TSX:TDG) ("Trinidad" or "the Company") announced that it is moving eight rigs to the Permian Basin, TX to meet increased customer demand. The rigs will be redeployed from the Company’s existing global operations, including Canada. Trinidad is prepared and well positioned to respond quickly to the improving market conditions with a high quality fleet and a low cost structure.

Due to strong customer demand in the Permian Basin for high-specification, efficient equipment, Trinidad has chosen to redeploy idle assets from areas of weaker demand. The costs to move three idle rigs from Saudi Arabia will be partly covered by Saudi customer-paid demobilization fees, with the remaining costs and the costs to move rigs within North America expected to be largely covered by Permian customers. The Company is in active discussions with customers to sign one to two-year contracts for these rigs that include either pricing that steps up over time or has the ability to increase in line with commodity prices.

“We are focused on optimizing the utilization and profitability of our existing equipment and improving our return on capital,” said Brent Conway, President and Chief Executive Officer at Trinidad. “To date, the impact of the capital we spent upgrading rigs in 2017 is on track, or ahead of our initial profitability expectations. On average, dayrates were higher than expected and have provided stronger margins and return on capital than originally forecast. By moving under-utilized rigs to the Permian Basin, we are able to continue to drive improved activity levels and better profitability.”

Minimizing Upgrade Capital
Following arrival in the US, the Saudi Arabian rigs will need minor re-configuration and are expected to begin work in the third quarter of 2018. The rigs moving from Canada and within the US will be upgraded to meet customer requirements and are anticipated to begin work in the Permian in early to mid-2018.

Where possible, Trinidad anticipates using currently under-utilized equipment and capital inventory to minimize upgrade capital. The Company expects to move four idle US rigs to inventory, where they will be used to lower capital and operating costs on these and future rig upgrades.

Full Cycle Return of Approximately 20%
In total, the Company expects the incremental capital to be approximately $40 million, including upgrade costs on Trinidad owned rigs of $21 million, $6 million (net to Trinidad) on Trinidad’s international joint venture (TDI) rigs and $13 million in additional maintenance capital to re-activate the rigs. Trinidad expects to earn a full cycle return (including net book value of the existing assets and inventory values) on the capital invested of approximately 20% and payback of approximately 1.5 years. Trinidad continues to believe that its capital budget will be funded by cash flow generated from operations in 2018.

Trinidad anticipates that approximately $20 million will be funded by the proceeds from the sale of unused facilities in 2018. The following table outlines the updated total 2018 capital budget, including the incremental $40 million:

	$ million
Maintenance capital	51.0

Growth capital[1]	35.5
Trinidad 2018 capital spending budget	86.5
TDI capital (Trinidad’s 60% share)	7.5
2018 capital budget including TDI	94.0
Less proceeds from expected sale of unused facilities	(20.0)
Net 2018 capital budget including TDI	74.0

Trinidad’s Strong Permian Market Presence
As a result of its track record for safe, efficient performance, Trinidad has established a strong market presence in the Permian Basin, the most active play in the US. At current activity levels, Trinidad is the fourth most active driller in the Permian. Trinidad expects the addition of the redeployed rigs to further strengthen its market share in this key play.

Activity levels in the US have increased strongly in the past year as customer demand has grown, Trinidad has participated in these improving industry conditions and its active rig count is up almost 40% from the same time last year. With Trinidad’s strong US presence and international operations, approximately 70% of the Company’s revenue is generated by operations outside Canada.

Deploying RigMinder Technology
Each of the eight re-deployed rigs will be equipped with Trinidad’s RigMinder suite of technology products. Trinidad expects these products, including RigMinder Criterion™ directional advisory software, electronic data recorders and downhole tool capability, to deliver enhanced revenue streams to Trinidad while reducing costs for customers.

In addition, Trinidad has made good progress on negotiating agreements with several downhole tool suppliers to provide best in class directional tools to Trinidad’s clients. RigMinder now has in place several agreements to provide integrated tool solutions including agreements with multi-national suppliers of motors[2], MWD[3] and RSS[4] tools. These agreements along with the RigMinder’s Criterion™[5] directional advisory and Trinidad’s proprietary IRIS[6] control systems will allow Trinidad to provide a completely integrated directional services platform.

Following the rig redeployments and transfers to inventory, Trinidad will have 69 rigs in the US (including three joint venture rigs), 68 rigs in Canada, six joint venture rigs in Mexico and two rigs in the Middle East (including one joint venture rig).

1. Growth capital Includes conditional RigMinder earnout of US$10 million, dependent on meeting pre-determined milestones
2. Motors Downhole motors placed in the drill string to provide additional power to the bit while drilling
3. MWD Measurement While Drilling, the real time data relayed to surface during the drilling process
4. RSS Rotary Steerable System, tool designed to drill directionally with continuous rotation, eliminating the need to slide mud motor
5. Criterion RigMinder’s proprietary directional guidance software
6. IRIS Intelligent Rig Information System, Trinidad’s proprietary rig control system

About Trinidad

Trinidad is an industry-leading contract driller, providing safe, reliable, expertly-designed equipment operated by well-trained and experienced personnel. Trinidad's drilling fleet is one of the most adaptable, technologically advanced and competitive in the industry. Trinidad provides contract drilling and related services in Canada, the US, the Middle East and Mexico.

Trinidad is headquartered in Calgary, Alberta, Canada. The Company’s common shares are listed on the Toronto Stock Exchange under the trading symbol TDG. For more information, please visit www.trinidaddrilling.com.

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FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements relating to Trinidad’s plans, strategies, objectives, expectations and intentions. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "confident", "might" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this document. The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. In particular, but without limiting the foregoing, this document may contain forward-looking information and statements pertaining to:

- the assumption that Trinidad's customers will honour their long-term contracts, and Trinidad's ability to sign future long-term contracts;
- future liquidity levels;
- fluctuations in the demand for Trinidad’s services;
- the ability for Trinidad to attract and retain qualified personnel, in particular field staff to crew the Company’s rigs;
- the assumption that customers will sign contracts and fund all or a portion of the cost to move equipment;
- the assumption that the re-deployed rigs will operate where and as expected;
- the assumption that Trinidad’s market share in the Permian will increase;
- Trinidad’s ability to fund capital expenditures with cash from operations;
- Trinidad’s ability to achieve return on capital and payback expectations:
- Trinidad's ability to achieve G&A expense savings;
- Trinidad’s ability to drive better activity levels, profitability and returns;
- Trinidad’s ability to sell under-utilized facilities;
- Trinidad’s ability to roll out EDR units and generate Criterion™ work as expected;
- Trinidad’s ability to successfully market its downhole tool integration platform and to sign agreements with additional downhole tool suppliers;
- the existence of competitors, technological changes and developments in the oilfield services industry;
- the existence of operating risks inherent in the oilfield services industry;
- assumptions respecting internal capital expenditure programs and expenditures by oil and gas exploration and production companies;
- assumptions regarding commodity prices, in particular oil and natural gas;
- assumptions respecting supply and demand for commodities, in particular oil and natural gas;
- assumptions regarding foreign currency exchange rates and interest rates;
- the existence of regulatory and legislative uncertainties; and
- the possibility of changes in tax laws; and general economic conditions including the capital and credit markets;

Trinidad cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. Additional information on these and other factors that could affect Trinidad’s business, operations or financial results are described in reports filed with securities regulatory authorities, accessible through the SEDAR website (www.sedar.com) including but not limited to Trinidad’s annual management discussion and analysis, financial statements, Annual Information Form and Management Information Circular. The forward-looking information and statements contained in this document speak only as of the date of this document and Trinidad assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

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https://www.rohstoff-welt.de/news/289063--Trinidad-Drilling-Ltd.-Responds-to-Increased-Customer-Demand-with-Relocation-of-Rigs-to-Permian-Basin-Texas.h

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