

Chinese Drillers in the U.S.

Reminiscent of the construction of the transcontinental railroad in the 1860s, the human resources of China are once again being tapped by U.S. industry. With too few drill rigs and not enough drillers to meet the increasing demand for energy production in the Rocky Mountains, a number of U.S. companies are considering using drillers and drilling rigs from China. Two U.S. companies, Western Energy Associates of Denver and Presco, Inc. from The Woodlands, Texas, are contracting with Chinese companies to provide the necessary resources in several areas, including the Piceance Basin and the Pinedale Anticline.

Western Energy Advisors has a partnership with China National Petroleum Company (CNPC) and its subsidiaries, and helps forge agreements between these firms and U.S. drilling companies. Presco, meanwhile, is already drilling in the Piceance Basin with a Chinese crew using a drilling rig built by Hong Hua Corp. It's reported that Presco will be operating two rigs on Battlement Mesa.

The demand for drillers has driven up the hourly rates for these services. Experienced rig workers (including "roughnecks") can make \$20 to \$30 an hour, while drilling supervisors can earn \$100,000 to \$120,000 per year. In spite of this, getting qualified U.S. workers is difficult – not only are there few to be had, but restrictions involving mandatory drug tests and DUI charges further reduces the number of qualified U.S. candidates.

The idea of importing Chinese rigs and workers to the U.S. is being met with disapproval from several quarters, and hence a number of U.S. drilling firms are reluctant to move in that direction (though, interestingly, some of these firms are routinely using many workers from Mexico). Editorials and letters published in newspapers throughout the Rocky Mountain region demonstrate the intensity of sentiment regarding this issue. Rep. John Salazar, whose district includes the Piceance Basin, is opposed to the employment of the Chinese government workers. He states that "With the Chinese government getting involved, it's not even a competitive business model. Outsourcing has already claimed millions of jobs. We cannot allow that to happen within our own borders." And further complicating the matter are the larger U.S.-China issues regarding purchases of major U.S. corporations and the associated involvement by the Departments of State and Defense.

While this may represent a significant social and political issue for many, within the industry it is business as usual. As stated by Bill Croyle of Western Energy Associates, "It is the normal course of business, in going where the resource is and finding the equipment and services to develop the resource."

References:

Post Independent (Glenwood Springs, CO), July 10, 2005

The Daily Sentinal (Grand Junction, CO), July 7, 2005.

The Daily Sentinal (Grand Junction, CO), July 12, 2005.

Bill Croyle, Western Energy Associates, personal communication.