

# HAMECK OIL COMPANY

- An Oil & Gas Production Company -

## About Drilling Rigs

### When was the highest and lowest active rig count recorded?

Since 1940 the highest weekly US rig count was 4,530 recorded on December 28, 1981. The lowest rig count of 488 was recorded on April 23, 1999. In Canada the highest weekly rig count of 718 was recorded on February 17, 2006. The lowest weekly rotary rig count of 29 was recorded on April 24, 1992.

### When is a rotary rig “active” ?

To be counted as active a rig must be on location and be drilling or ‘turning to the right’. A rig is considered active from the moment the well is “spudded” until it reaches target depth or “TD”. Rigs that are in transit from one location to another, rigging up or being used in non-drilling activities such as workovers, completions or production testing, are NOT counted as active.

### What factors influence Baker Hughes rig counts?

Rig count trends are governed by oil company exploration and development spending, which in turn is influenced by the current and expected price of oil and natural gas. Rig counts therefore reflect the strength and stability of energy prices. However, there are many other factors at work, including:

#### Technology:

- Minimizes the number of wells required to develop a reservoir
- Maximizes production from new and existing fields
- Increases the operational efficiency of the active drilling fleet
- Opens new frontiers for exploration ( such as deepwater areas)

#### Weather:

- Interferes with the logistics of drilling schedules.
- Seasonal weather patterns such as the Spring thaw in Canada can have a profound impact on activity, with soft, wet ground making it difficult to move rigs and set up new sites.
- Severe weather such as hurricanes can impact the rig count by forcing the evacuation of personnel from off-shore platforms and delaying rig moves to new locations.

#### Seasonal Spending Patterns:

- Rig counts rise and fall with company budgeting and spending cycles
- U.S. drilling activity often declines in the first quarter as prior year drilling programs expire. Activity then rises for the rest of the year, peaking in December to fulfill drilling commitments before budgets and leaseholds expire.

#### Other Factors:

- Local taxation policies,
- Government sanctions
- Political unrest
- Development of new infrastructure (such as roads and pipelines)
- Availability of capital investment

