



Another Shot Across the Bow?...EnCana in Colorado with Chinese Drillers?

Posted by [Prof. Goose](#) on July 11, 2005 - 7:53pm

Updated to add: [Interestingly enough, this piece says that the Chinese drilling company is already here!](#) (hat tip: [Liam at the Energy Bulletin](#))

Some Chinese drill crew members already have arrived in western Colorado, preparing to start drilling for natural gas in the Piceance Basin.

This hits on many of the points that HO has been talking about regarding trained drillers in the US, eh?

So, first the Chinese want to buy a second-rate oil company like Unocal to test US willingness to participate in true world economic interdependence or see if we will get protectionist.

Now, it seems another test is on the horizon...here's [a story today \(yes, PG is citing a story from the Washington Times...\)](#) about EnCana bringing in a Chinese drilling company to work in Colorado:

Canadian oil giant EnCana is considering bringing in Chinese companies to construct and operate drilling rigs in the Colorado Rockies, as the region struggles to keep up with demand and rising energy prices.

EnCana, a major player in the Piceance Basin of western Colorado, said Chinese labor is cheap and the workers are well-educated. The move would be scrutinized in Washington, where politicians are uneasy about allowing Chinese workers to acquire access to U.S.-based oil and gas facilities.

There's lots of little interesting snippets in this piece...

"I am totally against the Chinese government running the jobs in our country," said Rep. John Salazar, Colorado Democrat, whose district is most affected by drilling. "With the Chinese government getting involved, it's not even a competitive business model."

Mr. Salazar and other U.S. lawmakers already are concerned about the China National Offshore Oil Corp.'s interest in buying the U.S. oil and gas conglomerate Unocal Corp. The House voted June 30 to block China's cash bid of \$18.5 billion. The 398-15 vote came hours after China cited U.S. "political interference" in what it called a purely commercial matter.

"Outsourcing has already claimed millions of jobs," Mr. Salazar said. "We cannot allow that to happen within our own borders. Rural communities have been hit hard enough. We need to keep American jobs in America."

EnCana is deciding whether to construct the drilling rigs in China and import them with

Chinese workers to the United States.

"Some operators in that part of the world have explored the [Chinese] option," EnCana spokesman Alan Boras said. "It was mentioned [by EnCana executives to analysts] as a way to increase capacity of the rig fleet in the United States.

"It's our understanding the Chinese have the rigs and the crews and are trying to market that capacity. It's not imminent for EnCana, and we're not working on a specific deal."

The oil and gas well services sector in Colorado is struggling to meet demand for new rigs and to find enough workers to operate them. As consumption of oil and natural gas grows, the effects have been felt globally.

"If they were just talking about bringing in foreign workers for the sake of lowering costs, then I think it could be grounds for pretty substantial opposition. But it's because the industry is running pretty much flat out," Mr. Boras said.

Although China's increased participation in the U.S. oil and gas industry is a prickly issue in Washington, the EnCana spokesman predicted that U.S. policy-makers would concede because Chinese companies would fill a dire need. With an eye on lower costs, EnCana is in a search to secure long-term contracts.

"We can manage costs better by locking in for longer terms," Mr. Boras said. "And given the life span of our resource, we should be able to lock in. As you adapt drilling technology, you learn. And if you can reduce drilling at a well from, say, 20 days to 15, then you can generate great economies of scale."

The western Colorado field is EnCana's most lucrative prospect and has a capacity of approximately 4.6 trillion cubic feet.

As Chinese workers gain access to U.S. oil and gas facilities, policy-makers worry about trading technology such as rig prototypes, whereby a Chinese manufacturer acquires know-how from EnCana's U.S.-based operations, Frederick Cedoz, vice president at GWEST LLC, told Canada's National Post. GWEST (Global Water & Energy Strategy Team) is a Washington energy policy consulting firm.

The cost of drilling in Colorado has nearly doubled since last year, EnCana officials said. Rates increased from \$8,500 per day to \$14,000 per day in one year.

Technorati Tags: [peak oil](#), [oil](#)



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).