

# New incentive contracts in oil drilling<sup>1</sup>

By

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## Summary

Shortages of rigs and personnel have encouraged discussion of designing incentive contracts in the drilling sector. However, for the drilling contracts, there are not a large variety of contract types in use. This article describes and analyses incentives for drilling contractors. These are directly represented by the compensation formats utilised in the present and in the consecutive drilling contracts. Indirectly, incentives are also provided by the evaluation criteria that oil companies use for awarding drilling assignments. Changes in contract format pose a number of relevant questions relating to resource management, and the article takes an in-depth look at some of these. Do evaluation criteria for awarding drilling assignments encourage the development of new technology and solutions? How will a stronger focus on drilling efficiency influence reservoir utilisation?

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<sup>1</sup> We would express our thanks for rewarding conversations with and comments on the article itself from a number of key specialists in oil companies, rig contractors and oil service enterprises. Address for correspondence: Petter Osmundsen, Department of industrial economics and risk management, University of Stavanger, NO-4036 Stavanger, Norway. Tel: +47 51 83 15 68. Mobile: +47 99 62 51 43. Email: [Petter.Osmundsen@uis.no](mailto:Petter.Osmundsen@uis.no). Home page: <http://www5.uis.no/kompetansekatalog/visCV.aspx?ID=08643&sprak=BOKMAL>

