



Energy Session

Control of Well Coverage: Who's In Control?

An Adjuster's Perspective

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Control of Well Coverage

Who Is In Control?



Control of Well Coverage

Who Is In Control?

Knowledge Is In Control



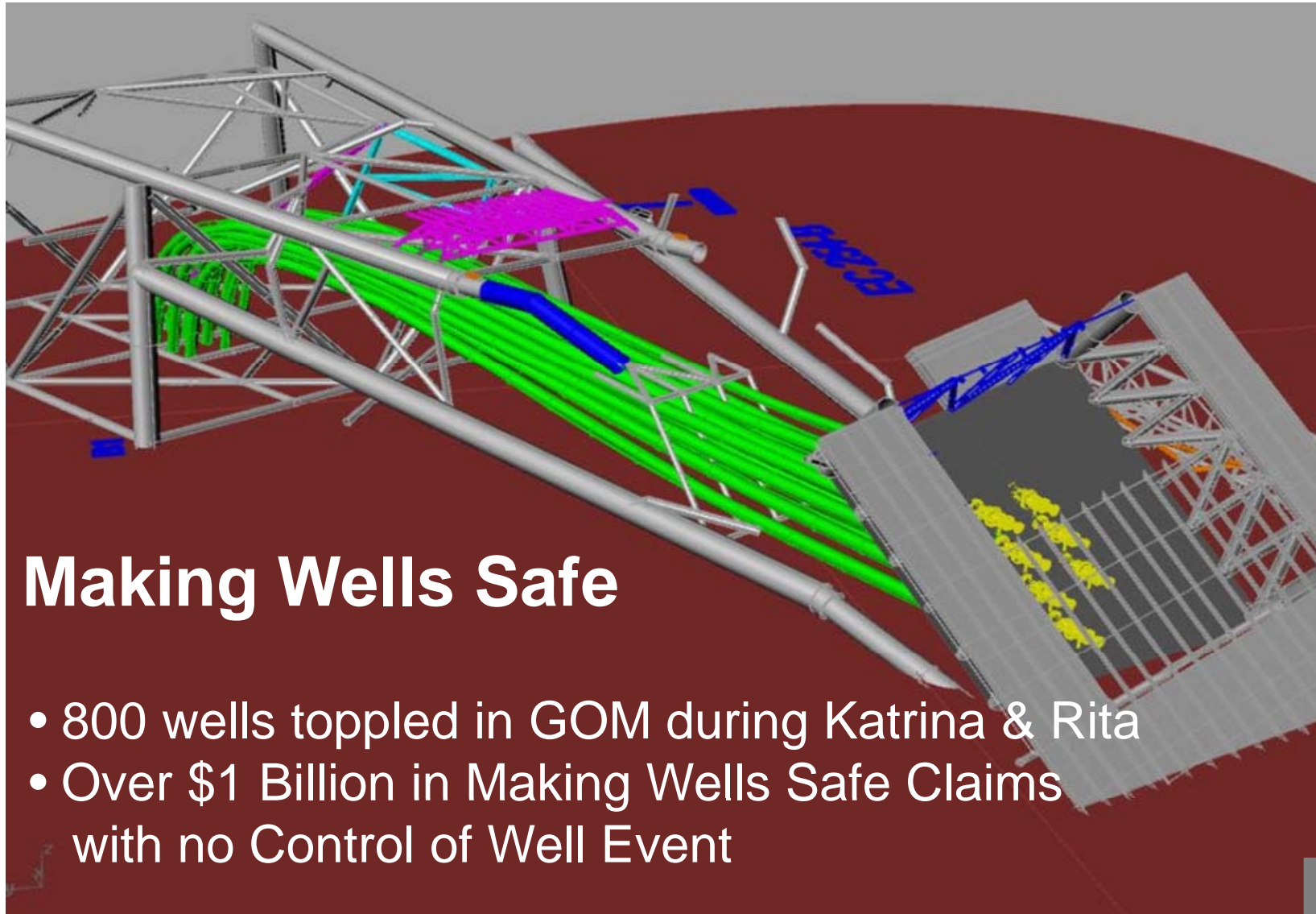
The Past

The Present

The Future

The Past

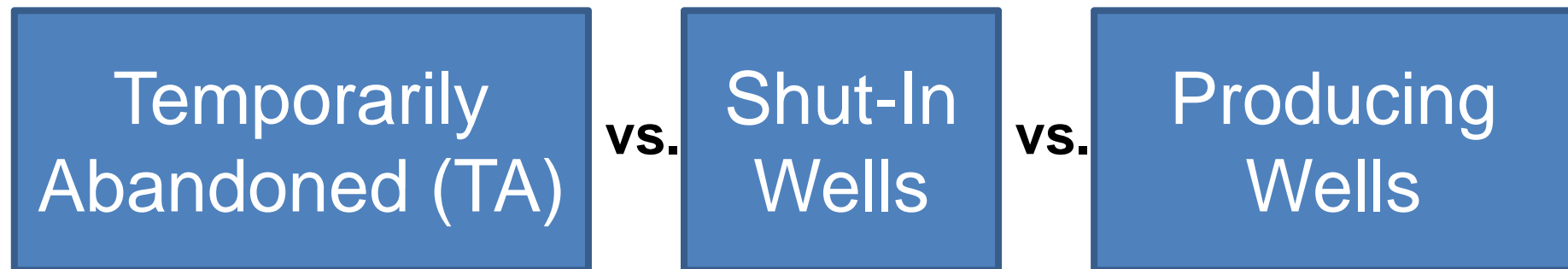
Control of Well - Hurricane Issues



Making Wells Safe

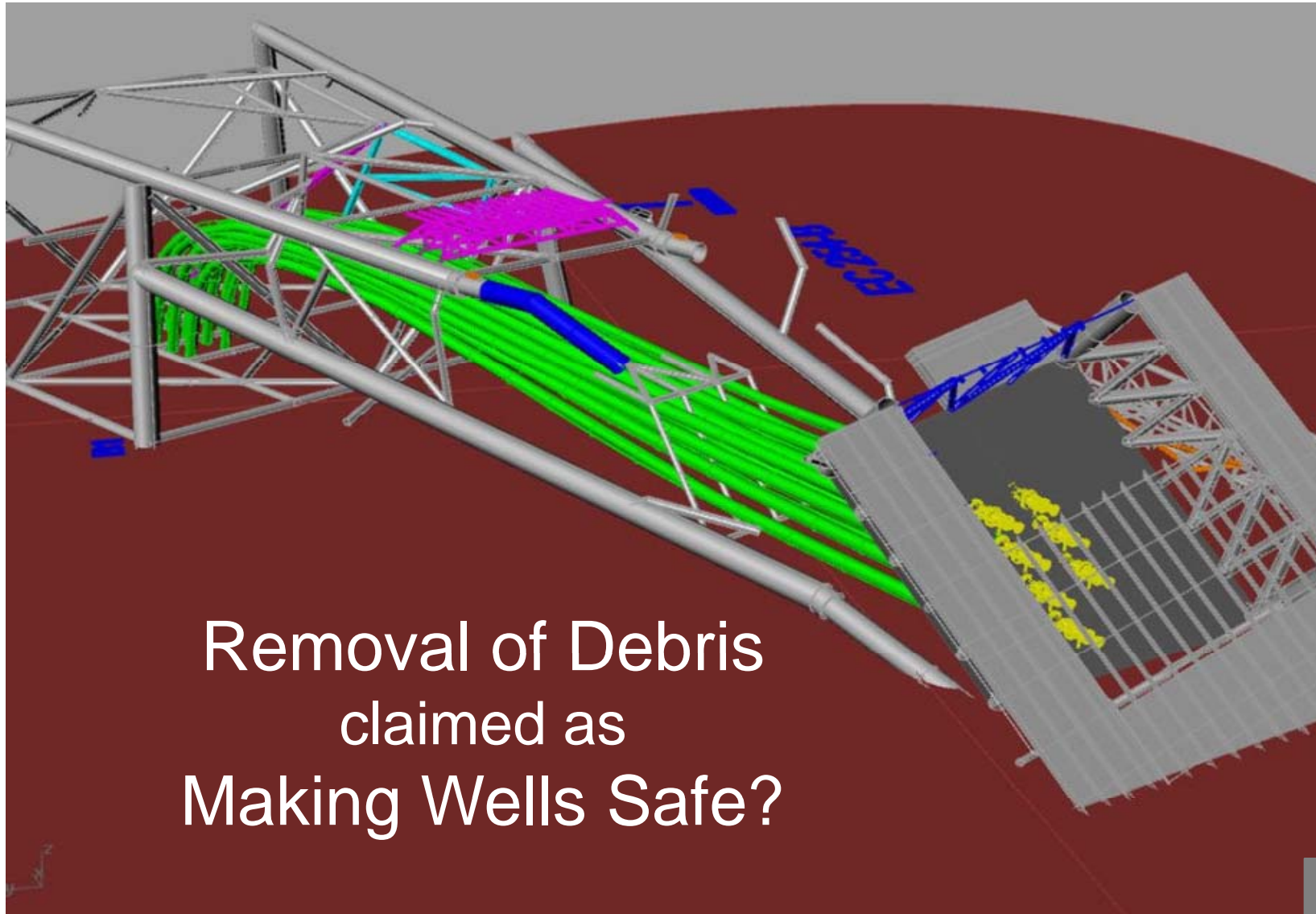
- 800 wells toppled in GOM during Katrina & Rita
- Over \$1 Billion in Making Wells Safe Claims with no Control of Well Event

Making Wells Safe



- Increased cost of Plugging and Abandonment (P&A) is 10-15 times more costly with a toppled well
- True Removal of Debris or Making Wells Safe?

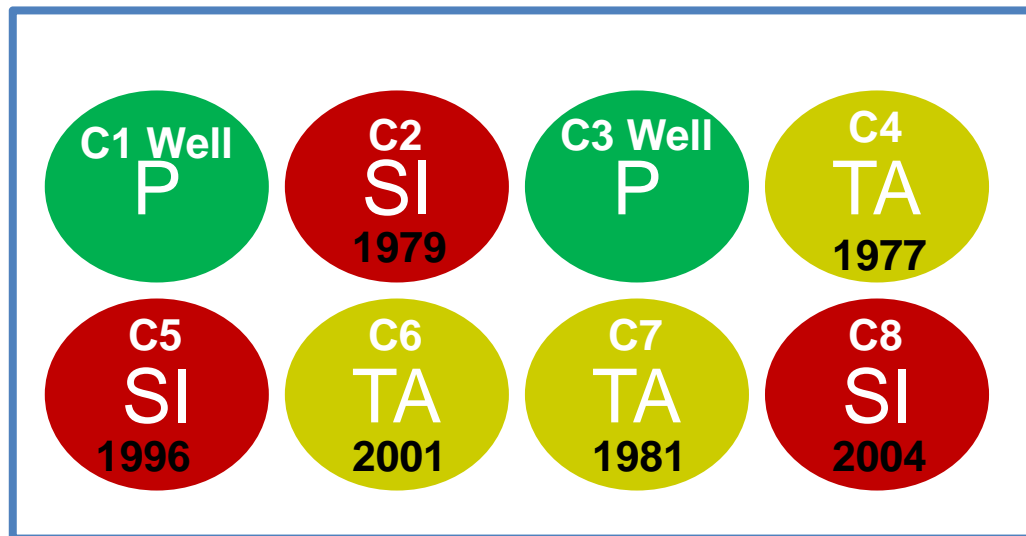
Control of Well - Hurricane Issues



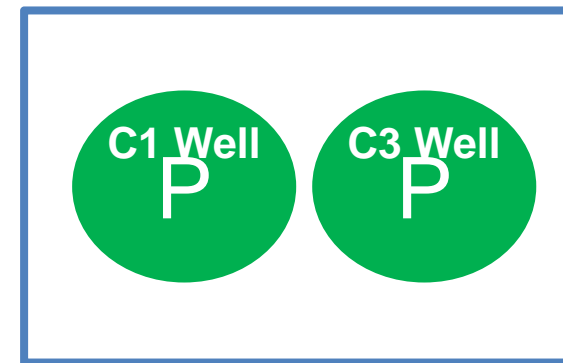
Control of Well - Hurricane Issues

- Utility of shut-in wells
- Extended Restoration issues
 - sub-limits based on original well cost

Producing / Shut-in / Temporarily Abandoned

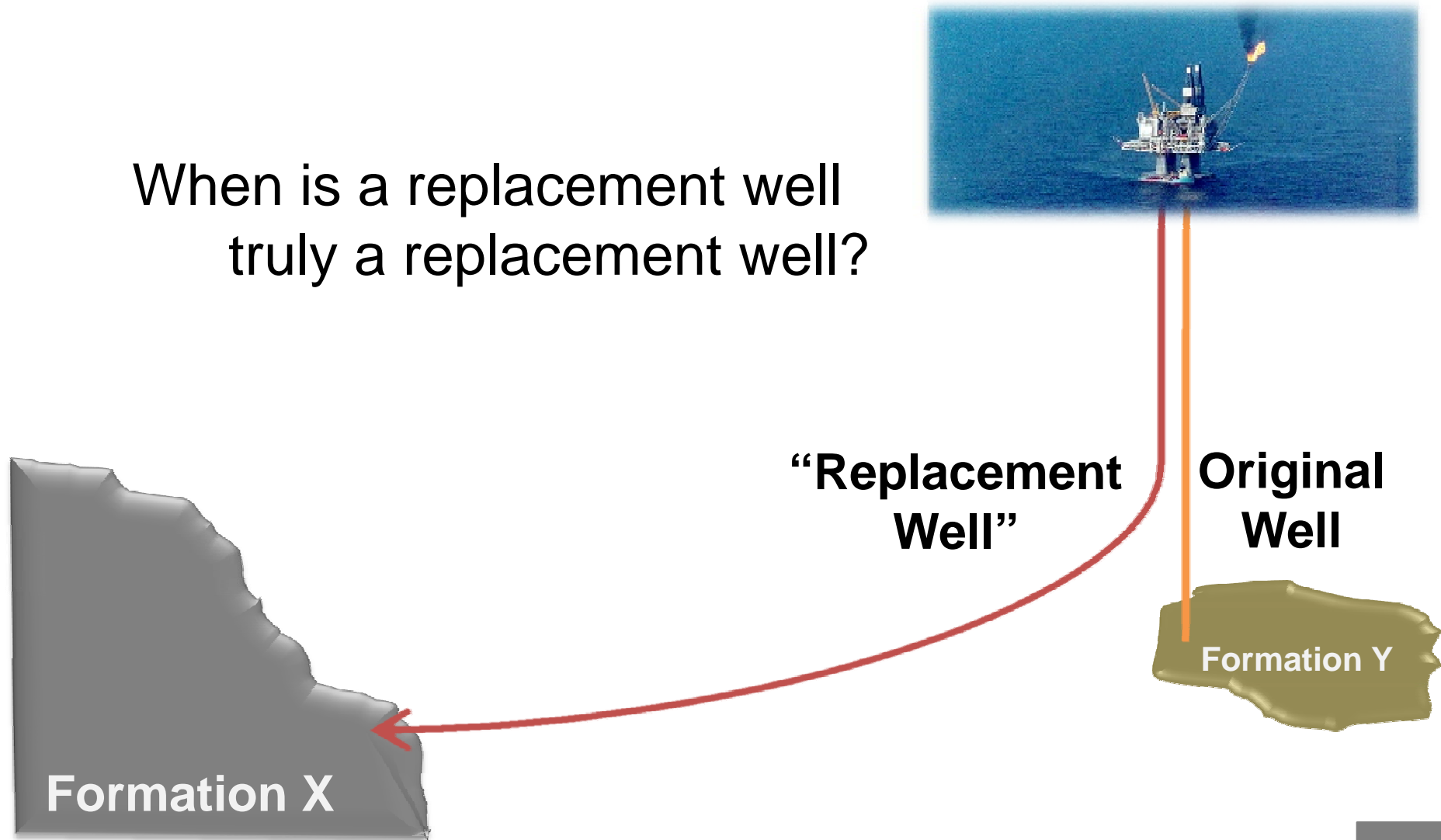


vs



Restoration / Redrill Claims on Older Shut-in Wells

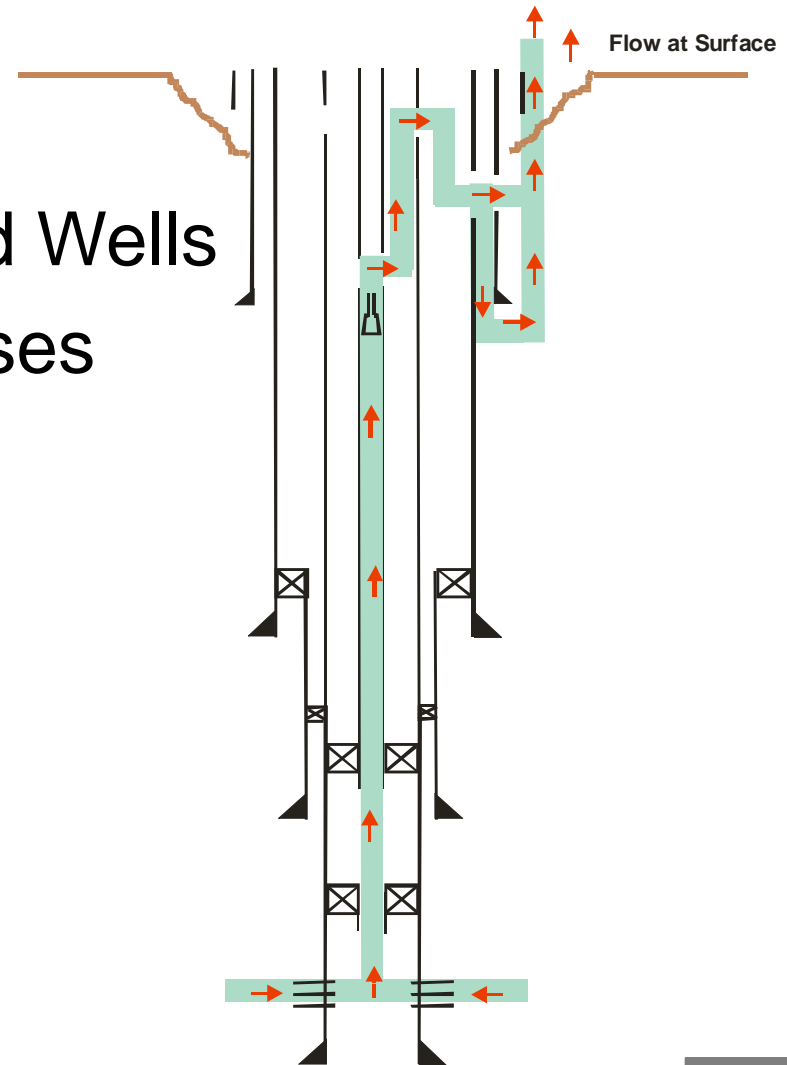
When is a replacement well truly a replacement well?



The Present

Increase in Producing and Shut-in Well Losses

- High Oil/Gas Prices
- Resumed Production on Old Wells
= Numerous new COW losses
- Causes
 - Corrosion
 - Erosion
 - Fatigue
- Difficult to control
- High Control of Well Costs



- Due Diligence
- Moral Hazards



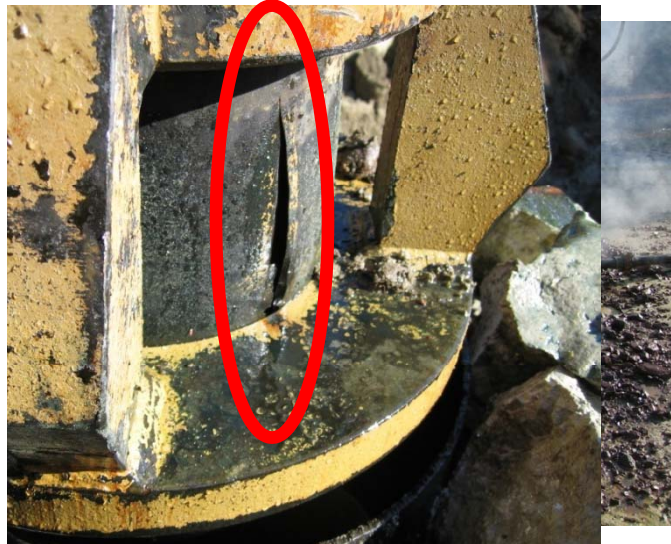
- Restoration/Redrill of old, dilapidated wells
- Sublimit on Redrill costs for older wells?



Increase in COW Losses on Frac Jobs

Hydraulic Fracturing Jobs

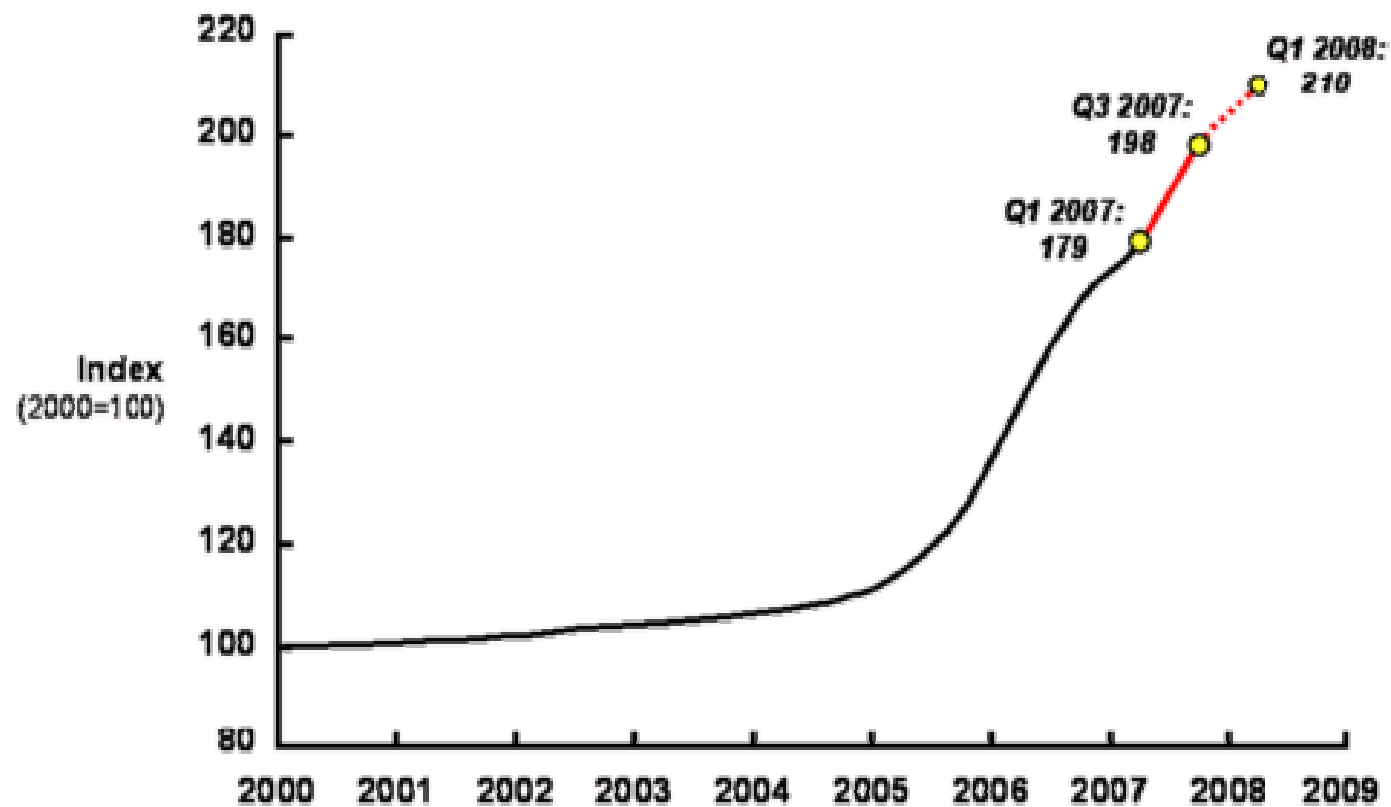
- Losses during completion operations
- Massive cyclical frac jobs
- Casing failures



Opportunity on Shale Projects?

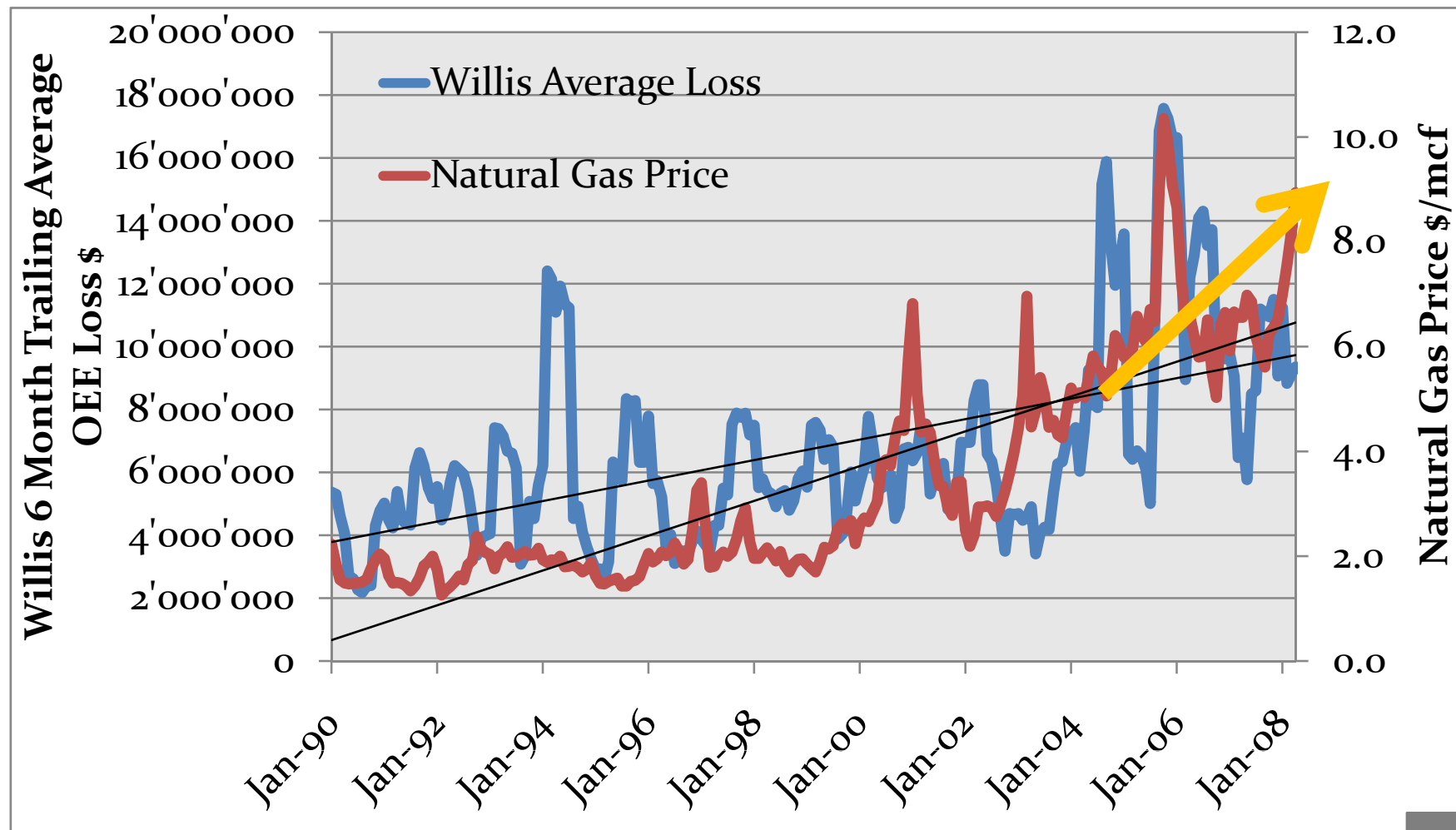
Control of Well Claim Cost Inflation

IHS/CERA Upstream Capital Costs Index



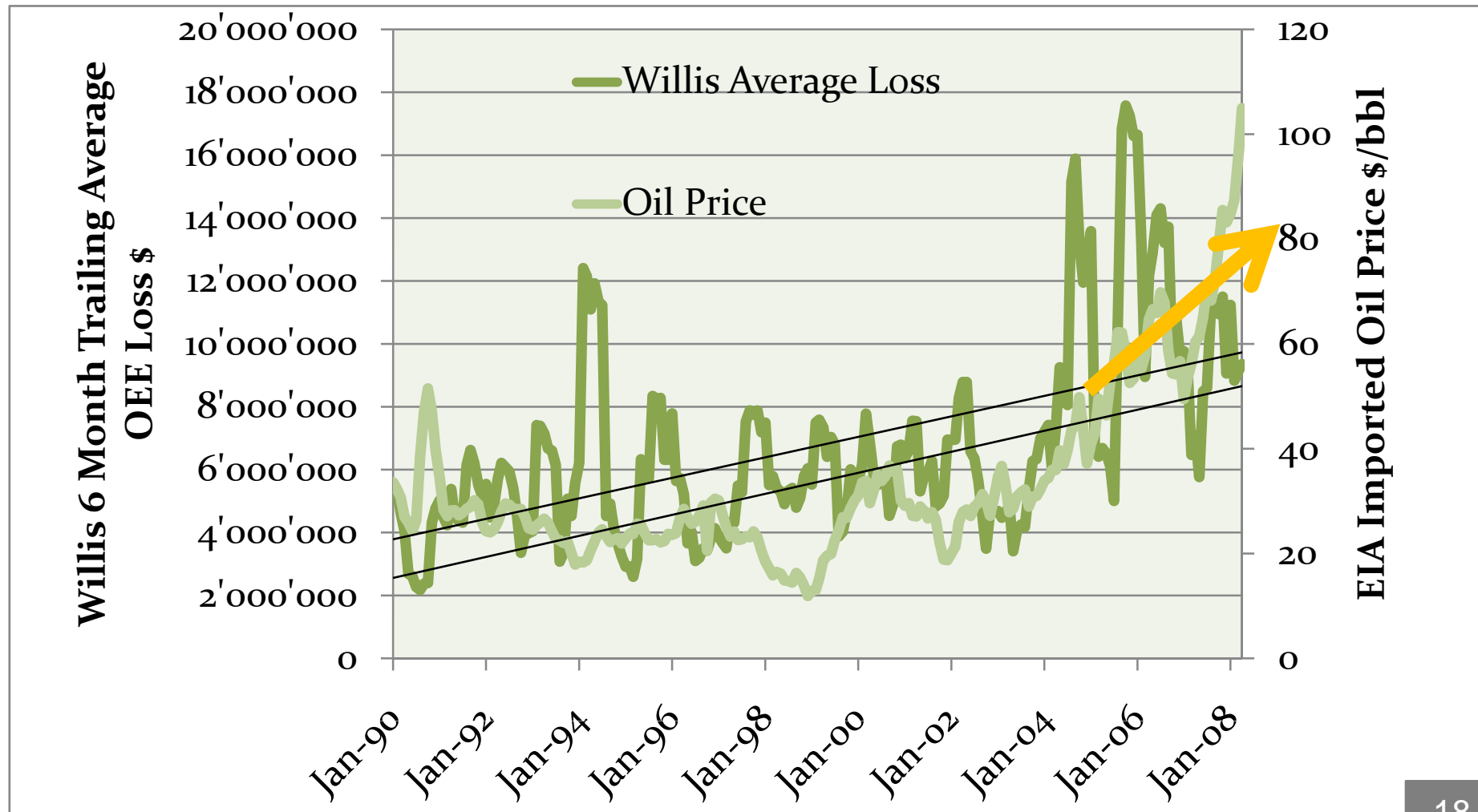
Source: Cambridge Energy Research Associates.
70113-3_2104

Cost Inflation Trends and Predictive Modeling

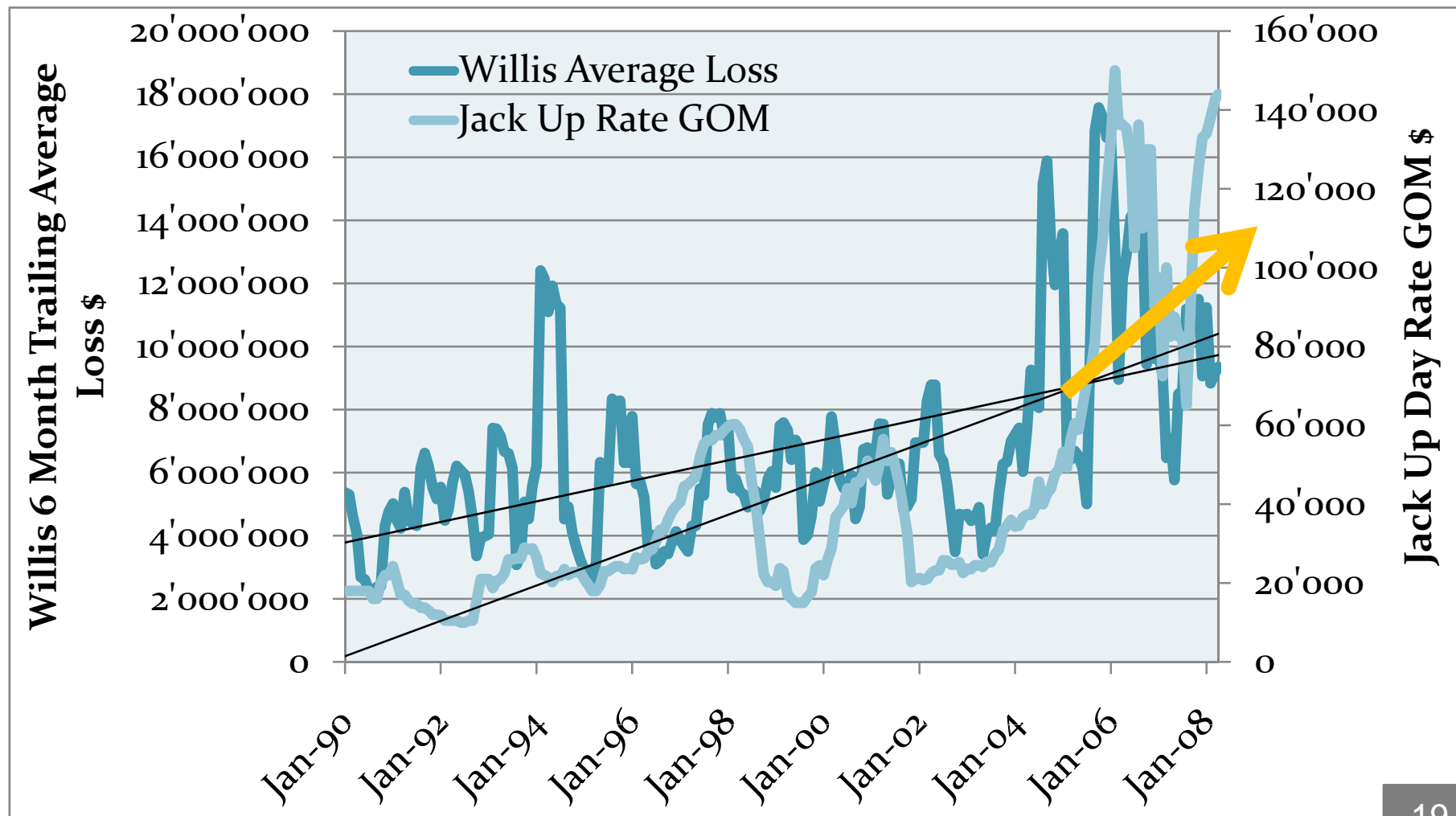


- Is Addendum 44 Obsolete?
- Look at AFE's

Willis Average OEE Loss to EIA Imported Oil Price

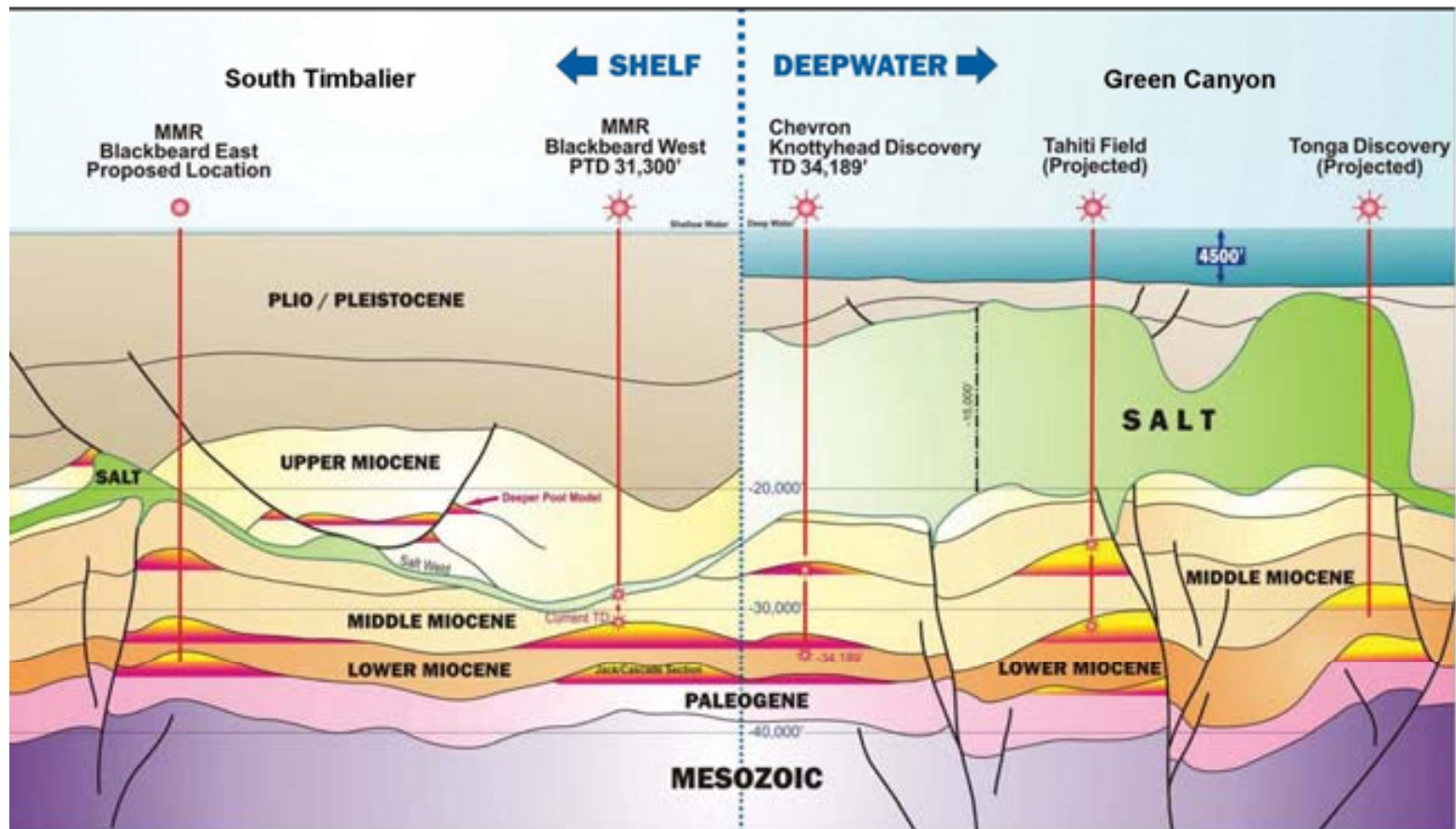


Willis Average OEE Loss to GOM Jack Up Rates



The Future

Shelf (Blackbeard) vs. Deepwater (Tahiti) GoM



Note:
5 Deepwater Rigs due for delivery
with 40,000' depth capability.

Are “Incurred but Not Reported” Claims out there?

- Claim Sunset Clause?



Inexperienced Personnel Problems again? Where will it show up?



The Future

Potential Hazards for Adjusters



Questions

