

# Odessa rig firm announces deals during Oil Show

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Last week's Permian Basin International Oil Show proved to be exceptionally busy for MD Cowan Inc. of Odessa.

During the show, the company delivered a rig to JB Hunt, a start-up drilling company backed by Hunt, and received a letter of intent from Terra Rig Co. AS of Norway for the purchase of five rigs, with an option to buy five more.

"It was a great opportunity," said Scott Milliren, who joined the company as president last month.

Mike Cowan, who now serves as chief executive officer, founded the company in 1973 after working for an Odessa bank. He founded the company, he recalled, to refurbish rigs, buying offshore jack-up rigs and refurbishing them for inland drilling. He has seen his company grow into a provider of new and refurbished equipment, from single components like mud pumps and masts to complete rig packages. Anticipating a rising demand for highly mobile drilling rigs, last year Cowan began constructing its Super Single rig, a 1,000-horsepower rig that targets the unconventional gas plays and projects below 12,000 feet.

NorAm Drilling of Plano will utilize the five rigs Terra is purchasing to drill wells in the Barnett Shale.

It is the industry's increasing focus on unconventional plays like the Barnett Shale that gives Milliren belief that drilling demand will remain strong for the time being.

"Some of the geology 30 years ago was not attractive; now it is attractive," said Milliren, who helped build and lead a wholly-owned subsidiary of an independent producer before joining Cowan. "Now the industry is about those harder formations."

Another reason for his optimism is the fact that wells drilled in those unconventional reservoirs do not produce as much as earlier wells completed in conventional reservoirs. "We need to drill more wells just to get the same amount of gas," he said.

Yet another reason for Milliren's optimism lies in the last oil boom of the mid-1970s and early 1980s, when the national rig count soared to 4,400 before falling to a record low of 488 in April 1999 and rebounding to the 1,740 rigs working today.

Following the collapse of the oil boom, he noted, a lot of rig companies went out of business and now he sees only five or six complete rig package providers, with others providing rig components.

"Some, or a good portion, of those rigs are of 30-year vintage," Milliren pointed out. "What we're seeing in the market is, one, an increased demand for bringing new rigs to market and, two, we're

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**SELLING RIGS** Odessa's MD Cowan was quite busy at last week's Permian Basin International Oil Show, delivering a drilling rig to JB Hunt and receiving a letter of intent from Terra Rig of Norway to buy five rigs from the company. Cowan officials say they believe the future of the company is in the new rig market.

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seeing retirement of the rig fleet. A significant portion of that fleet needs to be retired."

Cowan built his company on refurbishment and selling used rigs, markets that are drying up because, Milliren said, of evolution in drilling rig technology that allows for increased efficiency. That is why, he said, the nation doesn't need 4,400 rigs at work today, because of better technology like bits and hydraulics.

That is why, Milliren said, "I truly believe the future is the new rig market."

The company, he said, is able to leverage its relationships with local companies in obtaining delivery of components. The company also has a rig product line and fabrication facility and has been approached about fabrication work.

In addition to the Super Single rig, the company will soon be building a prototype, known as

the Cheetah, of a 1,500-horsepower rig capable of 10,000 to 18,000 feet depths.

He said Cowan is seeing the beginnings of an international market, having received inquiries from Turkey and Libya and Milliren said the company will pursue international business.

"Mike and I have an aggressive growth plan for the company," he declared. "That plan is becoming a national and international rig provider."