

Special Report: Drilling Down Costs

3/10/2008

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Oil rig contractor's truck fleet saves money and time by going paperless in operations

Assembling, disassembling and transporting the massive drilling rigs that tap energy from deep beneath the Texas soil requires truck fleet managers to pay particular attention to - what else - fuel costs.

That's a big reason Grey Wolf, a Houston-based contract drilling company and owner of the largest oil rig in Texas, decided to take its specialized trucks paperless when it comes to logging and recording driver and fleet maintenance information.

"The (Department of Transportation) is considering mandating onboard computers in trucks," said John Jansen, Grey Wolf's division manager for trucking. "We want to get ahead of the curve. We'd rather be the leading edge rather than the trailing edge, because the technology has a lot of benefits in addition to government compliance. We want to reap those benefits sooner than later."

Grey Wolf, which pulled in more than \$900 million in revenue in 2007, contracts with companies such as Dow Chemical and ConocoPhillips to extract oil and gas out of the ground using a fleet of 123 drilling rigs. The company also owns 75 trucks, some that have 400-inch wheel bases (standard truck sizes range from 200 to 240 inches), up to five axles, and are fortified to handle 165,000-pound loads.

Most of Grey Wolf's customers deal in natural gas. "Their geologists decide where they think the gas is, then hire us and tell us where they want to drill, the depth, and the angle," Jansen said.

It takes 127 of those trucks to lug Grey Wolf's biggest rig, which weighs 4.5 million pounds and can drill holes 40,000 feet deep, from one drill site to another. Because different trucks are used to set up and take down and others are used to transport, not all of Grey Wolf's diesel fuel costs are assessed the same way. That's where it pays to go paperless.

Using fleet management technology developed by **Cadec Global**, Jansen can automatically and more precisely separate over-the-road fuel costs from those used in assembly and dismantling. Fuel used during construction is nontaxable.

"You can't capture that accurately using paper logs," Jansen said. "But Cadec will segment out, for example, how many gallons are being burned while a truck winch is engaged. We're able to claim that money back from the state, since that tax is paid up front when the tank is filled."

Cadec's on-board computer system, which is used by for-hire as well as private fleets, also tracks work hours.

The system defines different types of work, such as dismantling versus hauling, and assigns pay scales accordingly. "When drivers are out in the field, it's difficult to track that," Jansen said. "This way, we can use the computers as electronic time clocks. It allows us to better schedule employees and make the entire work process more efficient."



Operating efficiency is particularly important for Jansen's fleet, which is captive to its market niche. "We can't redeploy trucks into another industry. Our trucks cost up to \$350,000, and once they're manufactured for that purpose, it's not practical to take them out of service and use them to do something else."

Jansen said the company is still "cutting its teeth" on the paperless technology, with roughly half his trucks currently outfitted. The goal is to have the technology installed on the entire fleet by the summer.

Besides the potential to boost Grey Wolf's profit margins, paperless fleet maintenance could be giving the company a head start on hours of service compliance.

The use of electronic on-board recording devices is undergoing extensive study by the federal government as a way to comply with hours of service regulations. The Federal Motor Carrier Safety Administration is considering a recommendation made late last year by the National Transportation Safety Board to require all operators subject to HOS rules to install the devices.