BUSINESSDAY NIGERIA — ENERGY · NIGERIA · DRILLING

Nigeria rig count falls, dimming output recovery hopes

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Nigeria's oil industry faced a setback in October as the number of active drilling rigs declined, undermining the country's efforts to sustain a recovery in oil production. The drop in rig activity raises questions about whether Nigeria can meet its output targets at a time when the sector has been working to reverse years of underinvestment and operational disruption.

The decline in active rigs is a leading indicator of near-term production trends, as fewer wells being drilled typically translates into weaker output growth in the months ahead. Nigeria has been attempting to rebuild drilling momentum following a prolonged period of reduced activity driven by financing constraints, security concerns in the Niger Delta, and a broader pullback by international oil companies divesting onshore assets. The October data suggests that recovery remains fragile and uneven.

The Nigerian upstream sector has seen a shift in the operator landscape in recent years, with indigenous companies absorbing assets sold by majors. These domestic operators often face tighter access to capital and international service contracts, which can constrain their ability to sustain multi-rig drilling programmes. Without a consistent increase in well counts, analysts have cautioned that Nigeria's production ambitions — which include targets set under the country's petroleum reform framework — will be difficult to achieve.

Drilling contractors and oilfield service providers operating in Nigeria are directly exposed to fluctuations in rig demand. A sustained decline in the rig count reduces

utilisation rates and pricing power for service companies active in the market. Conversely, any government or operator-led push to accelerate drilling programmes to compensate for the October slump could generate short-notice demand for well services, drilling equipment, and associated logistics. The article does not specify individual operators, rig types, or production figures linked to the October decline, so the full scope of the impact remains unclear from the available data.

Nigeria remains Africa's largest gas reserve holder and a significant crude producer, making its drilling cycle closely watched by the broader regional energy services market. The October slowdown adds to a pattern of volatility that has made it difficult for service companies to plan long-term commitments in the country without flexible contracting structures. Stakeholders will be monitoring November and December data to determine whether the dip is seasonal or signals a more sustained contraction in drilling appetite heading into 2025.

Why this matters to partners and clients of Saga

The rig count decline signals near-term softness in drilling demand in Nigeria, so Norwegian well services, drilling equipment, and logistics companies should monitor the trend over Q4 2024 before committing resources or pursuing new tender opportunities. If Nigerian operators or the government respond with an accelerated drilling push in early 2025, that could create short-notice demand for well services and drilling consumables where Norwegian suppliers with established in-country presence would be best positioned. Relationship-building with indigenous operators now absorbing IOC-divested assets — who are the most likely buyers of contracted services — is the priority action at this stage.

PARTNER ANGLES

- **Drilling:** Monitor Nigerian rig utilisation through Q4 2024 before committing rigs or crew capacity; a government-driven drilling push in early 2025 could create rapid demand.
- **Well Services:** Indigenous operators absorbing IOC assets are the emerging buyer class; early engagement on flexible, capital-light service contracts could build competitive positioning.

- **Subsea/FPSO:** Sustained onshore/shallow drilling weakness may accelerate operator interest in deepwater where fiscal terms differ; track any shift in rig demand to offshore blocks.
- **Pipeline:** Lower production recovery prospects reduce near-term throughput growth, dampening urgency for new pipeline infrastructure projects in the Niger Delta.
- **Service:** Logistics and supply base operators should model lower utilisation scenarios for Nigeria through H1 2025 and avoid over-committing capacity in the near term.

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