

Haynes and Boone CDG Win \$273 Million Judgment in Offshore Drilling Dispute

July 3, 2018 Glenn Kangisser

PRACTICES Energy Litigation, Energy, Power and Natural Resources, Offshore Oil and Gas, Offshore Oil and Gas Dispute Resolution, Oil and Gas, Oil and Gas Litigation, Oilfield Services, Litigation

LONDON, 03 JULY 2018: Haynes Boone CDG have won an English High Court judgment on behalf of Seadrill Ghana Operations Limited worth \$273 million, plus interest and legal expenses.

At issue was a five-year drilling contract for Seadrill's semi-submersible drilling rig "WEST LEO" concluded with Tullow Ghana Limited in 2012 for a drilling campaign offshore Ghana. Pursuant to the contract, Tullow was obligated to pay a daily rate of around US\$ 600,000 for the rig. The contract term was due to run to June 2018.

In October 2016, Tullow sought to invoke a force majeure clause in the contract. Tullow claimed that a border dispute between Ghana and Cote d'Ivoire, which led to an arbitral ruling restricting drilling in an area where Tullow had planned to drill, constituted a force majeure event. Tullow further claimed that the event entitled it to pay a reduced rate of hire for a period of 60 days and to terminate at the end of that period without paying any further compensation to Seadrill. Tullow claimed in the alternative that they were entitled to terminate for convenience.

Seadrill countered that there was no force majeure event in accordance with the contractual requirements. Seadrill accepted that the contract had been terminated for convenience with effect from December 2016 and that it was entitled to payments of sums in excess of US\$ 270 million, which claims it pursued in the Commercial Court in London. Among other things, Seadrill contended that Tullow's termination of the contract was connected with the decline in oil prices in 2014, which had resulted in Tullow paying significantly more for the rig than the then-current market rate.

The Court had to determine whether the contract had been validly terminated for force majeure or Tullow's convenience in December 2016. The Court sided with Seadrill, concluding that Tullow was not prevented from drilling by any cause that would qualify as a force majeure and that the contract was therefore terminated for Tullow's convenience, entitling Seadrill to payment of a pre-agreed early termination fee plus standby fees (as well as interest and legal expenses).

"In the business of drilling for oil there are many risks," the Judge, Mr Justice Teare, wrote in his judgment. "If the risk which materializes is not a force majeure then Tullow has to bear the consequences."

[Glenn Kangisser](#), Partner at Haynes Boone CDG and lead lawyer on the matter commented:

"This is a wonderful result for Seadrill. The ruling underscores that English courts won't let parties escape a bargain because of a turn in the market. Disputes of this nature are typically arbitrated rather than litigated before the courts therefore today's public decision will serve as a rare guidepost for energy companies."

Kangisser has extensive international and multi-jurisdictional experience in the offshore, oil and gas, and shipping industries, involving both contentious and non-contentious matters. He was assisted in the Seadrill matter by Haynes Boone CDG Associates [Amanda Larrington](#) and Maren Strandevold.

Read a more [detailed case note](#) on Seadrill Ghana Operations Limited v Tullow Ghana Limited written by Haynes Boone CDG, LLP.

To read the updated 7/23 write-up, click [here](#).