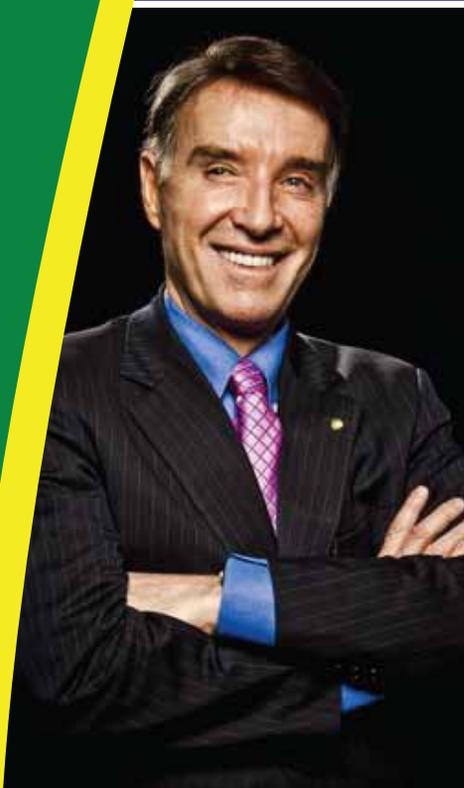


MARCH 2012

ISSUE 7

THE BRAZILIAN FOCUSED MARKET REPORT

BRAZILIAN WAVE

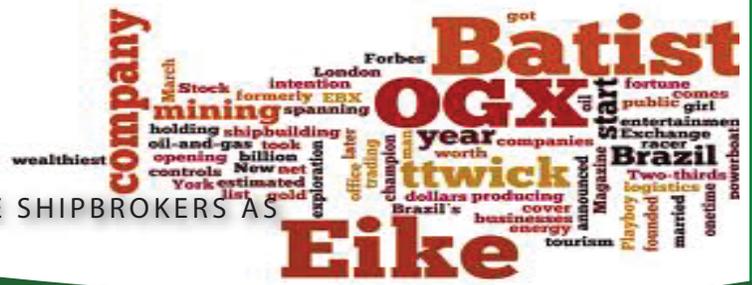


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WESTSHORE SHIPBROKERS AS





Eike Batista A Brazilian made man

It's that time of year when the Forbes list of the richest people in the world begins to circulate the various news sources in the world. High up on that list moving from 8th to 7th position with an estimated net worth of \$30 billion is college dropout Eike Batista. The President of "Grupo EBX" which comprises of five companies covering the mining, logistics, energy, oil and gas and offshore services industries is one of seven children.

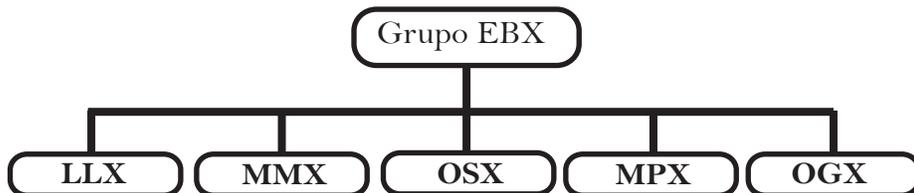
His father was an important business man with a great reputation in Brazil, the Minister of Mines and Energy and a former president of Companhia Vale do Rio Doce (CVRD), a metals and mining company in Brazil. However his fortunes were not created through his father's successes, his upbringing was mainly through his mother as his father was often absent due to work. Mr. Batista did learn one major lesson from his father and this is the foundation to his personal approach "I think big, and I'm not afraid to take risks". Something that



has proven very important in many of the decisions he has made in life.

One of those choices was made upon his return from Europe in his mid-twenties and set the foundation for his fortune today. Coming back to the

country he instantly noticed a burgeoning gold rush in the Amazon basin and established a trade company with a loan from local jewelers which over the course of 1.5 years traded for \$60 million, his company taking a 10% margin. Realizing that the real money lay in owning mining rights, he reinvented his approach, starting with buying and creating a fully mechanized gold mine in the Amazonian jungles, the beginning of the EBX companies. Many issues with the mine and its logistics led to difficulties and at one point he was down to his last USD 300K and the notion that his \$6 million could have easily been better spent elsewhere. This mine ended up making him \$1 million a month, he has since gone on to own five other mines in Brazil, two in Canada and one in Chile. The mining industry has been the foundation of his wealth and earned him and his companies billions of dollars.



LLX is a logistics company founded in 2007, MMX is a mining and metal company, OGX is an oil and natural gas company, MPX is an energy company and OSX is the shipbuilding and chartering company. In addition to these companies he has MD.X, which is a medical center located in Rio De Janeiro, Mr. Lam a Chinese restaurant, the Gloria Palace Hotel, and the Pink Fleet cruise ship. The 'X' in all these companies' names represents multiplication. Enterprises need to have the capacity to generate wealth and multiply their own value for their employees, for investors, and for society according to Batista.

REQUIREMENTS

DATE	CLIENT	SCOPE OF WORK	PERIOD	COMMENCEMENT
07 Mar 2012	Starfish	Offshore Services Vessel 2 Wells	180 days	1st of October 2012
15 Mar 2012	Repsol Sinopec	PSV 3000 DP 2 FiFi1 2002 YB	150 days + opt	July/Sept 2012
15 Mar 2012	Repsol Sinopec	PSV 4500 DP 2 FiFi1 2002 YB	150 days + opt	Sept/Nov 2012

SPOT FIXTURES

DATE	CLIENT	TYPE	VESSEL	OWNER	PERIOD	DAY RATE
09 Mar 2012	Shell	AHTS	Far Swift	Farstad	2 Months + Options	32 500,00
02 Mar 2012	Tramp Oil	PSV	Milan Tide	Tidewater	7 Days	36 500,00
24 Feb 2012	Repsol	PSV	Seabulk Brasil	Seabulk Offshore	10 Days	RNR
19 Feb 2012	Perenco	AHTS	Far Sabre	Farstad	7 Days	50 000,00

VESSEL NEWS

HOS Sandstorm and HOS Stormridge - The Hornbeck duo are heading back home to the Gulf of Mexico after the successful completion of their charter with Repsol in Brazil, supporting the Gavea Well with rig Stena DrillMAX;

ER Trondheim - The ER Offshore UT755 PSV is underway to Ghana where it will continue supporting the Stena Drillmax;

Maersk Lifter and Maersk Leader - Both vessels extended with Shell Brasil to support the semi-submersible Noble Clyde Boudreaux;

Far Swift - After successful completion of her charter with Petrobras, the Far Swift UT755 DP2 PSV from Farstad Shipping has been fixed to Shell Brasil for two months firm to support the recently arrived Drillship Bully 2 from Noble;

Far Sagaris extended with Petrobras until end of October 2012;

Sea Brasil - Deep Sea Supply PSV - the PSV 09 CD built at STX, has been fixed to BP on a three years firm contract, having the AHTS Sea Leopard work as front-runner until her delivery Q2 2012;

Seabulk Angra and Maersk Provider - The Seacor Brazilian Flagged DP1 PSV and Maersk AHTS remain with Sonangol-Starfish supporting the semi-submersible Blackford Dolphin, which is expected to remain on charter until end of March;

Edison Chouest took delivery of the 5,254 dwt PSV Bram Belem for the 8+8 year contract with Petrobras. The vessel has been fixed since September 2010 as

part of the Prorefam II. During this fleet renewal program Chouest were awarded eight contracts to build and supply four 2,000 dwt and four 4,500 dwt PSVs that meet the domestic content policy;



Seabulk Brasil - After a successful period on the Spot Market, the PSV will be docked for her conversion to DP2, in line with local market demands;

UOS Navigator and UOS Endeavour - Both vessels were released by Shell Brasil after supporting a mooring leg replacement for the FPSO Fluminense;

UOS Voyager and UOS liberty had their contracts with Sonangol-Starfish extended until the end of May 2012.

A WORD WITH WESTSHORE

"From only one vessel on the spot market, our snapshot this month shows more than 10 vessels being traded. The change is coming."

ALEXANDRE VILELA
MARINE ADVISOR



05 PETROBRAS TENDERS

UPDATE ON THIS MONTHS OUTSTANDING TENDERS

ANCHOR HANDLERS

Petrobras demands are steady and remain as strong as it gets. The AHTS tenders recently awarded have basically dried the market out. The tendency remains for active growth within the larger vessels to support the ultra-deep water campaigns.

PLATFORM SUPPLY VESSELS

The PSV 4500 result is not very encouraging on the number of awards, however that is related to the demand. This tender was not set to replace currently hired tonnage, but to attend to pure additional demand. This means with the two hires Petrobras have truly increased their OSV fleet. On the other, the hires on the PSV 1500 have been numerous as anticipated, with a handful of those being vessels that were already under contract with Petrobras and now being awarded new contracts.

THIS MONTHS FIXTURES

DATE	CLIENT	TYPE	VESSEL	OWNER	PERIOD	DAY RATE (USD)
05 Mar 2012	Petrobras	AHTS	Maersk Lancer	Maersk	4+4 years	62 740
05 Mar 2012	Petrobras	AHTS	Maersk Launcher	Maersk	4+4 years	64 770
05 Mar 2012	Petrobras	AHTS	Maersk Leader	Maersk	4+4 years	65 940
05 Mar 2012	Petrobras	PSV	Siem Ruby	Siem Offshore	4+4 years	64 347
05 Mar 2012	Petrobras	AHTS	Havila Fortress	Havila	4+4 years	34 995
05 Mar 2012	Petrobras	PSV	Up Jade	Up Offshore	4+4 years	33 000
28 Feb 2012	Petrobras	AHTS	Shergar	Garware Offshore	4+4 years	22 000
28 Feb 2012	Petrobras	PSV	Sea Jackal	Dess	4+4 years	23 500
28 Feb 2012	Petrobras	PSV	Sea Fox	Dess	4+4 years	23 500
28 Feb 2012	Petrobras	PSV	Sea Vixen	Dess	4+4 years	23 500
28 Feb 2012	Petrobras	PSV	Sea Stoat	Dess	4+4 years	23 500
28 Feb 2012	Petrobras	PSV	Vega Crusader	Vega Offshore	4+4 years	21 990
28 Feb 2012	Petrobras	PSV	Vega Corona	Vega Offshore	4+4 years	20 990
28 Feb 2012	Petrobras	PSV	Olivia Candies	Otto Candies	4+4 years	20 500
28 Feb 2012	Petrobras	PSV	Highland Scout	Gulfmark	4+4 years	23 500
28 Feb 2012	Petrobras	PSV	Mary France Candies	Otto Candies	4+4 years	20 500
28 Feb 2012	Petrobras	PSV	Amy Candies	Otto Candies	4+4 years	19 500
28 Feb 2012	Petrobras	PSV	Keri Candies	Otto Candies	4+4 years	19 500

THIS MONTHS REQUIREMENTS

DATE	CLIENT	SCOPE OF WORK	PERIOD	COMMENCEMENT
02 Mar 2012	Petrobras	AHTS 15000 TO	4+4 years	01 August 2012

THIS MARKET SCREENINGS

DATE	CLIENT	SCOPE OF WORK	PERIOD	COMMENCEMENT
17 Feb 2012	Petrobras	AHTS 12000 OR	4+4 years	September 2012

A WORD WITH WESTSHORE



DANIEL DEL RIO

Managing Director

"It will be interesting to see how the good prospects for the North Sea summer and the strong demand in Australia and West Africa will affect availability of OSVs for Brazilian inquiries."

06 OPERATOR UPDATE

RECENT DEVELOPMENTS FROM BRAZIL'S OIL & GAS COMPANIES

STATOIL ON THE MOVE



With a significant North Sea find topping the list of world's largest oil deposits, 2011 proved to be one of the Norwegian energy giant Statoil's most successful years. And 2012 has seen Statoil's success on home territory echoed in the global market, not least offshore Brazil.

Brazil is not new territory for Statoil which currently holds a 60% stake and operator status at the Peregrino field some 85km off the coast of Ro de Janeiro. Formerly known as the 'Chinook' field, Peregrino has an estimated 2.3 billion barrels in reserve, first oil was achieved in April 2011 and represents Statoil's largest international reserve. In addition, Statoil holds interests in a number of locations in the deep-water areas of Brazil including the Campos and Santos basins. This month it was with partner and operator of the concession Repsol Sinopec, that an announcement was made regarding a 'high impact' discovery in the Campos Basin.

The discovery lies in a pre-salt deposit in 2,800 metres of water in the BM-C-33 block and was drilled by drillship Stena DrillMAX.

Statoil has been vocal on its aggressive plans for expansion in Brazil through new exploration opportunities and has joined the ranks of many Brazilian and international oil companies in expressing its high hopes for the Campos Basin.

Rumors of expansion through acquisition of Anadarko's Brazilian assets were all over the market earlier this month. If true, Statoil could be in line to purchase the US-Independents assets for around USD 3bn and includes stakes in four licenses in pre and post salt areas none of which have reached production. The acquisition of the Anadarko assets would represent a clear and ambitious future strategy for Statoil in general, and its Brazilian assets in particular.

CHEVRON STILL NOT PERMITTED TO RESUME EXPLORATION IN BRAZIL

According to ANP Director, Ms. Magda Chambriard, the company have not yet met the agency requirements on Operational Safety and the agreed actions to be undertaken after the oil spill, which occurred in November last year, in the Frade Field, Campos Basin.

Magda informed that the accident report is now concluded and shall soon be released. The final fine to be imposed shall also be informed, based on the final report.

Magda said "The operator must be able to identify the causes of the accident and submit to ANP the measures to be taken to mitigate the accident and prevent it from reoccurring. The material we currently have from Chevron does not suggest that the Oil Company is able to prevent a (leak) repeat. "

A WORD WITH WESTSHORE

"After years of business conflicts with Petrobras, EBX entered into a partnership with them to build at OSX. This demonstrates the dynamics of the market."

Douglas Moura
Shipbroker



SEVAN BRASIL DELIVERED

The ultra deepwater drilling rig Sevan Brasil has successfully completed sea trials outside the Chinese yard COSCO and is currently en route to Brazil, catching a ride with the Mighty Servant.



The rig with a deck load capacity of more than 15,000 tons, drilling depth ability of 10,000 meters and water depth of up to 3,000 meters it is expected to arrive mid-April and commence on a 6+6 year Petrobras contract in May. Sevan Drilling has already confirmed the building of a 3rd and 4th option with expected delivery dates Q4 2013 and Q2 2014 and total cost of \$526 million. With the recent entrance of Seadrill as the largest shareholder in Sevan Drilling and the current strong demand for UDW rigs we would expect the 5th and 6th options to be called within the expiration date of December 10th, 2012. All the rigs will have the same design, and it isn't unthinkable they will find good opportunities off the coast of Brazil given that the first two both have long-term contracts to Petrobras.

OTHER NEWS

FPSO Cidade de Sao Vicente starts work again

BW Offshore is a major provider of FPSO services and the company is the world's 2nd largest contractor with a fleet of 14 FPSOs and 2 FSOs. The Cidade de Sao Vicente known for being the first FPSO in the Tupi field will now work in the Iracema area of the Santos basin for about 6 months, having recently come from the RJS-647 well. She is expected to gather reservoir and flow data to help develop a permanent production system, with the Cidade de Mangaratiba FPSO expected to be installed in 2014. The project has Petrobras as operator with BG Group and Petrogal taking smaller stakes of 25% and 10%.

Noble Corp's Max Smith reactivated



Noble have signed a Letter of Intent for a 44-month deal on the semisubmersible Max Smith, the vessel is currently hot stacked in the GoM and will commence the charter in Q4 2012. The unit will

undergo preparations at a shipyard as from May and will begin its move to Brazil early December. The unit will earn lower rates during this period.

08 LOOK AHEAD

WHAT'S UPCOMING OVER THE NEXT FEW MONTHS



THE RELEVANCE OF NEW NON-OPEC OIL PRODUCTION

The recent IEA report has estimated that producers outside OPEC (Organization of the Petroleum Exporting Countries) will provide 53.5 million barrels a day this year, approximately 200K b/d less than the IEA had forecast in February due to disruptions to supply in Sudan, Yemen, Syria and the UK North Sea. The IEA stated that “a real risk of another year of underperforming non-OPEC supply shines a spotlight once more on OPEC spare capacity”. This cushion of supply has decreased as Saudi Arabia is producing at levels not seen in three decades with spare capacity at less than 3 million barrels per day the first time since 2008 when we saw a major oil price spike.

Producers from non-OPEC countries are responsible for approximately 60% of the global total, but over the years major contributors like Mexico, Norway and the UK have seen their oil production steadily decline. Therefore the relevance of new non-OPEC oil has been vital. When this discussion is raised thoughts often go to Brazil to cover the needs, however interestingly enough during the Libyan civil war Europe which imports 85% of their exports turned to amongst others Colombia to provide a replacement.

After years of living in a near civil war state, mostly due to the inefficiency of an instable political regime that could combat the drug cartels, Colombia has become a new country. The streets are safer, even though at times the local authorities advise against walking alone in the cities. Colombia has attracted new investment both internally and externally, and the new investment has been applied in several areas, the Oil and Gas industry being one of them.

The production of oil has increased almost as much as in Brazil, and is a contributor to the increase in volume of oil offered by the non-OPEC countries. From 2007 to 2010 the

production in Colombia increased by nearly 450 thousand barrels per day (compared to around 500 thousand barrels per day increase in Brazil) achieving a production record. This can be explained by the partial privatization of ECOPEPETROL in 2007. Currently, Colombia is the fourth largest oil producer in Latin America, behind Mexico, Brazil and Venezuela in that order. Moreover, with the sanctions imposed on Iran by Europe and USA, as well as the influence on oil price by the OPEC community, the growth of the production of oil by non-OPEC countries is essential to the worldwide balance.

The situation in Colombia and Brazil is particularly relevant in the global arena due to the fact that the other non-OPEC countries have been facing difficulties in increasing their production of oil. In Colombia, Ecopetrol's target was to achieve production of one million barrels per day by 2015. However due to the investments in the hydrocarbon prospects, this production target was achieved at the beginning of this year. But beyond 2012, it will be hard for Colombia to keep the same growth pace. Studies show that after five years of strong growth, Colombia is near its natural limit.

A great deal of hope therefore rests on Brazil to reach the targets of the non-OPEC production, and a lot of pressure will be put on the country to deliver its targets. Petrobras plans to raise the oil production from 2.1 million barrels per day in 2011 to 4.9 million barrels per day by 2020, taking into account the pre-salt area. In addition to Petrobras, other oil companies operating in Brazil, such as Statoil, Shell, Sonangol-Starfish, Maersk Oil and Gas, BP, OGX are intended to contribute to the production targets.

Brazil has not been able to substantially increase its supply by more than 150K barrels a day over the last three years and there lies a heavy burden on the shoulders of Brazil to fill the non-OPEC needs. However we believe that the investment both domestically and abroad will allow Brazil to put their plans back on track and provide the needed increase to level out the world oil production balance.

BY DOUGLAS MOURA
Shipbroker



09 INSIDE STORY

A LOOK AT SOME OF THE ISSUES
WHEN DOING BUSINESS IN BRAZIL



SAFETY CULTURE - IS THERE SUCH A THING AS A STEREOTYPICAL RISK TAKER?

by Alexandre Vilela, Marine Advisor



Three men were standing on top of a bridge 100 meters above a flowing river, a Norwegian, a Frenchman and a Brazilian. Two others were standing looking at the three men on the bridge when one says to the other "I bet you a thousand Dollars that I can make those three guys jump from the bridge". Seeing some easy money, the second guy agrees to the wager. So, the Norwegian is approached, and is told "The law says you must jump from this bridge". The Norwegian jumps. Then the Frenchman is approached "I heard the latest word in fashion is to jump from the bridge, and the Frenchman jumps. Then the Brazilian is approached and is told "The law states "Do not jump from the bridge". Off goes the Brazilian.

Hopefully nobody will be offended by this joke, but many people actually perceive Safety Culture like this, a matter of cultural background. In such a perception, the safety

performance of a certain group, contractor or even client, would be a reflection of the individual background. Cultural background is a very relevant factor of the Safety Culture, but it is not the only one. The environment sets out the boundaries for the Safety Culture. Inevitably, people will act safely if the environment provides stimulation.

“.....But will all Scandinavians and Brazilians behave the same?
Not necessarily.”

A practical example of culture and environment combined is a person or a company from a background that emphasizes compliance, such as in

Scandinavia. At times when risk taking decisions are necessary, the individual or company may require a structured environment to feel comfortable in "assuming the risk". Not necessarily contradictorily, a person or corporation from a Latin American background - for instance Brazilian, can be perceived as natural risk takers, at times ready to accept risk without the need of a structured environment. But will all Scandinavians and Brazilians behave the same? Not necessarily.

People will behave safely if the conditions are correct, such as clear authority to stop the job due to safety reasons and economic factors; support to analyse and review procedures; time and opportunity to address safety concerns; open dialogue amongst all irrespective of position or seniority, etc. Likewise, stimulating safe behaviour in different groups of individuals won't be accomplished by a uniform approach with generic strategies such as monetary rewards, public recognition and seminars. Monitoring the behaviour in practice of culture and environment is the basis of a principle named Behaviour -Based Safety Management, or BBSM.

BBSM determines common goals, based on cultural assessment, collects data to determine safety trends (for instance number of Stop Cards, or Safety Meeting attendances), provides feedback and reviews results.

There is no one culture that deals better with safety than another. There is no better or larger background that will determine the individual's safety behaviour. There is indeed, an environment that helps each person understand his own behaviour and that will help him/her balance the culture/background to behave safely. If the environment demands a safe behaviour, the individual will be adequately stimulated to act safe.

10 É ISSO AÍ!

FINAL THOUGHTS FOR THIS MONTH



In the 3rd week of September this year Rio de Janeiro will host its famous bi-annual Rio Oil and Gas 2012 Trade Fair. This is a good opportunity to network and meet friends, stay tuned!

WESTSHORE IN IBP - THE BRAZILIAN PETROLEUM INSTITUTE

On 14th March Westshore under invitation from IBP hosted a presentation on Brazilian Naval Industry. Alexandre Vilela, Marine Advisor has discussed the characteristics and challenges ahead of one of country's most important industries.



FARSTAD OPENS NEW PREMISES IN RIO DE JANEIRO



On March 7th Farstad Shipping hosted a cocktail reception at Rio Branco 1 building downtown to celebrate the inauguration of their new Rio de Janeiro Office. The location has a traditional office space with a great view of Guanabara Bay. In order to receive their crew Farstad has created a hosting area, which occupies more than 50% of the office space. The space has a living area where the crew can relax and enjoy a conversation or a quick coffee with computers and nice TV sets made available. Further, it has a contemporary and complete conference room where training can be given. In a market where crewing is a challenge, Farstad have prioritized what they believe to be important!