

THE NAVIGATOR

WESTSHORE'S MONTHLY NORTH SEA REPORT

A Weather Eye on the Market

A look at the first quarter of 2014

Legacy of Johan Sverdrup

The history & the future of this epic project

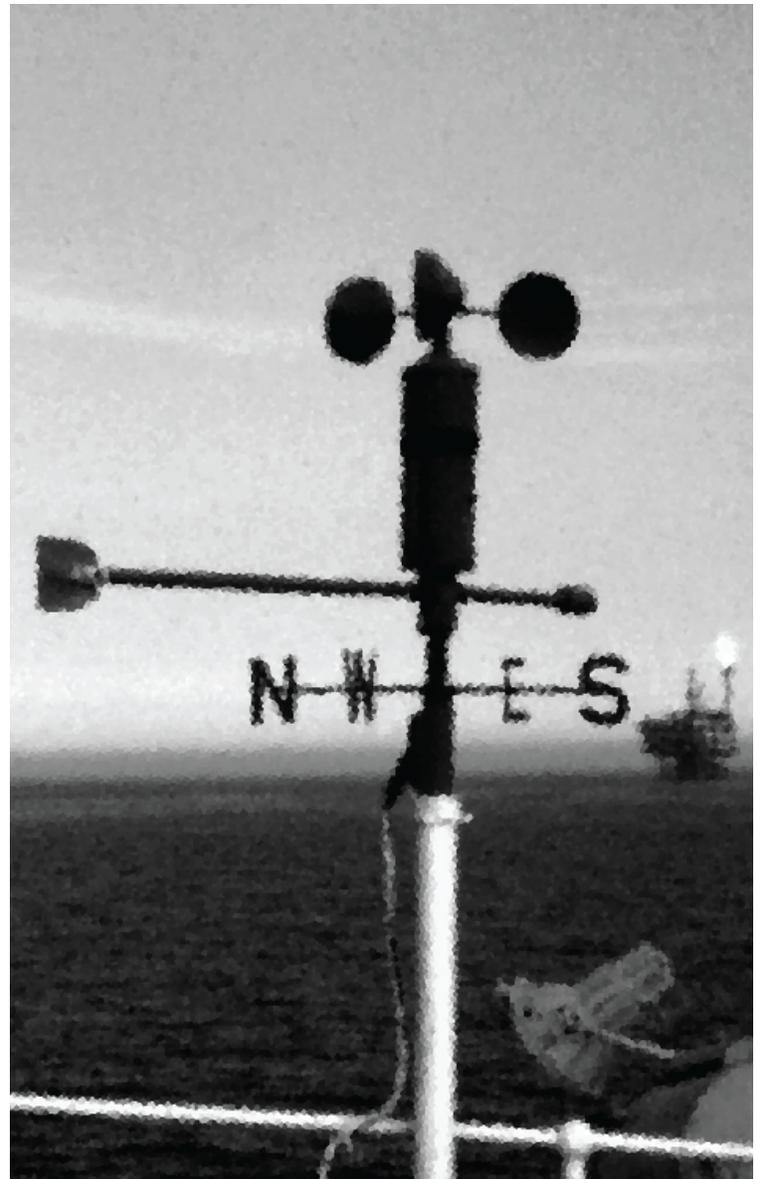
Ireland on the Up

Busy times offshore of the Emerald Isle

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Ireland on the Up



Killybegs is being promoted as an oil industry hub

Historically Ireland has had a bumpy ride in terms of oil exploration activity. There have been 129 Exploration wells and 29 Appraisal wells drilled in Ireland since the 1970s however there have been only around half a dozen commercial discoveries. However as we turn into 2014 and Cairn's next drilling campaign is on the horizon it is worth taking another a look at what potentially lies offshore of the Emerald Isle.

Interest has been reignited partly due to Providence Resources' success at Barryroe in the Celtic Sea in 2012 although ExxonMobil faced disappointment from a non-commercial oil find in the Dunquin North licence during drilling last year. However, the probability of actually discovering hydrocarbons in the region has traditionally been significantly lower than the chances of similar activities offshore Norway or the UK with some figures indicating that the probability of a discovery in Ireland is 1 in 8 and the chances of a commercial discovery as 1 in

32. Compared to 1 in 7 for Norway and 1 in 6 for commercial success in the UK and we can see why previously oil companies have shied away from taking the risks required to get momentum going in the region. In fact on average there have been less than two wells drilled each year over the past decade.

Some of the main factors that have hampered offshore efforts have been the deepwater nature of many of the areas, fluctuating oil price and the small amount and poor quality of the seismic surveys that have been carried out.

The exploration history of the Fastnet Basin provides a solid example of how previous Irish exploration has been carried out. Between the 1970s and 1981 there was sporadic activity with 11 wells drilled on the back of 1,250km of poor quality 2D seismic data and two small oil discoveries were made. Braban/EDC held the acreage between 1996-2001 and acquired 400km more of 2D

seismic data in 1996 although the quality was still questionable. On the back of this a further well was drilled which encountered an excellent quality reservoir with minor oil shows but was declared a dry hole. Post well analysis later showed the well to have been drilled off structure and two month after completing the well Brabant relinquished the acreage. Although advice at the time was to carry out 3D seismic prior to exploration, the oil price crash of 1999 ruled this out on a commercial basis. No exploration has taken place in the Basin since 2001.

According to modern analysis of the reprocessed seismic data, the old wells failed because they were drilled outside the structural trap and there are in fact a number of undrilled potentially superior prospects. The results of the 2011 Atlantic Margin Licensing round have also been positive and 13 two year new Licensing Options were awarded to 12 companies. Typical work programmes focus primarily on evaluation of existing data, seismic reprocessing and prospectivity studies. A significant measure of the success of the outcome of the 2011 Round has been the recent entry of new exploration companies to the Irish Atlantic Margin, namely Cairn Energy, Kosmos Energy and Woodside Energy; all with significant international deepwater exploration experience.

There has been a significant increase in seismic activity offshore Ireland in 2013. Some 10,175km of new 2D seismic data were recorded across the Atlantic basins including the Porcupine, Rockall, Hatton, Fastnet, Clare Basins and along the conjugate margin. This is the largest 2D seismic survey acquired to date in Irish waters. The data survey, which has been acquired by BGP, reached the 2013 production target. The remainder of the seismic survey (8,000km) is expected to be carried out in 2014. Initial indications are that the survey has good quality data that will be valuable in understanding the prospectivity offshore Atlantic Ireland.

One of the keys to the potential prospectivity of acreage Offshore Ireland is its shared geology and its connection to new discoveries in the Flemish Pass Basin and other areas of the North Atlantic. The region has shared geology with the UK, Faroe and Norwegian Atlantic margins and there are thought to be numerous reservoirs and seals offshore Ireland where a number of large undrilled

structures are awaiting exploration. According to IHS-Petrodata there are up to 9 companies currently seeking rigs for work in the region during 2014/2015.

The latest high-quality seismic, rig designs and vessels are much better equipped to tackle the challenges offshore Ireland and with ports such as Killybegs positioning themselves as regional oil industry hubs the required infrastructure for the industry is beginning to emerge. Two offshore prospects : Polaris and Kish Bank are due to be drilled in late 2014 or 2015 and Dragon gas discovery is due to be appraised this summer. It will be interesting to see if the luck of the Irish can hold when Cairn takes the Blackford Dolphin rig to drill on Spanish Point in the second quarter of this year. ■

Ireland in Figures

129 Exploration Wells and 29 Appraisal Wells drilled since the 1970s.

1 in 8 chance of a discovery in Irish Waters.

1 in 32 chance of a commercial discovery, this compares to 1 in 7 for Norway & 1 in 6 for the UK.

10,175km of new 2D seismic data was recorded offshore Ireland in 2013.

A further 8,000 KM of seismic survey work due to be carried out in 2014.

13 New two-year licensing options awarded to 12 companies as a result of the 2011 Atlantic Margin Licensing round.

Nine companies currently seeking rigs for work in 2014/2015.

Cairn drilling Spanish Point prospect with Blackford Dolphin in Q2 2014.

Maersk Reacher Extended to BP Norway

BP Norway has extended its contract with the Maersk Reacher for an additional two years on top of the current charter. The jack-up will now remain with the company until September 2016. In addition BP still holds options for up to a further four years. The value for the contract extension is understood to be in the region of USD 222 million. The 2008-built Maersk Reacher is the fourth in a series of 350ft units delivered between 2008 and 2009.

Statoil Announces Gas & Oil Discoveries

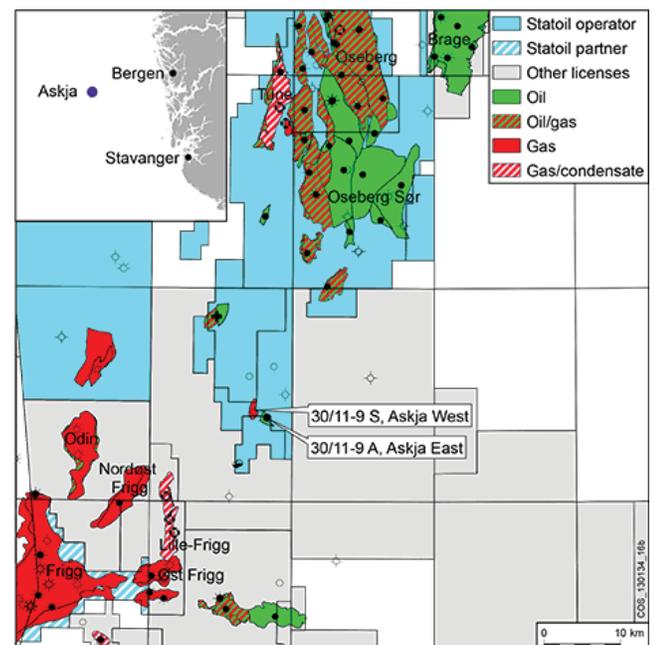
Statoil together with its PL272 partners has announced a gas discovery in the Askja West prospect and an oil discovery in the Askja East prospect in the North Sea. Statoil is estimating the total volumes to be in the range of between 19 and 44 million barrels of recoverable oil equivalent. Askja will be considered for development along with the Krafla and Krafla West discoveries.

RWE Dea Awarded Three New Licences

RWE Dea UK has been awarded three new licence operatorships in the Southern North Sea as part of the 27th Offshore Oil and Gas Licensing Round. These are in addition to two licences that were awarded earlier in the year that covered P2018 West of Shetland and P1975 Northern North Sea. Two of the recent awards are near the Breagh and Clipper South projects which have been earmarked for growth.

Premier Oil Fixes Maersk Guardian

Premier Oil Norge has signed a contract with Maersk Drilling for a one well operation with the Maersk Guardian in the Norwegian North Sea. The contract, which will see the rig working around 62 days on the Myrhaug exploration well, will be in direct continuation of the rig's current contract with Lundin Norway.



Ensko 121 Delivered to North Sea

The Ensko 121 has been delivered for work in the North Sea. The vessel is set to begin its contract in the second quarter of 2014. Meanwhile, the Ensko 120 is already working and the 122 is set for delivery in the third quarter of this year and will also be heading to the North Sea.

Butch Drill for Centrica & Faroe

Centrica and Faroe Petroleum are undertaking the drilling of the Butch East exploration well in the Norwegian North Sea. Centrica planned the drill following the acquisition of high quality seismic after the Butch discovery was made in late 2011.

Taqa receives Approval

Taqa has received approval from the UK Government for the development of the Morrone field in the Central North Sea. The initial phase will consist of an extended reach well drilled from the Harding platform and is expected to produce first oil in the third quarter of 2014.

Blackford Dolphin to Chevron

Chevron has secured a 20-month contract with the Blackford Dolphin for work in the UK from 2015.



Taqa UK MD Pete Jones

Total Buys 35% Stake of P2032

Total E&P UK has entered into an agreement to buy 35 per cent of the UK licence P2032 from Norwegian Energy Company ASA. On conclusion of the contract Noreco will have a 15 per cent stake in the licence and Total will also compensate Noreco by carrying Noreco's share of seismic costs. In addition, Total will also pick up Noreco's share of costs if there is an exploration well drilled on the licence.

■ Newbuild Orders

Siem Offshore has placed an order with Remontowa Shipbuilding in Poland for four dual fuelled Platform Supply Vessels. The vessels, which will be of VS 4411 DF design will be able to use either LNG or Marine Diesel Oil.

The vessels will have an LOA of 89m, a deck area of 970m² and 5,500 dwt. They are also due to be equipped with Fifi II and according to NOFO guidelines for rescue and standby services for up to 300 personnel. They are set for delivery between the third quarter of 2015 and the second quarter of 2016.

Siem already has two vessels of a similar design under construction and due for delivery this year and in 2015. The first of these is due to go on contract with Total Norway and the second has already been fixed for term work with Shell Norway.

■ Subsea Market

Harkand is due to expand its fleet with a new dive support/construction vessel ordered from Vard Holdings. The newbuild VARD 3 03 designed vessel has been ordered at a cost of over NOK 1 billion. It will have a 250t crane, ROV hangar and twin saturation diving bell system supporting split level diving operations. The vessel is expected to be delivered from Vard Søviknes in Norway in the second quarter of 2016 and there is also an option for a second vessel.



SBM Offshore has announced that the sale of DSCV SBM Installer has been reopened. This follows what the company describes a breach of the previous MOA that had been agreed. The company is now seeking to secure a new purchaser for the vessel.

Deliveries

■ January 2014

Seabed Supporter Sawicon
Juanita SALT 100
Troms Arcturus STX PSV 07 CD
Island Dawn UT717 CD
Sea Spear PX105
Sea Titus STX 05L CD
Toisa Envoy VS 4616

■ February 2014

BP TBN UT 776 CD
Sea Spider PX105
Sea Tortuga STX 05L CD
Far Sigma UT731 CD
North Cruys ST 216 Arctic

■ March 2014

Ocean Star VS 485 MKIII L
BP TBN UT 776CD
Highland Princess UT 755 XL
Boa Bison VS 491 CD

■ April 2014

Far Sun UT 731 CD
EDT Hercules PX 105
Sea Spring PX 105
Sea Triumph STX 05L CD

■ May 2014

Far Sygna STX PSV 07 CD
Island Dragon UT 717 CD
BP TBN UT 776 CD

■ June 2014

Ocean Art VS 485 MKIII L
Sea Supra PX 105



History in the making: how Johan Sverdrup might look

The Legacy of Johan Sverdrup

The name Johan Sverdrup now conjures up much more than it used to in the minds of many Norwegians. Black and white historic images of a revered political reformer have been replaced by the latest pin-up of the oil industry: the huge oil find 140km west of Stavanger.

It is now acknowledged as the largest discovery in the North Sea since the 1980s and has captured the imagination of the industry as well as spurring a review of neglected acreage.

The story could have been quite different had Lundin not chosen to reinvestigate an area dismissed due to complex geology after an unsatisfactory well by Elf in 1976. Later it was shown that this had in fact only

missed the structure by a mere 25m. Lundin's 2007 Luno discovery, which is now named Edvard Grieg then led on to further study of the oil-water contact in the region and the eventual discovery of the Avaldsnes structure which we now know as Johan Sverdrup.

However, like its namesake it seems this prominent oil field looks set to be embroiled in a certain amount of controversy. The closing weeks of 2013 saw a downgrading of previous resource estimates, the whole project pushed back by around 12 months and rumours of disagreements between the various partners in the project.

The concept selection for the field has now been

delayed until at least the end of January. Discussions are ongoing as to whether the field will act as the power hub for other fields in the Utsira High area. The Norwegian Government is understood to be keen on that setup although there is understood to be disagreement over the division of cost for such a scheme.

At the start of December, Statoil's senior vice president of the field Øyvind Reinertsen officially restated the company's intention to push for a solution that would see



Øystein Michelsen & Johan Sverdrup

the project powered from land. His statement was given to explicitly correct uncertainty that had been raised in certain areas of the media that this idea was under threat from internal arguments between the parties involved. Although there is progress being made and Statoil and its partners have just recently announced an engineering framework agreement with Aker Solutions for the work on the field. The FEED contract has an estimated value of around NOK 650 million and will cover the first phase of the development.

According to Statoil executive vice president for development and production Norway Øystein Michelsen: "The letter of award, will mark a new phase for the North Sea area. The value creation from the Johan Sverdrup field will be significant for the partners and for Norwegian society. In addition it will contribute substantial activity for the oil and gas industry – including the supplier industry."

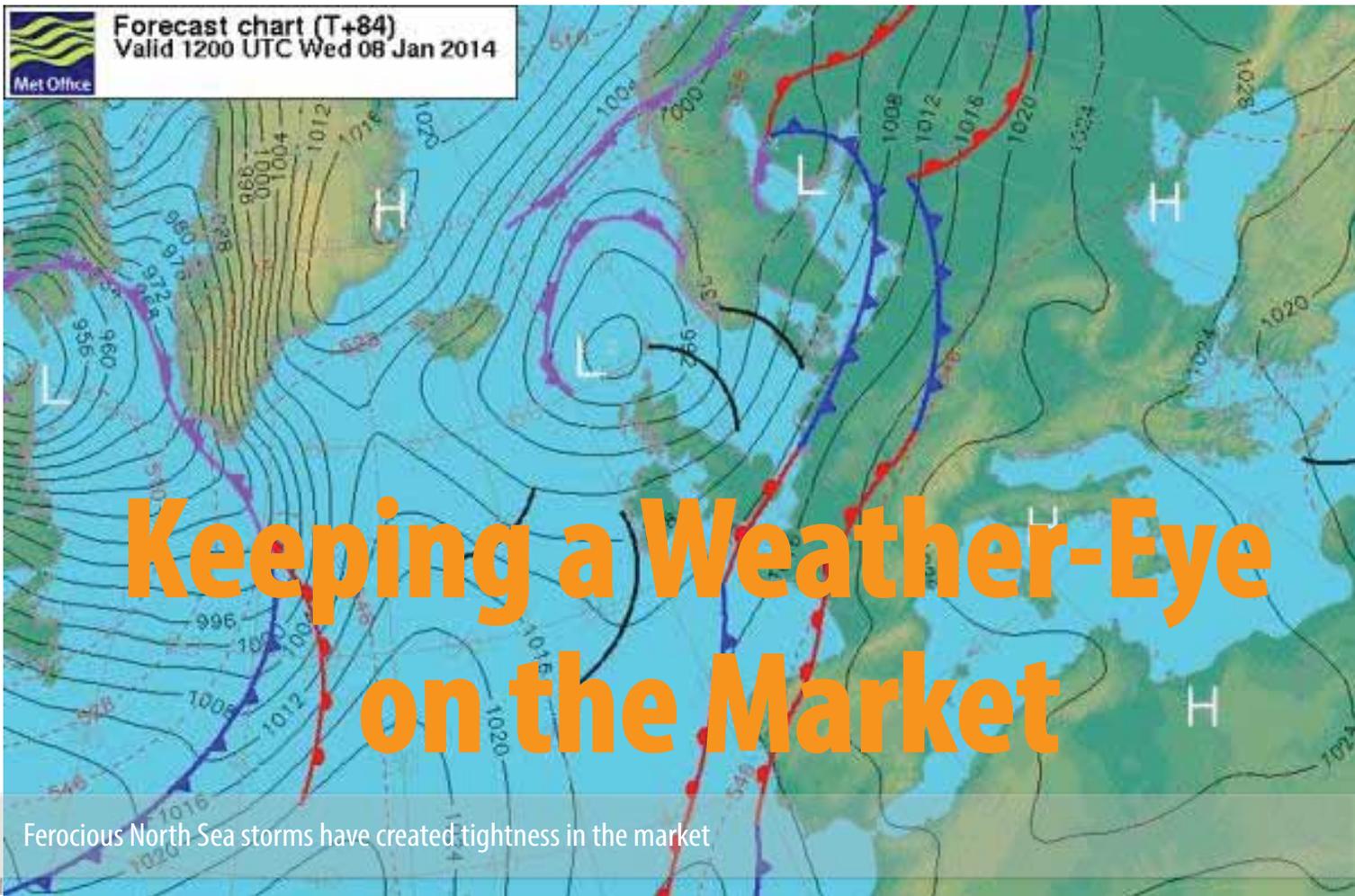
Despite some delays a forward plan for the project has been laid-out with key milestones put in place. We do know that the timescale is for the plan for development and operation to be approved during the Norwegian Parliament's spring session of 2015 and production start-up to kick off at the end of 2019.

As part of the design basis it was decided early in 2013 that the field will be developed in phases. The first phase is the establishment of a field centre consisting of four platforms. The plan is to transport the oil via pipeline to the Mongstad terminal in Hordaland, and to transport the gas to Statpipe and then further to the Kårstø processing plant in northern Rogaland.

"History will no doubt judge the long-term legacy of both the man & the oil field to be overwhelmingly positive."

If we look at both Johan Sverdrups; the oil field and the man, history will no doubt judge the long-term legacy of both to be overwhelmingly positive. The man was the first to conquer Norway's seventh highest mountain and reformed the country's parliamentary system.

Meanwhile, resource estimates for the oil field are now between 1.8 and 2.9 billion barrels of oil equivalent and it could be producing for over 30 years potentially supplying as much as 40 per cent of the nation's crude output by the middle of the next decade. But like its namesake it appears that this mammoth oil project will be tarnished at least slightly in the short-term with talk of infighting, animosity and disagreements. ■



The North Sea Supply Vessel Market is Normally Dominated by Variable Weather Conditions and Charterers Jostling to Pick up Superior Tonnage on Long-Term Charters. We take a Look at What Q1 2014 has in Store.

The worst storms in 20 years have hit the coast of the UK and most of the North Sea and Europe has been affected. This left charterers at some points simultaneously scrambling for tonnage to undertake offshore work when the conditions died down. These weather windows will continue to be a strong feature of the market in the next few months and will provide many of the upcoming peaks and troughs in terms of demand.

However we can also expect a number of other factors to come in to play. The early months of the year have

traditionally been a time for charterers' to come to the market in an attempt to secure term tonnage. We anticipate that this quarter will be no different and in fact could be more active than most as a number of companies opted to take vessels from the spot market that in other circumstances might have been chartered on longer term deals.

PSVs will of course dominate these requirements and it will most likely be the top end high specific modern and larger deck units that are most in demand. Although we often see some of the slightly older vessels which have large deck areas and good reputations for solid perfor-

mance offshore popular too particularly on the UK side.

There are a number of newbuilds expected to join the market too in the coming months. A total of 14 PSVs are coming through in the first three months of this year. at least six of these have long-term charters. Sealion Shipping's newbuild vessel the Toisa Envoy is



The weather offshore will play a large factor in dayrates this quarter.

one of a trio of AHTS units due to arrive too. Final outfitting of the 24,129 bhp AHTS has been carried out at Wuchang shipyard in China and it is expected to arrive in the UK at the end of January. The other AHTS units are the Far Sigma due in February and the BOA Bison expected in March.

There are a number of highlights in the upcoming

drilling plans too. RWE Dea Norway has an appraisal well planned on the Titan discovery 15km west of Gjoa. The Leiv Eiriksson rig is expected to take on the work which was originally scheduled for last year but has slipped into February. GDF Suez is also expected to commence work on the company's second well in the Barents Sea. The Transocen Barents is due to begin work on the Byrkje well in February once it has concluded work on Langlitinden.

Lundin's Torvastad sidetrack is expected to commence shortly, after the programme with the Island Innovator was delayed in the poor winter weather. The rig will then go on to drill at Edvard Grieg.

Quite often we have seen charterers caught out as they begin to push drilling programmes in to the edges of the spring/summer season. It is at these fringes that the weather can be most changeable and what looks like a straight forward rig move or cargo run can turn into a prolonged affair.

The low pressure fronts which has caused the weather may be set to continue through January and as we progress further into 2014 the one thing we can be sure about is that we can expect more surprises. ■



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Please Remember Health & Safety

AHTS

Vessel	Design	Manager	ENTRY	From
Toisa Envoy	VS 4616	Sealion Shipping	Late Jan	Newbuild

Vessel	Design	Manager	EXIT	From
UOS Challenger	MOSS 424	UOS	Mid Dec	West Africa

PSV

Vessel	Design	Manager	ENTRY	From
Normand Carrier	UT745	Solstad Shipping	Mid Dec	Saipem Angola
Normand Flipper	UT745 E	Solstad Shipping	Mid Dec	Saipem Angola
Durga Devi	UT755 LN	OSM Offshore	Late Dec	RWE Dea
Ocean Surf	UT755	Atlantic Offshore	Late Dec	EOG
Sayan Princess	Havyard 832	Hoyland Offshore	Late Dec	Statoil
Highland Monarch	UT755	Gulf Offshore	Early Jan	Peterson
Olympic Energy	STX PSV06 LNG	Olympic Shipping	Early Jan	ConocoPhillips
Siem Pilot	VS485	Siem Offshore	Early Jan	Statoil
Far Solitaire	UT754 WP	Farstad	Early Mar	Statoil

Vessel	Design	Manager	EXIT	From
Highland Knight	UT755 XL	Gulf Offshore	Early Dec	Enquest
North Pomor	ST216	Gulf Offshore	Early Dec	Hess
NSO Fortune	UT706L	COG Offshore	Early Dec	Stacked
World Diamond	PSV 3300 E3	Remoy Shipping	Early Dec	GDF Suez
Highland Guardian	MMC 887CD	Gulf Offshore	Mid Dec	Shell
Toisa Coral	AS 516	Sealion Shipping	Mid Dec	Brazil
Stril Odin	MT6000 MKII	Mokster	Late Dec	Statoil
Blue Guardian	PX121	Remoy Shipping	Early Jan	Statoil
ER Narvik	UT755 LN	E.R. Offshore	Early Jan	West Africa



Celebrating 2014: Year of the Wood Horse



Alex Pettersson

Before the sounds of the fireworks from the 1st of January have faded, preparations are already underway for the next round of celebrations as the Chinese New Year approaches. The 31st of January will mark the beginning of the Year of the Wood Horse. According to Horoscopes this will be a time for 'fast victories, unexpected adventure and surprising romance' so pretty normal for those of us used to Offshore Shipping. Astrologist Susan Levitt also suggests it is an excellent year for travel, and the more faway and of the beaten track the better. She also goes on to say that "Energy is high and production is rewarded. Decisive action, not procrastination, brings victory." All of us at Westshore including Alex Pettersson from Singapore-based Westshore Raffles wish our readers a Happy 2014 and a prosperous year of the Wood Horse.

The Market in December

December in the North Sea spot market is normally associated with a quieter period of activity as the market winds down and demand slackens off. Occasionally it is also a period when owners contemplate potential lay-ups for some of their fleet and dayrates are down in the dumps generally.

This year began in a similar style to previous times with limited activity and both the AHTS and PSV markets struggling to get out of a rut marked by a general oversupply of vessels when compared to the needs of the charterers looking for tonnage to take on work. This saw dayrates hovering at low levels. There is normally a brief seasonal

rush as companies seek to get requirements 'boxed off' before the Christmas festivities truly begin.

Sure enough this surfaced on the last Friday before the 25th and Nexen, MLS and ConocoPhillips took ten AHTS vessels between them in quick succession. Statoil had also carried out a raid on the PSV market the day before and fixed five vessels.

Then the weather hit. Storms that had been trailed in the media arrived and threatened to continue for at least two weeks. Waiting on weather became the order of the day and postponements and delays meant limited vessels were returning to the market as the demand for tonnage

ramped up.

Naturally this market dynamic saw utilisation shoot-up and the associated dayrates also rocket upwards. In some instances these broke the GBP 150,000 figure – more than ten times the levels of a few weeks before.

Going forwards the unpredictability of the weather will continue to be the main driver for the market and it will need a few days of settled conditions for some of the recent heat to come out of the AHTS demand. PSVs have already slackened off significantly from the peaks this due mainly down to the fact that there is a widely recognized surplus in the current fleet. ■

		Average Monthly Rates (NOK)							
<i>Vessel Type</i>		<i>dec.13</i>	<i>nov.13</i>	<i>dec.12</i>	<i>dec.13</i>	<i>nov.13</i>	<i>dec.12</i>	<i>nov.12</i>	
AHTS	> 25,000	596 088	352 809	145 045	# of spot supply fixtures	99	76	95	77
	18,000 to 25,000	455 662	239 878	100 331	# of rig moves	24	22	20	20
	< 18,000	302 261	145 404	73 142	# of AHTS fixtures	68	64	61	63
PSV	> 900 m ²	113 989	82 275	67 981	Average Utilization (%)				
	< 899 m ²	81 568	71 176	54 471	AHTS	80.2	69.6	68.2	77.1
					PSV	85.9	83.3	82.9	67.7

