



THE NAVIGATOR



WESTSHORE'S MONTHLY NORTH SEA REPORT

June 2014 Issue: 34

North Sea Rig to AHTS Ratios

A look at the key figures for the next six months

Changes in the Rig Market

Rig owners warn shareholders of tougher times ahead

More AHTS for Brazil

Petrobras eyes up further North Sea tonnage



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Contents



Aerial view of a rig off the coast of Norway

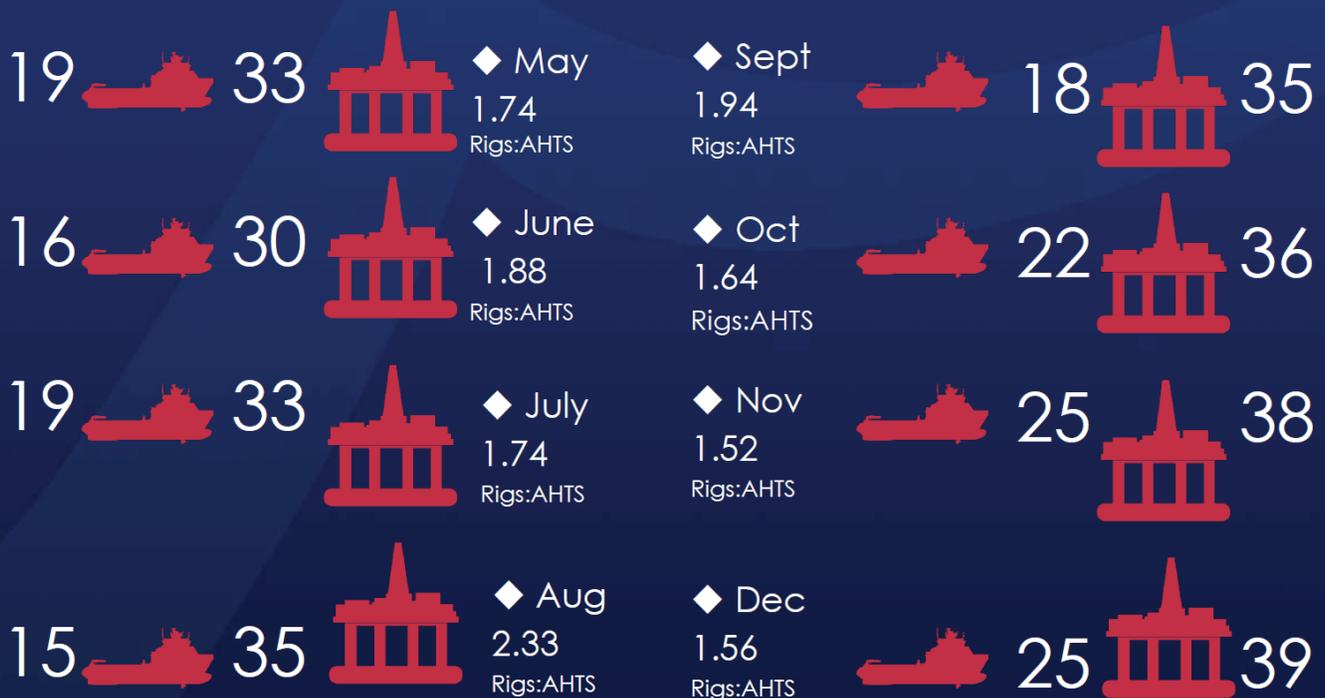
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Headline News

Rig to AHTS Ratios Norway Only



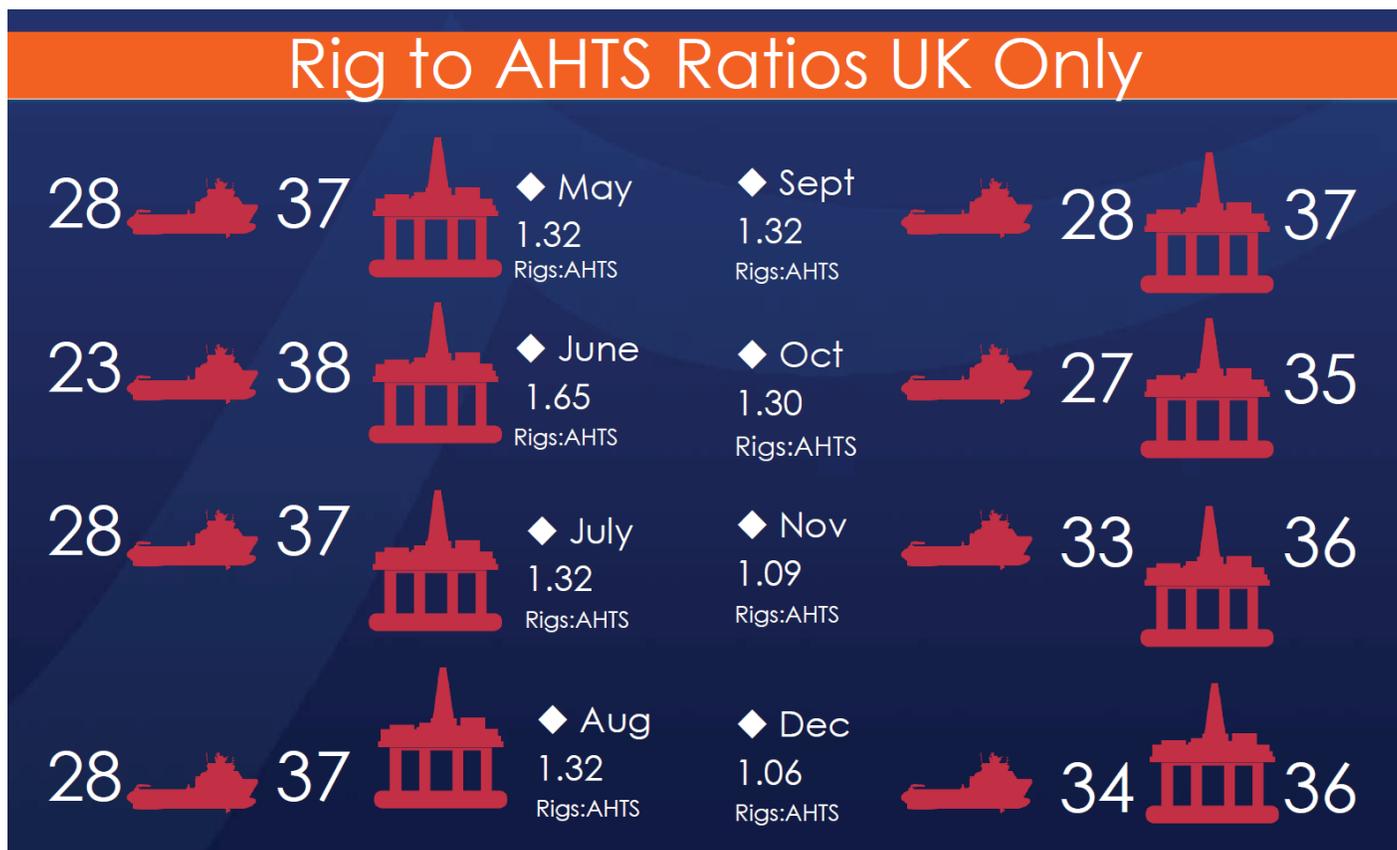
Our overview sees the Norwegian market tightening during the summer

North Sea AHTS to Rig Ratios

The last few weeks we have seen a substantial chunk of the North Sea AHTS fleet depart for project work or term contracts overseas. In addition to the long-anticipated commencement of work in the Kara Sea and Pechora Sea we have also seen the commencement of contracts with Petrobras. Charterers have also sought to take advantage of the summer weather window and have fixed tonnage for North Sea project work in advance.

We have pulled together a detailed picture of the forward AHTS commitments throughout the rest of the year and matched this up against the rig contracts, yard stays and newbuild arrivals in the region. A few things to note on the numbers are that each month is a snapshot of the vessels charter free at the commencement of the month including newbuild arrivals. The numbers show the vessels working the spot market and the number of rigs on contract and not in yard or stacked. Although an illustration of a semisubmers-

Rig to AHTS Ratios UK Only



ible has been used in the images the figures include Drillships, Semsisubmersibles and Jackups. They do not include accommodation units nor have we included any of the Mediterranean or European rigs which are working in Denmark, the Netherlands or Germany. The Rig to AHTS ratio shows the number of rigs for each AHTS vessel in each month. The higher this number is then the more strain will be put on the fleet as the number of available vessels becomes stretched by the demands of ongoing rig activity.

Looking at the overall picture we can see that the Norwegian market looks set to be considerably tighter than the UK with August showing potential for dramatic shifts in the supply demand dynamics. This is mainly due to the limited numbers of vessels able to work in the Norwegian sector, the barrier of entry to new tonnage coming in and also the demand for these top-tier vessels to carry out project work here and overseas. The UK on the other hand is able to rely on a steady flow of vessels trickling into the market

from Southeast Asia and other regions that will likely prevent this side of the market from becoming too over-heated. Although a small number of vessels currently working in the UK can switch to Norway.

One of the main trends that we see is the increasing numbers of jackup rigs that will be employed in Norwegian waters. The first of these is the Maersk Intrepid which is set to commence work for Total in August. Then the two jackups Rowan Stavanger and Rowan Viking will commence work around October and the second Maersk XL Enhanced rig is due to begin work for Det Norske shortly after. Once we add in the Songa Equinox semisubmersible that should arrive for its Statoil contract around the turn of the year then we can see a distinct rise in Norwegian rig activity.

Whilst, these figures gives us a good handle on the potential bottlenecks, it is impossible to factor in to predications the fluid nature of the market and influence rig move schedules and weather have. ■

In & Out

AHTS Vessels

Vessel	Design	Manager	ENTRY	From
MaerskLaser	L-Type	MaerskSupply	Mid – June	BP
Pacific Dolphin	D-Class	Swire Pacific	Mid – June	Enroute
MaerskTransporter	T-Type	MaerskSupply	End – June	Saipem
MaerskTracer	T-Type	MaerskSupply	End – June	Saipem
MaerskTackler	T-Type	MaerskSupply	End – June	Saipem
Vessel	Design	Manager	EXIT	To
UOS Challenger	MOSS 424	United Offshore	Mid-May	Petrobras
UOS Liberty	MOSS 424	United Offshore	Mid-May	Petrobras
Normand Ranger	VS 490	Solstad Shipping	Mid-May	Technip
Stril Commander	Havyard 842	Simon Møkster	End-May	Pechora Sea
Strilborg	UT 722	Simon Møkster	End-May	Pechora Sea
Siem Amethyst	VS 491 CD	Siem Offshore	End-May	Kara Sea
Siem Topaz	Vs 491 CD	Siem Offshore	End-May	Kara Sea
Balder Viking	KMAR 808	Viking Supply	Early June	Kara Sea
Brage Viking	VS 4622 CD	Viking Supply	Early June	Kara Sea
Loke Viking	VS 4622 CD	Viking Supply	Early June	Kara Sea
Magne Viking	VS 4622 CD	Viking Supply	Early June	Kara Sea
Siem Garnet	VS 491 CD	Siem Offshore	Early June	Siem Renewables



In & Out

PSVs

Vessel	Design	Manager	ENTRY	From
Skandi Fjord	TMV 4000	DOF	Mid-May	Saipem International
Island Dawn	UT 717 CD	Island Offshore	End –May	Statoil
Havila Fortune	MT 6009 MK II	Havila Shipping	End-May	Centrica
North Promise	Aker PSV 09 CD	Gulf Offshore	End-May	Senergy
Mana	UT 755 LN	Garware Offshore	Early-June	GDF Suez
NSO Fortune	UT 706 L	COG Offshore	Early-June	Saipem International
NSO Spirit	UT 706	COG Offshore	Early-June	Saipem International
Toisa Conqueror	AP 416	Sealion Shipping	Early-June	Shell
Sayan Princess	Havyard 832 CD	Høyland Offshore	Early-June	Statoil
Skandi Flora	Aker PSV 06 CD	DOF	Mid-June	MLS
Skandi Falcon	UT 705	DOF	Mid-June	Enroute
Highland Star	UT 705	Gulf Offshore	Mid-June	Saipem
NSO Champion	UT 705	COG Offshore	Mid-June	Saipem International
Toisa Invincible	VS 483	Sealion Shipping	Mid-June	Team
SBS Tempest	VS 470 MK II	Viking Supply	End-June	BP UK
Lundstrom Tide	STX 09 CD	Tidewater	Early-July	Enroute
Far Solitaire	UT 754 WP	Farstad	Early-July	Statoil
Vessel	Design	Manager	EXIT	To
Maersk Fetcher	UT 745	Maersk Supply	Early –May	Maersk Oil
Freyja Viking	VS 470 MK II	Viking Supply	End –May	TBA
Ocean Scout	UT 755 LC	Atlantic Offshore	Early-June	Hereema
Brage Supplier	STX PSV 09 CD	Simon Møkster	Mid - June	Gazprom
Vestland Mistral	VS 485 CD	Vestland	Mid-June	Apache
Normand Corona	MT 6000 MK II	Solstad Shipping	Mid-June	MPX
Siem Pilot	VS 485 CD	O H Meling	Mid-June	Exxon Norway
UP Jasper	VS 483 MK II	Gulf Offshore	Mid-June	Allseas
Rem Supporter	STX PSV 06 CD	Rem Offshore	Mid-June	Exxon Norway
Rem Server	STX PSV 06 CD	Rem Offshore	Mid-June	Exxon Norway
Far Service	UT 745	Farstad	Mid-June	Team
Edda Frigg	SK60/09DL MKII	Østensjø Rederi	Mid-June	Allseas

Drilling & Production

North Sea Activity

Transocean has announced that it plans to create a new rig company that will take over eight of its rigs in the UK North Sea. The new entity, which will be called Caledonia Offshore Drilling, will be formed in the second half of this year and eventually become a separate business. The rigs involved are the semisubmersibles Sedco 704, Sedco 711, Sedco 712, Sedco 714, Transocean John Shaw, Transocean Prospect, GSF Arctic III and the JW McLean. The company will focus fully on the UK area.

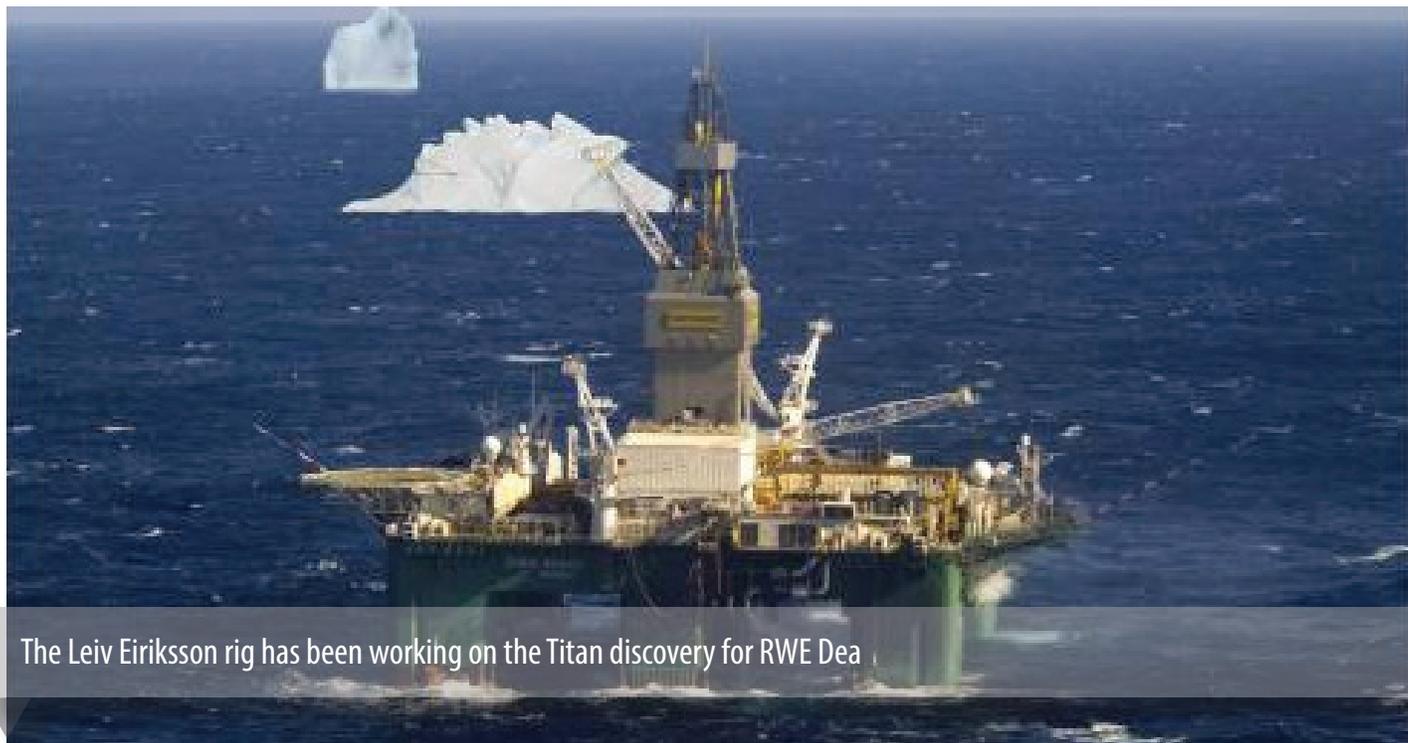


The first of Maersk's XL Enhanced jackup rigs will arrive in Norway on around June 6th. The Maersk Intrepid will go to Westcon before commencing a contract with Total which will see it utilised on the Martin Linge field. The second rig of the same design will commence work for Det Norske later this year.

Statoil has terminated its contract with the semisubmersible rig Ocean Vanguard which was previously set to stay with the company until late February 2015. It is understood that operations that were set to be carried out by the rig in the UK will be covered by units that are already on contract.

The Transocean Spitsbergen is set to start exploration work at the Apollo prospect in the Barents Sea for Statoil. The rig is set to drill in the Hoop area which also contains the Atlantis and Mercury prospects. The Norwegian authorities recently rejected a complaint from Greenpeace to halt the plans.





The Leiv Eiriksson rig has been working on the Titan discovery for RWE Dea

RWE Dea is currently assessing data from appraisal work on the Titan discovery in Norway. An appraisal well and sidetrack were drilled using the semisubmersible rig Leiv Eiriksson however the reservoir quality was characterised as largely poor and there was no communication with the Northern part of the original discovery.

Det Norske has struck a deal to buy Marathon Norway's assets for USD 2.7 billion.

The company, which put its North Sea business on the market in December last year, still retains the UK aspects of the business. Det Norske will now have additional stakes in 13 fields.

Statoil has now resumed full production from the Snorre B platform following a shut in at the location in mid-May when a leak was discovered at a subsea template. The Snorre A platform has continued to

produce at full capacity throughout.

VNG Norge has successfully completed the drilling of the Pil2 well at the PL586 location. The appraisal well has confirmed the resource potential of the first

well at the site and the company is expected to release further details following the completion of the Bue sidetrack well.

Subsea 7 has won its largest-ever EPIC deal in the UK. Premier

Oil has contracted the firm to work on the Catcher Area development's subsea facilities including three pipeline bundles, a riser system for the FPSO and installation of a 35-mile gas pipeline. The offshore workscope is expected to commence in 2015.

Hercules Offshore has signed a 5-year deal with Maersk Oil UK for a newbuild jack-up. The USD 420 million contract is due to begin in the middle of 2016 and includes mobilisation fees of USD 9 million. ■

“Det Norske has struck a deal to buy Marathon Norway's assets for USD 2.7 billion including stakes in 13 fields.”

Vessel News

Including Newbuilds & Subsea

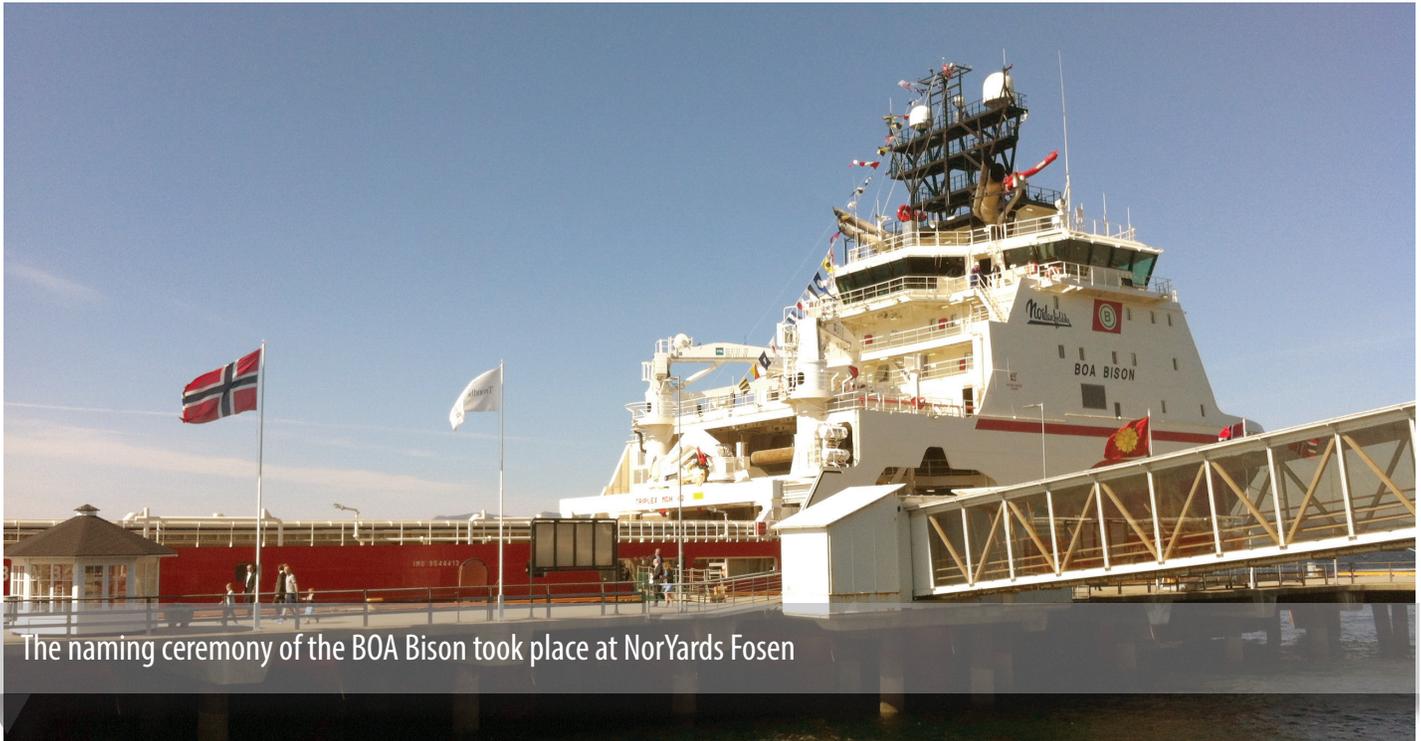
DOF Subsea has been awarded a contract to carry out mooring and riser installation for the FSO at Statoil's Gina Krog field. The workscope, which includes installation of 12 suction anchors, buoy hookup and riser installation will be carried out by the Skandi Skolten and Normand Reach in 2016.

The naming ceremony of the BOA Bison has taken place at Noryards Fosen. The VS 491 CD designed vessel will be equipped with an ROV and have a bollard pull of around 285t. The vessel is set to join the Norwegian spot market from the middle of June.

Ceona has picked up a contract for the Normand Pacific in West Africa where she will be working on the installation and recovery of umbilical and flexible pipe as well as light subsea construction work. The Solstad vessel is currently on a one-year charter with Ceona which commenced in April 2014 and has options for extension. This latest workscope will be carried for CAMAC Energy on the Oyo oilfield offshore Nigeria commencing in July 2014.

Deep Sea Supply has entered an agreement to acquire 10 PSVs for a total of USD 366 million. The deal includes the five PSVs Sea Tantalus, Sea Titus, Sea Tortuga, Sea Falcon and Sea Flyer. In addition one 4,100 DWT PSV of STX 05-L CD under construction at Cochin Shipyard in India is included as well as four 4,600 DWT PSVs of Ulstein PX 105 design being built at Sinopacific in China. All of these newbuilds are expected to be delivered during the third and fourth quarters of 2014.





The naming ceremony of the BOA Bison took place at NorYards Fosen

Reach Subsea has held the naming ceremony for the Normand Reach. The vessel is now set to commence a two year contract with two yearly options with DOF Subsea. The OSCV 03 designed vessel is equipped with a 250t subsea crane and two work ROVS.

The Stril Server has been undergoing Sea Trials at Simek. The MM85 MSV has a 70t crane, 2 ROVs and accommodation for 90 personnel.

Olympic Shipping has ordered a new MT6021 designed IMR vessel from Kleven Verft for delivery in June 2015. For an investment of around NOK 450M the vessel will include an 80t crane, ROV hangars and accommodation for 80.

Team has fixed the Toisa Invincible PSV for 50 days firm plus 21 daily options. The contract will see the vessel occupied until at least the middle of June with the possibility of it being out of the North Sea spot market until July.

Apache has chartered the Vestland Mistral on a 12-month contract with six months of additional options. The VS 485 CD designed 2012 built vessel is equipped with a deck area of around 1004 m2.

“A trio of NSO vessels have returned to the North Sea from work for Saipem in South America”

A trio of NSO Vessels have returned from work for Saipem in South America. The NSO Spirit, NSO Fortune and NSO Champion have all come back to the North Sea following the conclusion of term contracts.

The PSVs UP Jasper and Edda Frigg have been chartered by Allseas for a 28-day pipehaul contract that also includes additional options for one week and a further fourteen daily options. The vessels are set to commence the work from the middle of June.

Nordic American Offshore has signed an LOI with Vard for the design and construction of two PSVs of Vard 1 08 design and an option for a third. The vessels will be delivered in Q2 and Q3 2015. ■

Inside Story



Maersk has recently secured a new extension for the Maersk Reacher with BP Norway

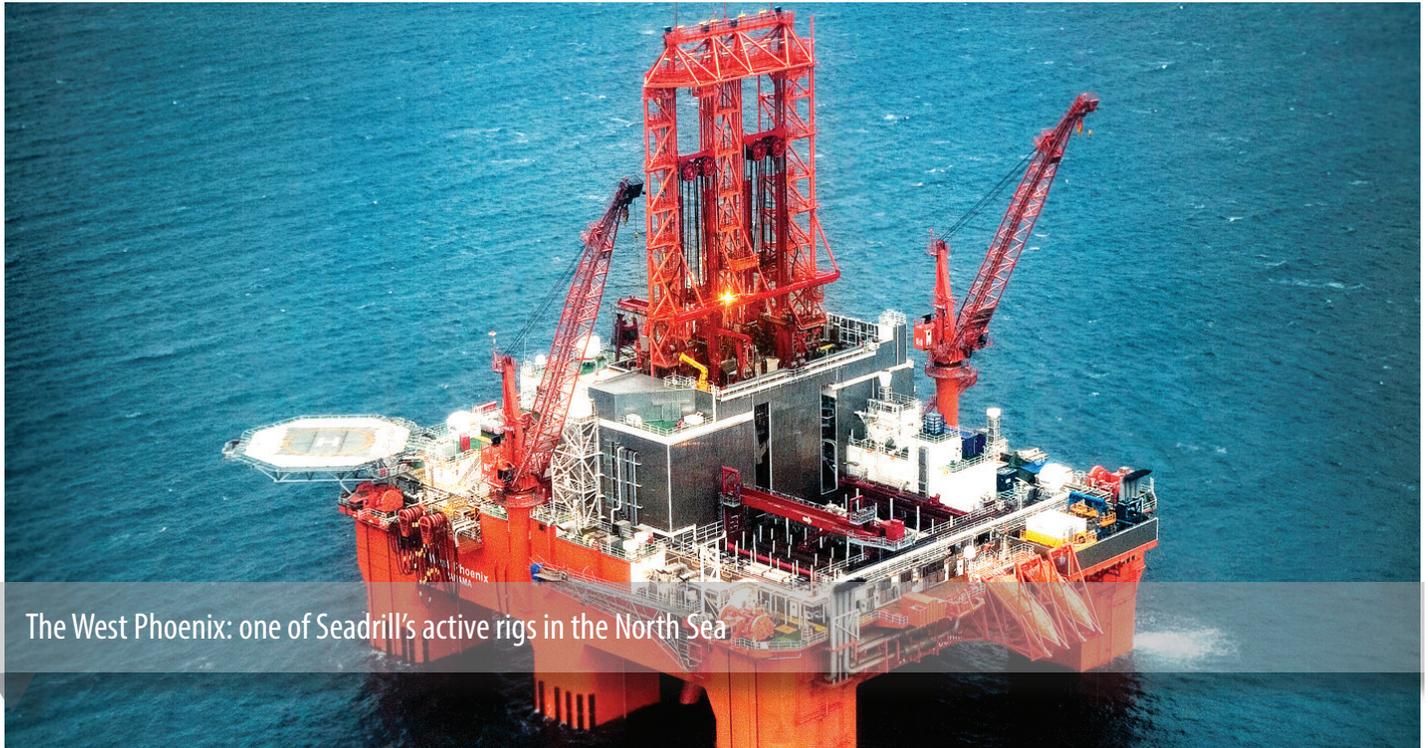
The Rig Market is Changing

The North Sea rig market has been extremely tight in the past few years but things are starting to change. Rig owners who had previously been revelling in tight supply and strong demand and had been able to command higher dayrates in the past are now warning their shareholders of tougher times ahead.

In its latest statement Seadrill, which has a global fleet of 66 rigs, signalled that the market is shifting. It said: “Currently, the market suffers from limited exploration drilling and delays in field developments from the major oil companies. The root cause of the muted

activity level is the fact that many major oil companies are working in order to improve their cash generation. The outlook is further affected by sublets and by lower specification rigs trying to price themselves into a higher end market.”

With rigs being one of the ‘big ticket’ items for oil companies the potential for lower rig dayrates in the coming years will come as welcome relief when budgets and spending are under pressure. The predicted upcoming slowdown in exploration and production spending may not actually negatively impact the number of active rigs we see in the region as these budgets



The West Phoenix: one of Seadrill's active rigs in the North Sea

can go further. Companies which can potentially get more wells for their buck may actually increase the amount of activity in the region particularly as the oil price remains high.

But Seadrill believes there will be a sustained lull in chartering it has stated that: "Oil companies are trying to determine when dayrates will trough, thus are not compelled to sign contracts if they feel dayrates are still declining."

However, in a recent interview Claus Hemmingsen chief executive of Maersk Drilling has stated that he believes the slump will be short-lived and with oil companies only delaying projects rather than cancelling them, he sees the rig market gather momentum again in around 18 months from now. Complex ultradeepwater projects in Brazil and West Africa were singled out as the areas he most likely believes

will suffer as oil companies tighten budgets and favour dividends over project expenditure.

Smaller independent oil companies that had found themselves locked out of the rig market due to the

high dayrates and long-term contracts demanded in the past are finding opportunities to get their hands on rigs are opening up once again.

An increasingly large amount of UK acreage is now in the

hands of these smaller players and we could see a leap in activity in what has been a relatively stagnant sector for the past few years. Although the availability of credit and the global financial situation did play a part, the soaring rig market was the final factor that saw some drilling plans put on ice. Ithaca's recent one-well contract with the Ocean Princess semisubmersible commencing in July at USD 345,000 may be indicative of the sorts of contracts we might see in the coming months. ■

"Oil companies are trying to determine when dayrates will trough and are not compelled to sign contracts"

Market Forecast



The Far Statesman has been ranked 5th in Petrobras' latest AHTS tender

More North Sea AHTS for Brazil

Just as the North Sea market is beginning to adjust to the impact of Petrobras fixing a number of vessels from the region the potential for the consequences of the next tender are beginning to be considered. With the mammoth South American company having retendered its AHTS 1800 A Type tender a number of top-tier vessels are being lined up to possibly pick up lengthy multi-year contracts in Brazil.

Due to an initial error in the tendering process earlier this year expectations have shifted as to which vessels may now actually secure the work. Swire Pacific Offshore now has two vessels occupying the first two ranked slots on the tender. The Pacific Diligence and Pacific Duchess are

understood to be earmarked for North Sea work until a better offer comes up. The 17,864 BHP AHTS Pacific Diligence is currently still in Singapore however her sister ship, the Pacific Duchess is currently in South Africa and is expected to progress to the UK North Sea if demand here for AHTS vessels spikes.

The Siem Opal is the third in line in the tender list. The VS 491 CD designed vessel is a regular workhorse in the Norwegian North Sea having carried out a number of rig moves in recent weeks including work for Ross Offshore with the Borgland Dolphin, MLS with the Leiv Eiriksson and also Statoil. The departure of this in the next few months could impact the Norwegian AHTS market in the



The Toisa Envoy is one of the vessels which could be awarded a contract

traditional busier period. The same is also true for the Far Statesman which has secured a position on the list of candidates alongside others from the Farstad stable namely the Far Sagaris and the Far Senator, both of which are currently in Brazil.

The Far Statesman is ranked 10th but if she were to leave Norwegian waters she would be sorely missed having carried out three rig moves in the past 30 days. The other interesting vessels are the pair of Sealion Shipping AHTS. The Toisa Elan and Envoy have been working in the North Sea almost since their delivery in South-east Asia. It was originally expected the owners would split the three vessels, Elan, Explorer and Envoy between the three different markets with one in Southeast Asia, one in the North Sea and one in South America. However, all have found their way in the meantime into the North Sea spot market.

Initial indications from our Brazilian office are that Petrobras will most likely take two or three vessels in the latest round although the company has been known to be unpredictable. However, due to sustained high

levels of future demand we anticipate that another tender could be issued later in the year.

There are limited AHTS newbuild orders being placed in the market at the moment with subsea vessels being favoured over what is seen as expensive tonnage to have working on a spot basis. At the same time the Brazilian national oil company still has a hunger for more vessels

and with a taste for the top specification ships and limited native substitutes we can expect to see more fixing of North Sea vessels in the coming years and this may have an increasing impact on the available fleet here. ■

RANKING	OWNER	VESSEL
1	SWIRE PACIFIC OFFSHORE	PACIFIC DILIGENCE
2	SWIRE PACIFIC OFFSHORE	PACIFIC DUCHESS
3	SIEM	SIEM OPAL
4	FARSTAD	FAR SAGARIS
5	FARSTAD	FAR SENATOR
6	SEALION	TOISA ELAN
7	SEALION	TOISA ENVOY
8	SOLSTAD	NORMAND BORG
9	GO OFFSHORE	GO PHOENIX
10	FARSTAD	FAR STATESMAN



Students from the University of Newfoundland 150 Years Mentorship Program

Westshore Mentors Students

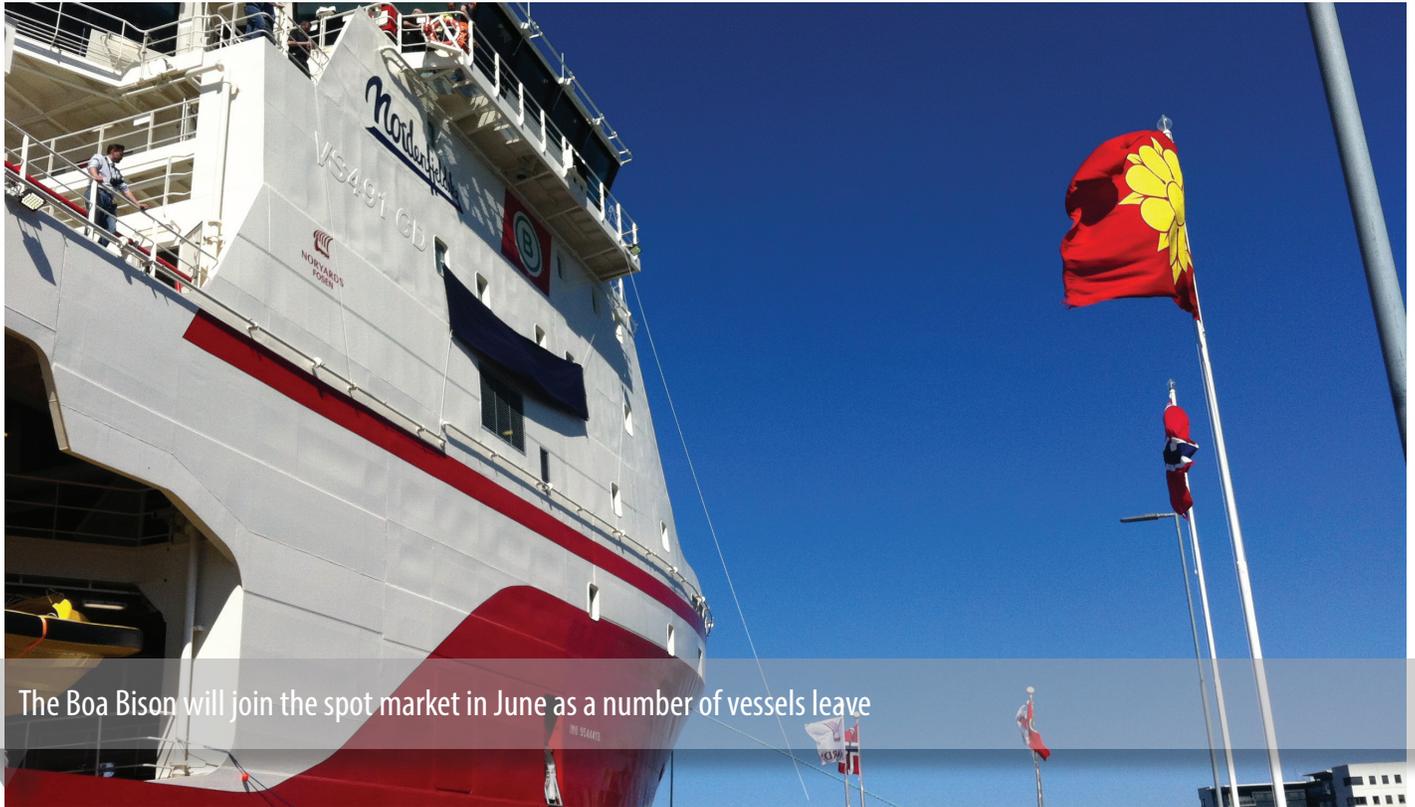
Westshore Arctic has been proud to be a part of the 150 years Mentor program at the Memorial University of Newfoundland's Engineering Department. The success of this pilot program, which included Westshore's Darrell Cole as one of the experts, has inspired the Dean of Engineering to make this an annual part of the curriculum for the top 10 students in the Master's program. Darrell said: "Being a mentor is not always easy as the students look to you as an expert which is often times humbling but in the end I am certain from talking to the other nine business people involved that we learned as much or more than the students did."

"Westshore Arctic was honoured to be part of this program alongside Husky Energy, ExxonMobil & Others."

Westshore Arctic was honoured to be part of this program alongside leaders from Husky Energy, Exxon-Mobil, Suncor and Nalcor Energy to name just a few.

Westshore Shipbrokers attended the naming ceremony of the BOA Bison at Noryards Fosen. The VS 491 CD designed AHTS vessel will now undergo final preparation work before joining the North Sea spot market in early to mid June. For a full set of photographs taken by Jon Inge Buli at the event please see our Facebook page: www.facebook.com/westshoreshipbrokers

The Market in May



The Boa Bison will join the spot market in June as a number of vessels leave

As we enter June and the summer market begins to take shape it is worth taking a look back over what May had in store. The PSV market at the start of the month looked strong with utilisation up at 95 per cent twice in the first week. However, it soon fell away again and by the middle of the month the fleet was only standing at 76 per cent utilisation. The

AHTS fleet had a relatively downbeat month with utilisation hovering around the 65% level for the majority however towards the last few days the markets in the UK and Norway tightened and saw 84% utilisation of the fleet. Even with the brief spikes rates only rose to NOK 250-300,000 levels. Now our minds turn to what could be an interesting June with so many vessels lined-up to leave the market for term work overseas.

		Average Monthly Rates (NOK)		
Vessel Type		mai.14	apr.14	mai.13
AHTS	> 25,000	228 987	428 808	455 163
	18,000 to 25,000	202 671	375 408	316 125
	< 18,000	344 034	296 682	263 355
PSV	> 900 m ²	164 417	117 555	139 931
	< 899 m ²	110 952	7 975 616	122 213

	mai.14	apr.14	mai.13	apr.13
# of spot supply fixtures	75	63	76	88
# of rig moves	20	31	22	28
# of AHTS fixtures	65	92	64	82
Average Utilization (%)				
AHTS	67,3 %	78,4 %	71,4 %	70,1 %
PSV	85,9 %	82,8 %	89,7 %	86,5 %