

THE NAVIGATOR



OCTOBER 2011

ISSUE 2

THE MONTHLY REPORT FROM WESTSHORE SHIPBROKERS AS



WESTSHORE

SHIPBROKERS AS

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02 HEADLINE NEWS



North Sea Giant

The positive news announced by Statoil, Lundin and partners regarding the Avaldsnes/ Aldous Major discovery has gone from strength to strength. What last month was being touted as one of Norway's top 10 finds is now being hailed as a 'sleeping giant'

On Friday (Sept 30th) Lundin revised estimates at the field stating that following drilling further Avaldsnes appraisal wells it has been determined that the two fields – Avaldsnes and Aldous Major South - are connected with the same oil type, reservoir and oil water contact. The recoverable resources were increased from 800 million to 1.8 billion boe putting the combined contingent resource range of the two at 1.2 billion to 2.6 billion boe. Moreover Lundin stated that further upside potential was envisaged as it continued to develop the prospect with partner Statoil on what has been termed a 'fast-track development'.

Ashley Heppenstall, President and CEO of Lundin Petroleum comments; "Avaldsnes/Aldous which is already a world class discovery has, following this year's appraisal program, become

significantly larger. The discovery is transformational for Lundin Petroleum with a 40 percent equity interest in PL501 and 10 percent in PL265. Avaldsnes and Aldous will be developed together and we are already working closely with our partners and Statoil as operator of PL265 to ensure that the project proceeds without delay. The discovery is located in 115 metres water depth, at a reservoir depth of less than 2,000 metres and close to existing infrastructure with significant spare pipeline capacity. The discovery is likely to be one of the largest five discoveries on the Norwegian Continental shelf and certainly the largest since the mid 80's and highlights the continued prospectivity of what many viewed as a mature region with limited remaining potential."

In terms of development the two companies have established a joint team to begin work on conceptual development of the field in addition to further appraisal wells due to be drilled through into 2012. The ultimate decision as to how the field will be developed hinges on the final estimates of the size of the reserve. The pair have yet to reach an agreement as to which entity will assume the role of operator on the field.

OFFSHORE APP LAUNCH UPDATE

The much anticipated iPhone app will be ready this week and will have everything you need to keep updated on the offshore market both in the North Sea and in Brazil. Available from the iTunes store, our next project is to make it available for Android which we aim to have ready within a few weeks. Any feedback regarding the app is much appreciated!



Thank you to..

This month's pictures have been sent to us from Jörg Lindemann, an offshore supply vessel enthusiast and amateur model maker of supply vessels based in Germany. Details of which can be found at www.osv-society.info



03 NEWBUILDING NEWS

Announcements about the construction of new PSVs have slowed in the last couple of months but the imminent delivery of several orders placed during the last order boom is nearing. The only orders placed for North Sea capable vessels this month came from Gulf Offshore. The US-owner inked a deal for two 1000m2 deck PSV and a 800m2 decked PSV all to be built at Remontowa in Poland. In addition we understand a contract has been signed for a VS 485 MkII at Fjellstrand for one Norside Supply I AS and an option

for a further vessel exists. The vessel is set to deliver in December next year and appears to be affiliated with the owners of the Seabed Worker. But the news at the moment does not necessarily centre around more newbuild announcements but rather the imminent delivery of several North Sea PSVs. On the AHTS front the new build deliveries are thin on the ground, leading us to believe that the tough couple of years the AHTS market has gone through may be at an end. A more in depth analysis of this is on page 6.

PSV deliveries on the horizon

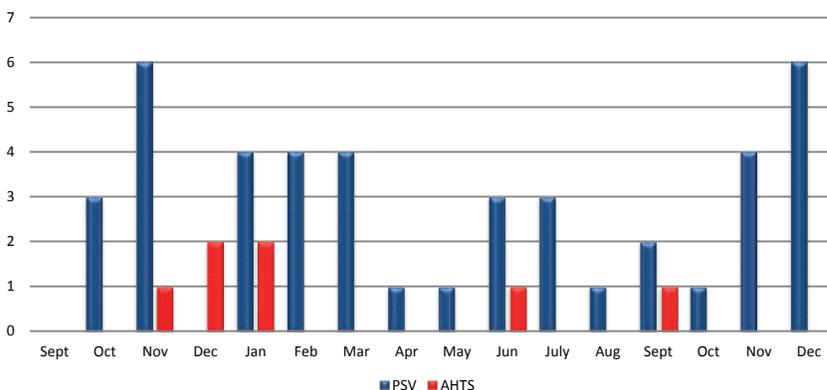


NEW ISLAND OFFSHORE VESSEL 'ISLAND CENTURION'

NEWBUILD ANNOUNCEMENTS THIS MONTH

- Rem Offshore will take delivery of two newbuild PSVs in October, the first being Rem Fortress, VS 485 MkII design and the second – Rem Server of STX PSV 06 design.
- Skandi Saigon has officially delivered from the yard in Vietnam and is en route to the North Sea. The vessel picked up work in the Med while making its way here and is expected in Aberdeen shortly.
- Island Offshore's newbuild programme of UT776CD design PSVs will see the first in the latest series deliver in October – Island Centurion under construction at Brevik is tipped to trade the spot market on delivery.
- Olympic Shipping has announced the name of its MT6009L PSV under construction at Myklebust Verft, Olympic Electra should be ready for the spot market in November this year

New vessels entering North Sea



ESTIMATED DELIVERY SCHEDULE OF NORTH SEA CAPABLE VESSELS THROUGH TO END-2012

THE MARKET IMPACT

The graph to the left gives an estimation of when we could see new vessels enter the North Sea market, this relates to PSVs above 3,000 dwt and AHTS above 18,000 bhp. The vessels are all currently under construction for owners who have either stated that the vessel will enter the North Sea or going by past history, it would seem probable. As we have stated before the number of newbuild AHTS vessels is fairly scarce. The last round of newbuild orders placed was in the distant past and few vessels are left to deliver. For the PSVs however the story is rather different, we estimate that as many as 40 vessels could enter the North Sea market between now and the end of 2012. We have taken a look at what the spot rates could be on page 6, as one might expect this is heavily dependent on the supply of tonnage and with many new vessels coming in, 2012 could be a tough year for PSVs in the North Sea – particularly on the spot market.

04 RIG RUNDOWN

Statoil secures West Hercules - another semi for the North Sea



ON THE MOVE IN OCTOBER...

- Polar Pioneer (BP Norge)
- Songa Delta (Odfjell to yard)
- John Shaw (Enquest)
- Borgholm Dolphin (BP UK)
- Noble Julie Robertson (Venture)
- ENSCO 70 (PA Resources to ADTI)
- Safe Scandinavia (BP Norge)
- ENSCO 92 (E-On to Senergy)

This month Statoil announced it had secured semi-submersible drilling rig West Hercules for drilling on the Norwegian Continental Shelf after it completes its current contract for Husky Oil around May 2012. West Hercules is added to the growing list of drilling rigs entering the North Sea in the near future. Jon Arnt Jacobsen, Statoil's chief procurement officer, said Statoil is working to add more modern, flexible rigs adding that West Hercules was the first-available suitable rig already in operation. A number of new rigs will also be entering the fleet next year, first off will likely be Saipem's Scarabeo 8 which was originally penned for entry into the market in late 2009 but reports say that the UDW semi has incurred further delays and will not be ready before March 2012. On delivery Scarabeo 8 will commence drilling operations for ENI at Goliat. Availability of semi submersibles next year is tight

particularly for the deep water units, leaving operators looking further afield to secure units.

A spate of new rig orders have been announced these last few months as confidence in the market takes an upswing. Noble Corporation confirmed it will take its fourth option at Hyundai Heavy industries for an UDW drillship. Meanwhile COSL Drilling has invited selected yards, thought to be in China, to bid for the construction of an upgraded version of the COSL Pioneer. The rig would have basic winterization and be aimed at the Norwegian market. In addition Daewoo Shipbuilding recently confirmed an order for two semi submersibles to be built for Songa Offshore. News of the two units first surfaced in July and is backed by eight-year charters with Statoil on delivery, expected in second half of 2014.

Apache snaps up Exxon's North Sea assets

Apache North Sea has agreed to acquire Exxon Mobil's LLC assets in the North Sea which includes the Beryl field and associated resources and infrastructure. It also includes non-operated interests at Maclure, Scott and Telford fields. If all goes to plan the transaction will be complete in late 2011. Exxon Mobil will continue its interest in over 40 producing fields in the UK sector of the North Sea and insists that it remains committed to North Sea operations.

UPCOMING & ONGOING

Standard Drilling which currently has a jackup under construction at Keppel FELS has agreed to sell the unit to an undisclosed UK buyer.

Total has requested expressions of interest for a drilling unit to undertake a 300 day campaign in the Norwegian sector in 2012 comprising of four wells.

Aker Drilling's sixth generation semi Aker Barents has arrived on location at Heilo and commenced drilling operations for GDF Suez. The well is expected to take 50 days to drill.

Drilling continues at the Aldous Major South prospect for Lundin, Statoil and partners. Lundin recently commenced drilling of a further appraisal well at Espevær/AMS using Transocean leader, the well is expected to take 50 days.

A duster for Rocksource as news surfaces of drilling with Borgland Dolphin does not encounter hydrocarbons at the Phoenix prospect in the Norwegian Sea recently. The unit is currently on hire to consortium Rig Management Norway AS until beginning of 2012. Vessel contracting is done through MLS.

ExxonMobil has declared a one well option on the West Alpha meaning the rig will be on contract until May 2013.

RWE-Dea has agreed to take a slot on Rig Management Norway contracted semi West Alpha which had previously been allocated to Noreco. The well is located approximately 15 kilometers northwest of Heidrun and expected to last around 100 days. Earliest start of drilling will be October 2011.

05 IN AND OUT

Vessel	Design	Manager	ENTRY	From
Bourbon Front	PX 105	Bourbon Offshore	End-Oct	Newbuild – Yard China
UP Jasper	VS 483 MkII	Gulf Offshore	Start – Oct	Newbuild – Yard China
Olympic Electra	MT 6009 L	Olympic Shipping	End - Oct	Newbuild – Yard Norway
Rem Fortress	VS 485 MkII	Rem Maritime	Mid - Oct	Newbuild – Yard Norway
Island Centurion	UT 776 CD	Island Offshore	End – Oct	Newbuild – Yard Norway
Skandi Saigon	Aker AH 08	DOF	Start - Oct	Newbuild – Vietnam
Rem Server	STX PSV 06	Rem Maritime	End-Oct	Newbuild - Norway
Vessel	Design	Manager	ENTRY	From
Rem Star	PSV	Rem Maritime	Start - Oct	Peterson
Island Valiant	AHTS	Island Offshore	Mid - Oct	AGR
Maersk Launcher	AHTS	Maersk Supply	Mid – Oct	BP – Skarv
Toisa Valiant	PSV	Sealion	Mid - Oct	Fugro
Durga Devi	PSV	Durga Offshore	Mid - Oct	PA Resources
North Truck	PSV	Gulf Offshore	Mid – Oct	PA Resources
Rem Supplier	PSV	Rem Offshore	Mid – Oct	SPD
Pacific Blade	AHTS	Swire	End – Oct	Shell
Dina Supplier	PSV	Myklebusthaug	Mid – Oct	Statoil
Vessel	Design	Manager	EXIT	To
Skandi Skansen	AHTS	DOF	Mid – Oct	Technip
Rem Provider	PSV	Rem Offshore	Start – Oct	ADTI
Highland Trader	PSV	Gulf Offshore	Start – Oct	BHP
Boa Fortune	PSV	Sold	Mid – Oct	Indian interests

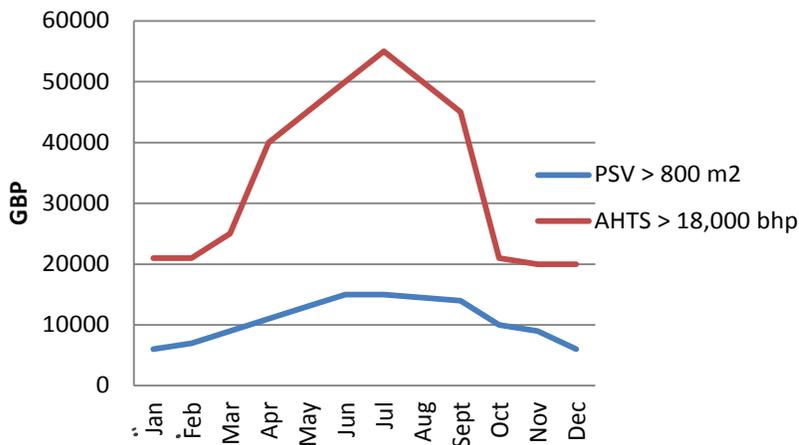
* we are estimating that those vessels which are currently operating in Greenland will re-enter the market no earlier than November



06 MARKET FORECAST

Rate Forecast for 2012

Rate forecast 2012 (North Sea spot)



NEW VESSEL MAGNE VIKING HAS THIS YEAR'S RECORD FOR HIGHEST SPOT RATE

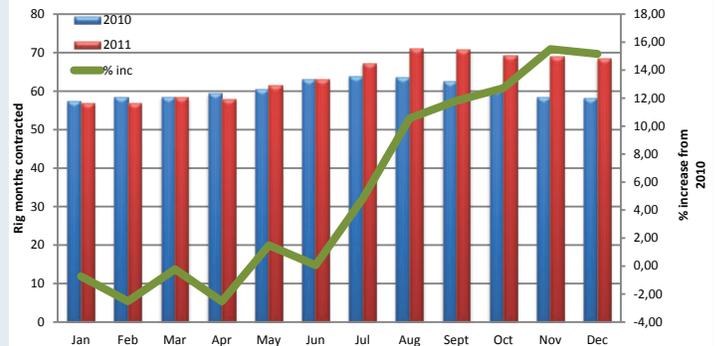
There has been a positive trend in the spot market over the last quarter. Vessels expected to return to the spot following completion of term charters have either been extended or the additional tonnage has been successfully absorbed into the market with limited detrimental effect on rates. A major contributor to this is rig activity. It appears that global economic factors impacted North Sea drilling quite significantly in the first half of 2011. Be it the new tax regime imposed in the UK or other factors, operators were contracting rigs for less time than they were over the same period in 2010. Given the fact that the fleet had increased, particularly in the first quarter of 2011, rates took a hit resulting in some fairly dire fixtures being concluded on the spot market.

And then the trend started to reverse, the fleet started to decrease as vessels left for other regions and the flow of newbuilds started to slow down. More importantly the rig activity started to pick up and come July was nearly 5% up on the same month in 2010. Moreover the increase in activity for the remainder of 2011 is forecasted to climb to around 15%. As we go in to 2012 known demand in the first half of the year shows a further increase on the rigs contracted over the same period in 2011. The picture is less clear as we move in to the last quarter as contracts are yet to be announced.

In terms of the AHTS market for next year we feel the outlook is positive. The number of newbuilds that could enter the market is dwindling and even without factoring in any significant departures to other regions – Brazil being an obvious candidate – with rising demand and relatively stable supply levels, next year could yield some very acceptable rates for owners.

On the PSV side the fleet increase is far greater than that of AHTS and even with an increase in drilling support required, a large increase in fleet numbers will more than likely impact on rates achievable on the spot market.

Semis & Jackups North Sea



SOURCE: ODS-PETRODATA



Gøran Røstad
Completer of half marathons

“Overall it’s been a tight market for PSVs in 2011 but less so for AHTS, it’s interesting that we see a reversal for 2012.”

07 THE INSIDE STORY

As European and other global economies sink into deeper trouble, the offshore sector continues to burgeon, is a discrepancy emerging?

WRITTEN BY

Inger Louise Molver
Westshore Shipbroker



Analysts and energy agencies alike have poured fourth their forecasts on the global economies over the last few months and although growth is expected in most nations, most agencies are trimming growth expectations – some quite significantly.

In Europe, sovereign debt problems rage and recent comments from across the pond suggested that the European debt crisis was “scaring the world”. Portugal, Greece and Ireland have already reached out for help from the IMF’s rescue scheme and other nations remain under threat. Unemployment and rising debt are causing civil unrest in a number of nations, albeit in a more contained manner when compared to the unrest seen recently in some of the Middle East countries. OPEC reported in its most recent Oil Market Report that a deceleration in growth was noted in even the stronger European nations of Germany and France. In the bi-annual World Economic Outlook Report the IMF discussed a far more uncertain recovery for global economy than had been originally anticipated and went on to say that the “downside risks to global growth have risen”.

Focusing in on how this relates to the need for oil we also see a slowing in demand. The International Energy Agency, which publishes a monthly oil market report, revised down its predictions for global oil demand for the rest of 2011 and in to 2012. The new figures showed a 13% drop in growth for 2011 and 12% drop for 2012. The basis for this centered around the reduced economic growth expectations. OPEC also reduced its demand forecast for the rest of this year and next, reason cited was a global slowdown in industrial activity in most of the

major economies. A large part of the growth in demand is expected to come from the emerging economies, particularly China. Traditionally peak demand is seen in the third quarter but OPEC reports that this has been weaker than expected.

Despite all this doom and gloom those of us sitting in the offshore industry are observing something altogether more uplifting. This year’s E&P spending surveys done by major financial institutions came back with similar messages, spending is up this year and going even further up in 2012. The surveys are conducted from a range of oil companies; independents, national oil companies and majors and garners the opinions of literally hundreds of players. The June report from Dahlman Rose, an extensive survey covering hundreds of companies noted that the latest report was one of the strongest in terms of upwards revisions in nearly 30 years of conducting the survey. Expected increase in spending for 2011 from the various financial institutions that conducted surveys averaged at around 15%.

The outlook for 2012 went beyond that however with one speculating on a 15-20% increase in E&P spending over the previous year.

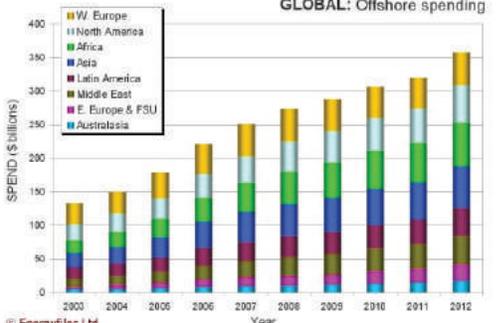
Down at ground level the demand for numerous aspects of offshore E&P is on the rise. Even the seismic industry which is notoriously capricious is receiving albeit hesitant reports of an upturn next year. For offshore drilling there is almost no availability of UDW semis for the North Sea next year and a corresponding demand for support vessels may also be expected. Contracts continue to be announced for new offshore projects with awards granted for pipelay, subsea

construction and installation on a global basis. The industry is far from mimicking the dire sentiment in the global economy.

Whether a fall in economic growth will result in an impact on the offshore industry, such as it did in 2008/2009 remains to be seen. But for the time being the phrase that’s most often heard is ‘the fundamentals are strong’ and its this exact sentiment that is likely to prevail for at least the next year.



SPAIN : THE RISING COST OF LIVING



Graph 1: Economic Growth Revision (%)



SOURCE: OPEC OIL MARKET REPORT SEPT 2011

08 THE LAST WORD

Westshore Asks:

“What do think will be the average rate for a rig move fixture in October?”

And the winner is..

Last month it was Tor Sven Slaake from MLS who was closest the mark when we asked what the highest rig move fixture would be over the coming month. His answer came just days before MLS fixed up several vessels for the move of Borgland Dolphin, Magne Viking took the charter securing the highest rate of the year so far. And at the other end of the scale it was also Tor Sven who came closest with his answer of NOK 150,000. So Tor Sven stays on to battle another month....



This month we have asked (from left to right) Tor Sven Slaake (Tor Sven was actually out of the office when we called so an answer was given on his behalf), Stig Erik Kyrkjeide Financial Analyst at First Securities and Olaf Hafredal Marketing Director at Deep Sea Supply.

Their answers are;

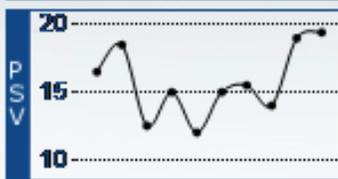
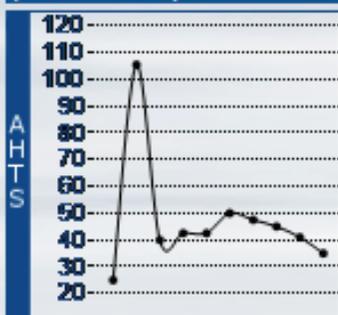
Tor Sven Slaake - NOK 350,000

Stig Erik Kyrkjeide - GBP 27,500

Olaf Hafredal - GBP 38,000

Again thanks to all the panelists for their participation, good luck for next month!

LATEST 10 FIXTURES (rates in GBP)



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WESTSHORE ONLINE

In addition to our much viewed website, Westshore is on Facebook & Twitter where you can find a daily updated newsfeed on the market and what's going on at Westshore.

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