

# THE NAVIGATOR



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THE MONTHLY REPORT FROM WESTSHORE SHIPBROKERS AS



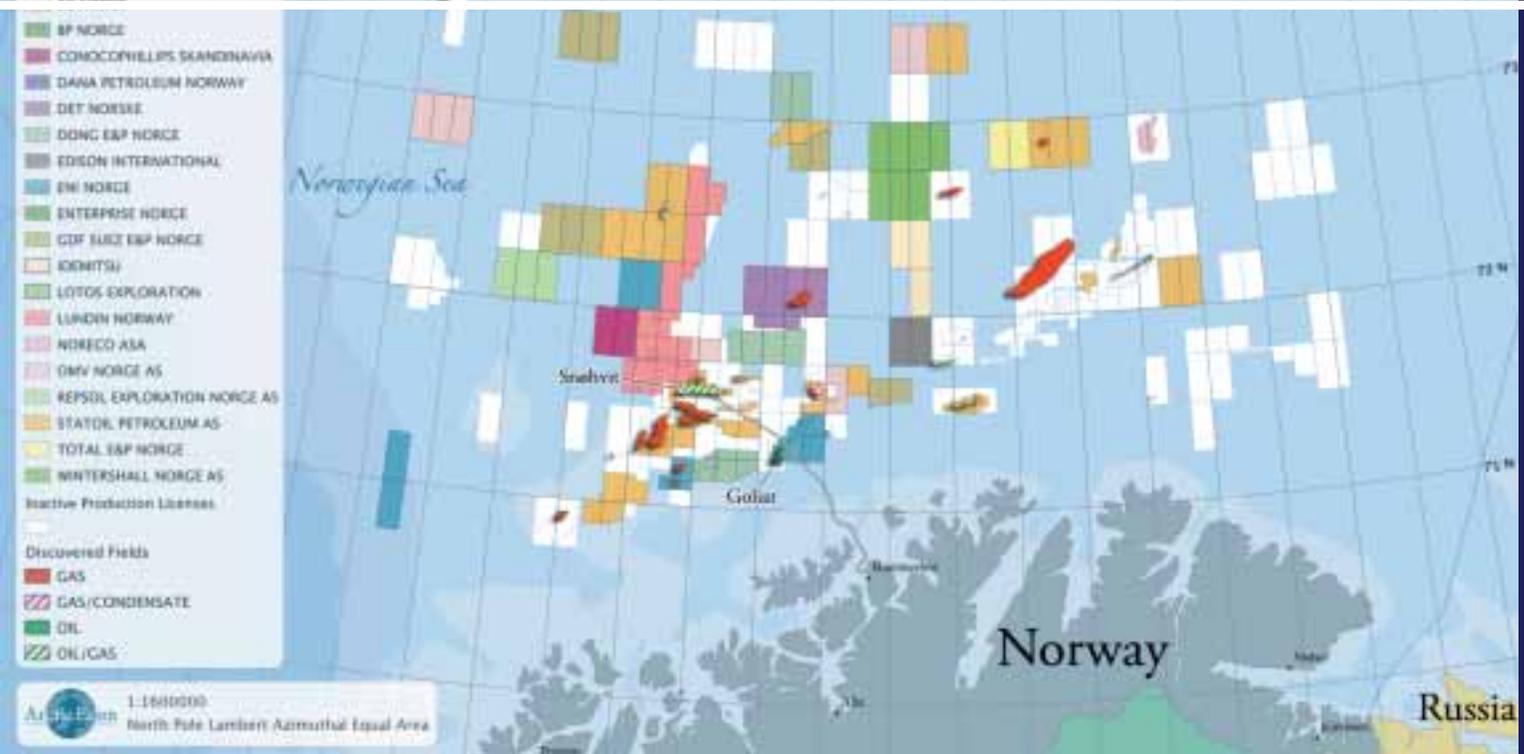
**WESTSHORE**

SHIPBROKERS AS

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# 02 HEADLINE NEWS



## Scarabeo 8, Barents Sea and the Arctic...

**Alot of attention** has been given to the Barents Sea and the activities up north, with the recent Scarabeo 8 listing that occurred a current headliner. The sixth generation ultra deepwater semi-submersible was in early September in what many labeled a near fatal accident when listing 5.7 degrees due to human error in the decision to begin filling the ballast tanks. The incident was blown slightly out of proportion, although competent personnel onboard should be a no brainer, rigs such as the Scarabeo 8 are constructed to withstand listing up to 35 degrees with a full ballast tank causing a 12 degrees list. However this is not the first time the rig has been in troubled waters with fires, fatal accidents and delays having been a part of it's past. The rig had originally been scheduled to be ready in Q3 2009 however it was only commissioned this summer after several delays due to non-conformities with the Norwegian authorities. Norway's Petroleum Safety Authority has now granted Eni the right to continue drilling using the mobile drilling facility after its most recent incident. The rig may now proceed with drilling an appraisal well in the Goliat field an operation expected to last 50 days.

Situations like these are not the best PR for drilling in the Arctic regions and will always draw significant attention. Recently Total's CEO stated that drilling in these regions carries with it far too high a risk and that a leak would do substantial damage to the environmentally sensitive area and image of a company. This is the first time an energy company has publicly warned against drilling for oil in the Arctic, while it has been a common chant from the many environmentalist organizations. Therefore situations like there are not the best when the rig is scheduled to spend the next 5 years in the Barents Sea with potentially another two years through four options.

The Barents Sea is different from most other Arctic regions with year round ice free conditions, and is therefore attractive area for many of the oil companies around the globe. Not only have the recent finds in Havis and Skrugard increased interest, however the region provides an excellent opportunity to gain experience in Arctic drilling. The arctic fever was clearly seen after the nomination round for the 22nd licensing round on the NCS with more 72 of the 86 blocks from the frontier license in the Barents Sea and 33 of the 48 mature blocks also in the region. This is not such a surprise when the Norwegian Petroleum Directorate (NPD) is estimating that there are up to 6 billion barrels of undiscovered oil and gas in Norway part of the Barents Sea. With this region seemingly the latest trend, I have decided to take a closer look at who is currently operating in the area and what companies hold licenses.

From the table on the next page one can see the major players currently involved through the number of blocks they control, however their operatorship does not necessarily imply action, however those players that have majority hold in licenses tend to be active in other licenses with minority shares. The table provides a good overview of the most active players in the Barents Sea, those being Statoil, Eni, Lundin, DONG, GDF Suez, Wintershall, OMV, Repsol and Det Norske.

# 03 HEADLINE NEWS

## # of Blocks by Operator



- GDF Suez E&P Norge
- OMV (Norge) AS
- Repsol Exploration Norge AS
- Eni
- Statoil
- Total
- Lundin
- Norwegian Energy Company
- Wintershall
- BG Norge AS
- Edison International
- ConocoPhillips
- DONG
- Det Norske

One obviously one can't discuss the Barents Sea without including Statoil, the company has been involved with 89 of the 94 exploration wells drilled so far, however they have only developed one project, the only project to be developed in the region, namely Snøhvit. The gas project has no surface installations, which is also a first and is a partnership between Petoro (30%), Total (18.4%), GDF Suez (12%), RWE Dea (2.8%) and Statoil. The field has been operational since 2007 and earlier this year the companies increased their reserves estimate by 20 billion standard cubic meters (BSCM) bringing the total to 210 BSCM.

Snøhvit has been the front runner, however the Goliat field is well underway and the Skrugard/Havis block in planning stages. A potential development of the Skrugard license will consist of up to 40 wells and 16 subsea constellations. Currently the decision of how to proceed in the area is under discussion with a final concept to be decided by spring 2013 in order to deliver a plan for construction in 2014 with a potential production start by 2018. The Skrugard/Havis field has an estimated 400 to 600 million barrels of recoverable oil. Statoil together with Eni and Petoro established further exploration drilling in the Skrugard area (532/608) with a campaign expected to fire up towards the end of 2012 with completion early summer 2013, in particular four new prospects will be drilled with the West Hercules which was fixed last year on a four year contract to Statoil. The rig will be winterized at Westcon shipyard prior to operations in the Barents Sea. Further activity by Statoil will see them drill two three wells in the Hoop frontier (Apollo/Atlantis) area which will be the most northern point ever drilled in the Norwegian Barents. The Barents drilling campaign will close out in the Hammerfest basin close to the Goliat and Snøhvit discoveries.

Goliat (229) is ENI's puppy with the initial discovery made in 2000 it is a joint venture between them and Statoil and has estimated recoverable oil reserves of 174 million barrels. They will now proceed with drilling 22 production wells for this prospect. Eni are one of the bigger players in the region and currently underway with a drilling program, in addition to being partners in the 4 wells drilled by Statoil in the Skrugard license, they have just completed drilling in the Bønna prospect and the Salina prospect where rumors state that they may have been successful. GDF Suez is another one of the players in the Barents Sea and drilled their first well in Heilo prospect in 2011, they are planning to drill in the 607 block which is one of the three Barents Sea operatorships they were awarded in the 21st licensing round. They have also planned seismic activity for the 610 block. Other programs include Repsol who will drill in the 531 Darwin prospect some 60 to 80 kilometers to the south west of the Skrugard/Havis finds in December of this year with the TO Barents, while Lundin will drill the Juksa 490 prospect shortly with the TO arctic. Transocean has estimated that 11 wells will have been drilled in 2012, while 20 will be drilled in 2013, 27 in the next two year while reaching 35 wells in 2016.

As we can read there are a number of prospects in the region, although relative to the other regions on the NCS the activity has not reached similar levels yet. However the region is in on the up and up and upon completion of the next licensing round which contains a majority of Barents Sea licenses we only expect this investment to increase leading for opportunities for offshore owners. There are still concerns with regards to rig capacity which could put a slight slowdown on the development of the region, however there are a number of seismic needs in the region to begin with and rig availability looks better after 2014 which is when we expect the development to really be underway.

# 04 SEPTEMBER MARKET RECAP

Towards the end of August a solid amount of tonnage was picked up prepping for what could have been a solid start to the month. However as we have seen so many times this year enough tonnage came available and activity tempered. However a combination of forward fixed vessels, weather delays and a number of prelay jobs during the middle of the month saw rate make an upward move more than doubling from the rates in the middle of the month. This despite a limited number of rig moves during the month, three of the rig moves kept three vessels out of the market for 14 days while the Sevan fixtures also kept a number of vessels from the market. Prior to these events the prelay activities for Scarabeo 8, Borgland Dolphin, TO Arctic saw vessels out of the market for up to 2 weeks. This combination led to a tighter market towards the end September and brought average monthly rates up from the rock bottom GBP 14,428 per day seen in August to GBP 24,968 per day. If we had seen a few more rig moves like last year (14 vs. 19) we could potentially have seen rates up towards the averages seen last year for September of GBP 40,612 per day. Utilization increased to an average of 74.5% for the month a substantial improvement from the last month's 60.5%. This month's utilization should technically be even higher with extended periods during the month with vessels represented as available however not so given their forward commitments.

In from August the market was abysmal, utilization was the lowest we have seen so far this year and so were rates. This despite substantial activity during the month, the supply was just too excessive. This month has also seen solid activity with a total of 88 supply duties/cargo run fixtures 30 more than the same month last year. Despite this the average rates have been almost GBP 5000 less per day than this year. This is clearly a factor of the substantial deliveries that have happened in the PSV market since that period last year, in total there were 20 additional vessels on the spot relative to that same period. However relative to last month we have seen a strong development of rates close to doubling and utilization improving from 74.2% to 91.8%. One of the factors involved with this improved market over the month is the weather with vessels spending longer time performing jobs. Rates have remained fairly consistent throughout the month, while the term market also become active during September with a number of fixtures. Other news within the segment is a couple of the older vessels confirming their departure from the North Sea spot market. Most recently is the Mariner Sea that will be making its way down to West Africa in the first week of October, otherwise a number of vessel tenders for support vessels for West Africa have recently been released and could improve the market.

## TERM FIXTURES & OUTSTANDING TERM REQUIREMENTS

Date	Vessel	Operator	Scope	Rate (p/d)	Region
25.09.2012	Far Strider	Premier Oil	2 wells firm, estimated 90 days	GBP 11,000	North Sea
25.09.2012	Ocean Pride	Asco	1 well firm, estimated 50 days	GBP 13,500	North Sea
24.09.2012	North Stream	Nexen	1 year firm + 1 X 9 monthly options	RNR	North Sea
21.09.2012	Maersk Lifter	Canyon UK	Subsea Duties 45 days firm + options	RNR	North Sea
18.09.2012	Viking Lady	MLS	Supporting Transocean Arctic, estimated 100 to 120 days	NOK 130,000	North Sea
18.09.2012	Evita	MLS	Supporting Transocean Arctic, estimated 40 to 50 days	NOK 110,000	North Sea
12.09.2012	Brage Trader	MOUK	4 weeks firm + 3 weekly options	GBP 12,900	North Sea
10.09.2012	Normand Arctic	Dong Energy	Supply duties, 2 wells firm	GBP 14,150	North Sea
07.09.2012	Vestland Mistral	Statoil	1 year firm + 3 X 2 monthly options	RNR	North Sea
07.09.2012	Troms Sirius	Statoil	6 months firm + 3 monthly options	RNR	North Sea
07.09.2012	Far Solitaire	Statoil	3 months firm + 3 monthly options	RNR	North Sea
07.09.2012	Sjoberg	Statoil	6 Months firm (Declared option)	RNR	North Sea
07.09.2012	Siddis Mariner	Statoil	6 months firm + 3 monthly options	RNR	North Sea
07.09.2012	Troms Artemis	Statoil	6 months firm + 3 monthly options	RNR	North Sea
06.09.2012	Rem Supporter	Suncor	2 wells firm	RNR	North Sea



Date	Operator	Requirement	Scope / Period	Start	Region
28.09.2012	ENI Norway	PSV	30 days + options, supporting TO Spitsbergen	01.10.2012	North Sea
19.09.2012	Taqa	PSV	2 years firm + 3 wells options, spt. TO John Shaw	31.01.2013	North Sea
19.09.2012	Enquest	PSV	1 year firm + 2 year options	30.10.2012	North Sea
17.09.2012	Senergy	PSV	1 well firm (100 days) + 1 well option (30 days)	25.10.2012	North Sea
10.09.2012	MOUK	PSV	4 weeks firm + 3 weekly options	15.09.2012	North Sea
13.08.2012	MOG	PSV	12 months firm + 12 monthly options	01.10.2012	North Sea



## AVERAGE MONTHLY STATISTICS

Vessel Type	Average Monthly Rates (GBP)			
	sep.12	aug.12	sep.11	
AHTS	> 18,000	27 909	13 350	48 328
	15,000 to 18,000	22 029	15 876	29 250
PSV	> 800 m <sup>2</sup>	15 533	7 273	21 519
	< 799 m <sup>2</sup>	12 253	6 092	15 610

	sep.12	aug.12	sep.11	aug.11
# of spot supply fixtures	88	93	58	67
# of rig moves	14	16	19	18
Average Utilization (%)				
AHTS	74.5%	60.5%	79.0%	87.3%
PSV	91.8%	74.2%	93.8%	91.8%

# 05 NEWBUILDING NEWS



## ANNOUNCEMENTS THIS MONTH

-Havyard Ship Technology has confirmed a contract for one Havyard 832 L MKII for an undisclosed owner to be delivered in the second quarter of 2014. The vessel has an estimated contract price of NOK 300 million. In addition to the PSV, the same yard has also confirmed a contract for a wellboat with the Havyard 587 design to be built for Fosnavaag Shipping at a cost of NOK 250 million. The vessel is to be delivered in Q1 2014 and includes an option for a second vessel which would be delivered Q3 2014. The wellboat has been characterized as one of the most efficient and eco-friendly designs available.

-The Bourbon Calm will be delivered in China at the end of the month.

- The Deep Sea Supply vessel "Sea Bear" a 15,000 BHP anchor handler has returned to the spot market after completing a DP2 upgrade at the Fredrikshavn shipyard. Other news sees the vessel owner take delivery of "Sea Brasil" from STX Niteroi. The vessel, a STX 09 CD design will go on contract to BP replacing the "Sea Leopard" which has been front running

-Faroe Islands based P/F Supply Service has changed its name to reflect its growth over the last five years. The newly named Skansi Offshore commands a fleet of four PSVs which operate in the North Sea.

-The Asso 31 a newbuild anchor handler UT 712 CD design has been delivered by the Italian shipyard Rosetti Marino to vessel owner Augusta offshore.

-The 1976 built Ocean Mainport has been sold to a company that operates in the offshore wind market. The vessel was owned by a kommanditt selskap (KS) while managed by Atlantic Offshore and has been sailing the offshore market for a long time. We salute her lengthy service to the North Sea offshore market.

-Another one of the Sanko vessels has been purchased, with Eastern Navigation buying the 16,000 BHP anchor handler Sanko Eminence. The vessel has been renamed ENA Samurai and is expected to be delivered in February 2014 from the Japanese yard Universal Keihin.

-Fratelli d'Amato has sold two UT 755 L designed vessels to Tidewater. The vessels FD Reliable and FD Incredible have been operated by Gulf Offshore and most recently been trading in Israel and the North Sea. The FD Incredible sale has not been confirmed as of yet.

- Bergen group shipyard Fosen has completed the offshore construction vessel Grand Canyon with the skipteknisk design ST 261. The vessel whose ice class 1A hull was built in Turkey is 125 meters long and 25 meters wide. The vessel will be delivered to the owners Volstad Maritime on October the 8th.

-The MRV 05 Skandi Nova was delivered and will go on a seven year contract to ConocoPhillips with the two other vessels in the series Skandi Marøy and Skandi Hugen expected to be delivered in October and November of this year. These vessels will also go on seven year contracts to CP. Other news sees the Skandi Iguazu delivered in August 2012 from STX Brazil and will go on contract to Petrobras.

-Edison Chouest has confirmed another eight 300 ft PSVs with 5,150 dwt to its already large orderbook of 25 vessels.

## NEWBUILD DELIVERIES NEXT SIX MONTHS

### October 2012

Vestland Mira (Havyard 832 L)  
Far Solitaire (UT 754 WP)

### November 2012

Olympic Taurus (MT 6015)  
STX Leader (STX PSV 09 CD)

### December 2012

Rem Leader (VS 499 LNG)  
Vestland Cetus (VS 485 MKIII)

### January 2013

Vestland Insula (VS 485 MKIII)  
Havila Charisma (Havyard 833 L)

### February 2013

Far Sitella (STX PSV 08 CD)  
Blue TBN (PX 121)

### March 2013

Global Offs. TBN (Havyard 832)  
Dina Star (MT 6015)  
Troms TBN (STX PSV 08 CD)  
STX Megatrend (STX PSV 09 CD)  
Far Spica (STX PSV 08 CD)  
Island Crown (UT 776 CD)

### Recently delivered

Island Contender (UT 776 CDG)  
Far Skimmer (Havyard 832 L)  
Viking Princess (VS 489 LNG)

# 06 DRILLING & PRODUCTION



-The FPSO Sevan Voyageur has now left the yard in Arendal to commence production at the Huntington field on the UK sector in the North Sea. The FPSO has been at the yard since August 2010.

-Statoil have confirmed that they will be building the floating storage unit to be deployed on the Heidrun field at Samsung Heavy Industries for USD 230 million. Within the contract options have been provided for two additional units for use on other fields. Statoil have stated that they intend to maintain production at the field until 2045. The unit is scheduled for delivery in the first half of 2015 and is expected to replace the current buoy loading system on the field.

-Fred Olsen has secured a contract for the Borgland Dolphin with Rig Management Norway for up to three years on a 15-well drilling program. The total contract is valued at USD 575 million giving an approximate rate of USD 525,000 per day and commencement will be in direct continuation of its current contract. Fred Olsen has also confirmed a contract with a consortium of four companies for the Bredford Dolphin. The total firm contract comes in at USD 252 million for the drilling of eight wells over a period of 570 days, and will fire up upon completion of its current contract with Lundin in one year's time. The deal includes two options, the first an additional four wells to be called by next summer and the second another four wells.

-Atwood Oceanics has confirmed a newbuild contract for an ultra deepwater drillship at Daewoo Shipbuilding and Marine engineering. This will be the third drillship ordered at the yard and the deal includes an option for a fourth vessel that must be called by 30 June 2013. The cost of the drillship to be named Atwood Admiral including two BOPs will be USD 635 million. The US drilling company will take delivery of the vessel by March 2015.

-Ocean Rig has signed a contract with Repsol Sinopec Brasil for a Newbuild Ocean Rig Mylos currently under construction at Samsung Heavy Industries to be delivered in the second half of 2013. The contract extends to three years with an option for another two years and is a seventh generation drillship.

-Faroe Petroleum who recently took a share in the East Foinaven field in the Atlantic Margin, west of Shetland is at it again. They have secured West Navigator to drill a well in the Novus prospect in the Norwegian Sea. The well will be drilled in the second half of 2013.

-BG has chosen to call an option for the further charter of the Transocean Searcher. The contract for the third generation semi-submersible has now been extended one year to June 2015.

-Transocean has been awarded four contracts with Shell for newbuild ultra deepwater drillships. The ships are to be built by Daewoo Shipbuilding and Marine Engineering and the first is expected to be delivered by mid-2015 with following units every six months. Transocean has stated it will invest USD 3 billion to build the vessels with the contract value to Shell at USD 7.6 billion.

-Norshore a drilling contractor in Norway has secured a deal with Dalian Shipbuilding Industry for a small multipurpose drillship to be operated in the North Sea, the vessels will be capable of drilling up to 10,000 meters at a water depth of 3,000 meters. The contract includes options for three more vessels and has been estimated at between USD 220 and 240 million.

-Seadrill has confirmed a new ultra deepwater drillship for delivery in Q4 2014. The turnkey contract with Samsung is estimated at around USD 600 million and includes an option for another vessel with delivery in Q1 2015. This brings Seadrill's construction program to 19 units which include seven drillships, two harsh environment semi submersibles, five tender rigs and five jack ups. The company also has three fixed price options for ultra deepwater units.

-The North Uist well could become one of the most expensive wells in the North Sea with a cost in excess of GBP 100 million. The well which is being drilled by the Stena Carron drillship is now in their sixth month and could require another three months for completion.

# 07 IN AND OUT

## PLATFORM SUPPLY VESSELS - IN

Vessel	Design	Manager	ENTRY	From
Island Contender	UT 776 CDG	Island Offshore	Start – Oct	Newbuild
North Vanguard	UT 705	Gulf Offshore	Start – Oct	Inhouse
Energy Lord	UT 727	Golden Energy	Start – Oct	ConocoPhillips
Rem Fortress	VS 485 CD	Rem Offshore	Start – Oct	ADTI
Island Crusader	UT 776 CD	Island Offshore	Mid – Oct	Ross Offshore
North Purpose	Aker 09 CD	Gulf Offshore	Mid – Oct	Statoil
Vestland Mira	Havyard 832 L	Vestland Offshore	Mid – Oct	Newbuild
Far Solitaire	UT 754 WP	Farstad	Mid – Oct	Newbuild
Normand Baltic	STX 06 CD	Solstad	End – Oct	Canyon UK
Power Express	Own Design	Vroon	End – Oct	Petersons
Dina Supplier	UT 755 LC	Myklebusthaug	End – Oct	MOUK
FD Indomitable	UT 755 L	Gulf Offshore	End – Oct	Taq
Far Server	Havyard 832 CD	Farstad	Mid – Nov	Inhouse
SBS Typhoon	VS 470 MKII	Viking Supply	Mid – Nov	RWE-Dea
Ocean Pride	Havyard 832 L	Atlantic	Mid – Nov	ASCO

## PLATFORM SUPPLY VESSELS - OUT

Vessel	Design	Manager	EXIT	To
Blue Prosper	PX 121	Remøy	Start – Oct	
Bourbon Front	PX 105	Bourbon	Start – Oct	
Mariner Sea	UT 705 L	Secunda	Start – Oct	Sold / Nigeria
Evita	VS 485 MKII	Ugland	Start – Oct	MLS/Lundin
Far Solitaire	UT 754 WP	Farstad	Mid – Oct	Statoil
Troms Sirius	STX 09 LCD	Troms Offshore	Mid – Oct	Statoil
Vestland Mistral	VS 485 CD	Vestland	Mid – Oct	Statoil
Viking Lady	VS 493 Avant	Eidesvik	End – Oct	MLS/Lundin
Far Superior	UT 705 L	Farstad	Start – Nov	Apache
Island Crusader	UT 776 CD	Island Offshore	Start – Dec	MLS

## ANCHOR HANDLERS - IN

Vessel	Design	Manager	ENTRY	From
Havila Venus	Havyard 845	Havila	Mid – Oct	Inhouse
Stril Commander	Havyard 842	Møkster	End – Oct	Shell
Island Vanguard	UT 787 CD	Island Offshore	End – Oct	Statoil / Further Options
KL Sandefjord	STX AH12 CD	K Line	Start – Nov	Statoil / Further Options
Maersk Lifter	L-Type	Maersk	Start – Nov	Canyon Offshore
Normand Mjolne	UT 718	Solstad	End – Nov	ConocoPhillips

## ANCHOR HANDLERS - OUT

Vessel	Design	Manager	EXIT	To
Maersk Puncher	ME606	Maersk	Start – Oct	West Africa
Maersk Assister	A-Type	Maersk	End – Oct	Reef Subsea
Magne Viking	VS 4622 CD	Viking Supply Ships	End – Nov	Chevron Canada

# 08 MARKET FORECAST

## EXACTLY HOW MANY VESSELS ARE BEING BUILT

## AND WHAT KIND OF AVAILABLE CAPACITY DO THE YARDS HAVE?

We have seen a number of vessels enter the PSV fleet this year, while anchor handlers deliveries have been just about non-existent. Some have been delivered, however none of those have reached or even been close to the North Sea spot market. There has been much talk of a significant number of PSVs entering the market and the figures back it up with more than 30 North Sea capable vessels delivered so far this year. With that delivery schedule this year and an expected sizable orderbook going forward

potentially end up in Norway, however a much smaller percentage will actually end up in the region. Included in these figures are the six Damen 3300 PSVs being built in the Netherlands for World Wide Shipping to be managed by Remøy Management out of Fosnavåg.

The available capacity at yards in Norway is also an interesting factor to the further development of the orderbook, the below is a

Order Month	Client	Yard	Design	Delivery	Cost (m)	Contract
January	GulfMark	Simek	ST216	Novmeber 2013	USD 60	
February	Vestland	Havyard Leirvik	Havyard 832L	Oct 2012		
February	Vestland	Havyard Leirvik	Havyard 833	Q2 2013		
May	Global Offshore	Havyard Leirvik	Havyard 832	July 2013	USD 45	
May	BP	Hyundai Mipo, SK	UT 776 CD	Q4 2013	USD 51,25	BP Exploration 15 years BB
May	BP	Hyundai Mipo, SK	UT 776 CD	Q1 2014	USD 51,25	BP Exploration 15 years BB
May	BP	Hyundai Mipo, SK	UT 776 CD	Q1 2014	USD 51,25	BP Exploration 15 years BB
May	BP	Hyundai Mipo, SK	UT 776 CD	Q2 2014	USD 51,25	BP Exploration 15 years BB
May	Atlantic Offshore	Simek	UT 755 LC	May 2013		
June	Unknown	Kleven Verft	VS 485 MKIII	Q2 2013		
June	Troms Offshore	STX Aukra	PSV 07	Q1 2014		Statoil 3 years
June	Farstad	STX Langsten	PSV 07	Q2 2014	NOK 350	Statoil 6 years
June	Farstad	STX Vung Tau	PSV 07	Q3 2014	NOK 350	Statoil 6 years
June	Simon Møkster	Astilleros Gondan	UT 776WP	July 2014		Statoil 3 years + opt.
June	Atlantic Offshore	Myklebust Verft	VS 485 MKIII	March 2014		Statoil 6 years
June	Atlantic Offshore	Myklebust Verft	VS 485 MKIII	June 2014		Statoil 6 years
June	Ugland Offshore	Kleven Verft	SALT 100	January 2014		
July	Remøy Shipping	Kleven	VS 4412 DF	Q3 2014	NOK 400	Statoil 3 years + opt.
July	Island Offshore	STX Brevik	UT 717 CD	January 2014	NOK 250	
July	Island Offshore	STX Brevik	UT 717 CD	March 2014	NOK 250	
August	Unknown	Havyard Leirvik	Havyard 832	Q2 2014	NOK 300	
August	Siem Offshore	undecided	VS 4410 LNG	Q2 2014		Total 4 + 4 years

brief overview of what the yards have available. Bergen Group has availability for delivery Q4 2014 should the ST 261 OCV option not be taken. Havyard Ship Technologies has a potential available delivery Q2 2013, otherwise availabilities from Q3 2014. Hellesøy Verft has a potentially available slot for delivery Q4 2013, otherwise has availability for delivery out 2014. Kleven Verft AS (& Myklebust) potentially has an available slot for delivery Q4 2013 and availability for delivery out 2014. Simek AS has an available slot for delivery Q1 2014 and onwards. The STX yards may have one to two available slots for delivery summer 2014, otherwise available to deliver Q4 2014/Q1 2015. Ulstein has an available slot to deliver vessel Q4 2014 and onwards. Westcon could potentially

deliver an AHTS Q2 2015 and a PSV Q2 2014. All these availabilities are subject to vessel design that the yards are familiar

one would expect a slowdown in orders made during the year, however that has not necessarily been the case although many of the vessels ordered have term contracts in hand. The above table provides an overview of all orders made so far this year, and does not include the 12 Seatanker PSVs to be delivered from Q4 2012 to Q4 2014.

In addition to those vessels Farstad ordered two UT 731 CD anchor handlers for delivery February 2014 at a cost of about NOK 600 million each, this on top of the two they have already ordered. DOF/Iceman ordered the STX AH 12 for approximately USD 147 million and Augusta looks to add another UT 712 CD in March 2014. Other foreign vessels could potentially come from Swire and Toisa.

The orderbook for Norwegian shipyards is fairly extensive, however it does not even come close to the deliveries seen so far this year. The below table provides an overview out the year and going forward to 2014. Although we have been fairly used to slippage in the shipping and offshore industry in the last years we do not expect to see this within the PSV sector.

In addition to these vessels we have vessels suitable for the North Sea in foreign yards, with approximately 15 to 20 vessels that could

Yards	2012	2013	2014	Options
Bergen Group BMW				
Bergen Group Fosen				
Fjellstrand AS	1			
Havyard Ship Technologies	1	4	1	1
Hellesøy Verft AS		1		
Kleven Verft AS	2	2	4	3
Myklebust Verft AS			2	1
Simek AS		3		
STX Florø				
STX Aukra		1	1	
STX Brattvaag				
STX Brevik		4	3	
STX Langsten	1	1	1	
STX Søviknes	1	1		
Ulstein Verft		4		
Total:	6	21	12	5

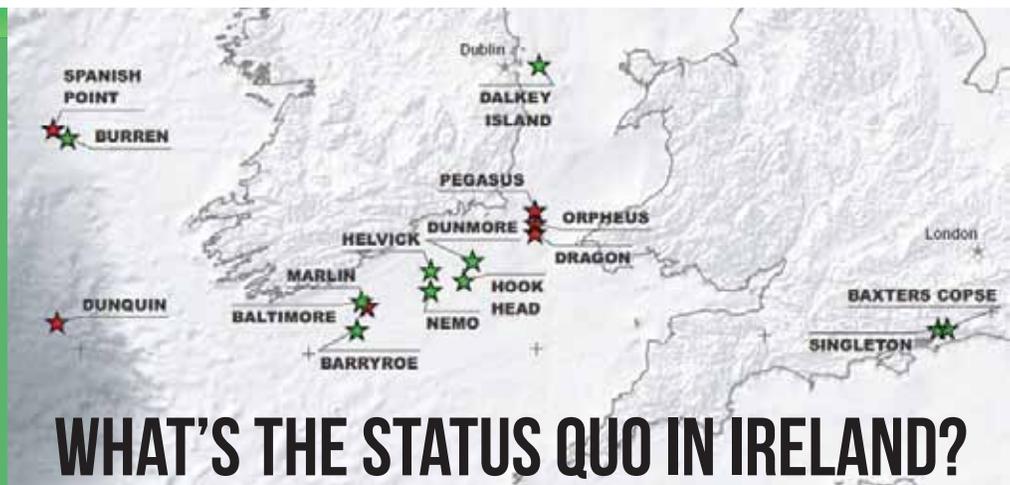
with. In general we see that yards are occupied for 2013 with available slots in 2014 and onwards. Significant offshore construction vessel ordering limits capacity for other vessels to be built. Stay tuned for next article where we will match these deliveries up against the incoming rigs to the North Sea.

# 09 THE INSIDE STORY

Since the flow test at the Barryroe field with the GSF Arctic earlier this year we have been peppered with articles denoting that the find is larger and better than expected. Recently Providence announced new resource estimates for two additional reservoirs in the Barryroe field bringing the total resource inventory to 1.8 to 2.7 billion barrels of oil, however the areas they are currently in the process of trying to develop are the Middle and Basal Wealden sands which are estimated to hold 1 to 1.6 billion barrels. Given the success in the region Providence have this summer secured further acreage to the North and West of the Barryroe field. Obviously due to this being the first time a field in Ireland has proven to flow at commercial rates, the interest has been substantial. The discovery or shall we say rediscovery of these fields could lead to an entirely new market for offshore support vessel owners. As mentioned in our last article on Ireland the first drilling campaign utilized some spot vessels and a single term vessel, going forward the Irish activity and success will undoubtedly lead to further utilization of the offshore fleet. The below is just that.

The latest big news to hit our shores has been the ExxonMobil fixture with Ocean Rig for the fifth generation semi-submersible drilling unit Eirik Raude. The rig will be used for exploration at the Dunquin field which is approximately 200 clicks offshore with a water depth of about 1500 meters and a reservoir depth of 5000 meters. The rig is expected to come under contract in Q1 2013 and will be onhire for a total of six months. The project is operated by ExxonMobil (27.5%) with partners in Eni (27.5%), Repsol (25%), and Sosina (4%) and an estimated expectation of well over 1.8 billion barrels. This project is the second of six remaining projects in the Irish offshore sphere with Barryroe having been the first in decades. Three of the projects will be appraisal/flow rates which include Barryroe and the three others are exploration projects which includes Dunquin.

On the appraisal front the Dragon gas discovery is 70 clicks offshore at water depths of 100 meters and a reservoir depth of 2500 meters. There is an estimated 300 billion standard cubic feet with a current plan based on availability to drill an appraisal well at the earliest in Q1 2013. The Spanish Point is the third and is a venture between Providence, Chrysaor (60%) and Sosina (8%). This project is the first big drilling appraisal program in the Atlantic margin some 170 clicks offshore Ireland and is expected to have up to 200 million barrels of oil equivalent recoverable and an expected well planned earliest Q2/Q3 2013. Both these projects are far offshore and we can expect the need for offshore support vessels to be higher than that of Barryroe which is 70 kilometers offshore. On the other hand the exploration continues in the Irish drilling campaign close to land with the exploration project in Kish Bay otherwise known as the Dalkey Island Oil prospect which is a joint venture between Providence and Petro-



## WHAT'S THE STATUS QUO IN IRELAND?

nas. The region has a potential of 250 million barrels of recoverable oil in shallow water six kilometers from land. Initially the planned drilling was the next step after the Barryroe campaign and was to be carried out in Q4 2012/Q1 2013. The final area off Northern Ireland is Rathlin Island and there is an expected exploration well to be drilled in Q3/Q4 2013.

The drilling campaign which will surely absorb tonnage from the North Sea market during the six month plan, however there is clearly more activity underway. The areas mentioned in this article are the ones with a potential drilling campaign. There are many other licenses out there and should for example we see another major find in the Dunquin, the investment will only begin to snowball. Success will always drive increased investment. For Providence who license a majority of the fields in offshore Ireland it provides an opportunity to de risk their portfolio and bring in other oil companies that will help speed up the time consuming process of drilling and extracting oil. For the time being these projects will only absorb tonnage on a negligible basis relative to the number of vessels in the market however as they say "every little bit helps".

Providence has just announced that it plans to sell all its onshore UK interests for USD 66 million which will wipe out their current debt and allow it to fully focus on the completion of its multi basin drilling campaign.

**Irish Tax Explanation** - For those vessel owners wishing to partake in the Irish campaigns, certain tax bureaucracy is unavoidable however the good news is that all tax is reimbursed. Initially Irish Revenue sets your withholding tax amount to either 0%, 20% or 35% based on certain forms and questionnaires (so far most Norwegian owners partaking have been set at 20%). This amount is then paid directly to the tax revenue agency by the charterer and can be reclaimed either at years end or before if you wish to cancel your Irish tax registration status provided it is a one off project in the region. However given the time consuming nature of the registration this is a decision that can be done based on when in the year you might find yourself. Basically one can expect to wait between 3 to 6 months for full reimbursement of the tax.

# 10 THE LAST WORD



Thanks to Geir Frits Myklebust for providing some of the photos for this months Navigator.

## A vitamin boost to investment and production by the UK

As was promised in the April budget announcements the government earlier has in September announced that they are introducing a tax relief measure to support the investment in brownfields. The allowance will shield up to GBP 250 million of income on brownfield projects, or up to GBP 500 million in fields paying petroleum revenue tax. This new allowance is based directly on investment costs, which should incentivize increased recovery from older fields. Currently recovery from UK oil fields is averaging 38%. Oil and Gas UK has estimated that the new measure will in the near term provide new investments of GBP 2 billion and increase oil and gas recovery by 150 million barrels. Not only does this provide support, but it also provides the message that the UK government will follow through on the promises they have been making in order to strengthen the UK Oil and Gas industry.

## Q3 investment figures for the O&G Industry

Every quarter the SSB in Norway release their projected and accrued figures for investment in the Norwegian Oil and Gas industry whereby we provide a brief summary of what has been seen by the Norwegian Central Bureau of Statistics. It is interesting to follow the changes in figures and thereby sentiment from last quarter, last year and since they began keeping records.

Accrued investment figures see the second quarter increase to NOK 43 billion, up from NOK 38.5 billion seen in first quarter. However the total spent on exploration has decreased from NOK 6.31 billion to NOK 5.68 billion, the lowest since Q3 2010. However estimates for exploration activity in a year are the highest they have ever been with 2013 coming in at NOK 40.7 billion, an increase from the 2013 estimate last quarter of NOK 5.3 billion. Clearly there is an increased sentiment from last quarter that there will be spillover of projects from 2012 as investments for exploration activity for 2012 are estimated at NOK 29.2 slightly down from the previous quarter estimates.

Accrued Investment figures from 2012 for field development and fields on stream has increased tremendously from NOK 30.9 billion in Q1 to NOK 35.5 billion in Q2. The estimates for total investment going forward for Q3 and Q4 are NOK 50 and 53.4 billion. This implies that the second half of the year will see a sharp increase in investment from the first half of the year. In total the estimated investment for field development and fields on stream for 2012 is at NOK 150.7 billion which is slightly down from the estimate last quarter.

In summary investment figures show a slight decrease in investment for 2012 from last quarter, while in 2013 we can expect to see a major hike in the investment levels. The Norwegian Shelf licensees plan to spend NOK 101.6 billion on drilling of production and exploration wells in 2013, which is double the amount actually spent in 2011. If the estimate for 2013 holds offshore owners should see a major push in activity come next year, however spillover is a major component in many of these investment estimates, but even so should the estimates hold some validity we can expect an active 2013.

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We appreciate your readership!

WRITTEN BY

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