

January will bring first oil for OGX

Campos Basin well to raise production from 20,000 bpd to 50,000 bpd by year-end



BARRY PARKER

EARLY January will mark a milestone in the Campos Basin, 80 km outside Rio de Janeiro.

Privately owned Brazilian oil company OGX will produce first oil, a heavy crude, from its Waimea well, which lies 135 m down on the seabed.

Early production, with oil pumped via the floating production, storage and offloading unit *OSX-1*, will generate 20,000 barrels a day.

OGX is part of Brazil's EBX empire. The FPSO was built for Norwegian owners at Samsung, then refitted at Keppel for OSX, the conglomerate's equipment-owning arm. OGX will take the FPSO on a 20-year charter at a day rate of \$263,000.

EBX's companies include OSX, OGX, logistics provider and port operator LLX, the mining company MMX and power producer MPX. EBX's corporate philosophy is to integrate its companies.

OGX describes itself as one of the 10 largest pure energy and petroleum companies globally. It has a market capitalisation of approximately \$25bn.

OSX-1 arrived in Rio in early October. It will leave for the Campos Basin in the last week of December. Its arrival opens an

exciting new chapter for Brazilian oil production, which has gathered momentum throughout 2011.

Earlier in the year, Fugro carried out underwater surveys to direct placement of mooring and pilings.

Wellstream, the company that made the flex lines, then chartered in an installation vessel, *Aker Wayfarer* from Aker Oilfield Solutions to install anchors, flexible flowlines and umbilicals.

Flow lines from wells are being linked to a well-head platform. OSX installed these so-called wet Christmas trees and the middle water arch earlier this year, delivering the equipment to the site on heavy-lift vessels.

By December, it had also installed 10 piles from the mooring system, 10 chains and the disconnectable turret buoy.

OSX sourced the equipment globally. Biglift's *Happy Dover* transported the turret, now anchored to piles on the sea bed, from Batam, Indonesia via Singapore.

Early January will see *OSX-1* connect to the underwater turret buoy. OSX and OGX expect to open the spigots on or around January 23, 2012.

As the year progresses, additional wells will open at Waimea and tie into the subsea network feeding *OSX-1*.

By year-end 2012, OGX expects to more than double the new field's production to 50,000 bpd.

Tankers will load from *OSX-1* which can swivel around the turret to weather high winds and waves.

OGX has sold the FPSO's first two cargoes, to be shipped in consignments of 600,000 barrels, to Shell, which will transport them by tanker to a refinery that can process heavy oil. ■

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In mid-December, OGX chartered the 15,300 bhp anchor handling tug supply vessel *Maersk Terrier* on private terms.

OGX set to spud four wells in Campos and Santos Basins

OGX'S OFFSHORE drilling is concentrated in the Campos Basin, which it describes as "low-risk, shallow water, and large", writes Barry Parker.

The company is exploring the Santos Basin, which it says has "high potential" and where it controls five blocks.

It is also exploring the lesser-known Pará Maranhão Basin offshore in northern Brazil, where it controls five shallow-water blocks in what it describes as a "promising new frontier".

OGX has also invested in five blocks in the Espirito Santo Basin, "a new frontier in deep water", at depths averaging 1,000 m.

In 2011, OGX drilled 18 wells in the Campos Basin and three in the deeper waters of the Santos Basin.

For 2012, when activity shifts towards appraisal work, four new wells will be spudded in each.

Charters with Diamond Offshore semi-submersibles dominate the Campos

drilling portfolio, with the rigs Ocean Ambassador on at \$260,000 a day and Ocean Lexington on at \$325,000 a day.

Optional terms have recently kicked in on contracts with two rigs brought in from Enasco; Enasco 5002, formerly Pride Sea Explorer, and Enasco 5004, formerly Pride Venezuela, to remain on charters at day rates around \$220,000 and \$230,000.

In the Santos Basin, Diamond Offshore's Ocean Quest has been working at a \$270,000 dayrate. In Espirito Santo, where fields are operated by Perenco, Diamond's Ocean Star is working at \$310,000 a day.

Drilling for OGX in the Pará region, Diamond Offshore's cantilever-style jack-up Ocean Scepter is on at \$135,000 a day through early 2012.

The vessels supporting OGX in Brazilian waters comprise five platform supply vessels from Edison Chouest and Tidewater, six anchor handling tug supply vessels from Edison Chouest,

Norskan and Maersk and a supply vessel from Edison Chouest.

Market reports show that the DOF/Norskan-owned AHTS 16,000 bhp *Skandi Mogster* is on to OGX through early 2012.

Skandi Emerald, a 16,300 bhp tug, and *Skandi Ipanema*, a 13,200 bhp tug, are both on through midyear. Each firm charter is followed by optional periods.

In the mid-December spot market, OGX took the 15,300 bhp AHTS *Maersk Terrier* on private terms. Recent fixtures of AHTS in Brazil have commanded day rates ranging from the low \$30,000s to the mid \$40,000s.

Perenco, drilling with the semi-submersible Ocean Star at Espirito Santo, reportedly booked the 14,400 bhp *Far Sabre* for rig support activity.

The DP-2 equipped vessel will be coming open at Rio on December 26, according to brokers. ■

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OSX wins second FPSO financing, three more in pipeline

IN LATE October, finance was secured for a second OSX floating production, storage and offloading vessel, the *OSX-2*, to be built at Keppel by sector leader SBM, writes Barry Parker.

Three other FPSOs, also with capabilities to process multiple types of oil, are in the pipeline.

OSX-3, to be built at Jurong by Modec, is expected to be ready in late 2013 and deployed to the Waikiki fields, which produce a lighter crude, in Campos.

OSX-4 and *OSX-5*, conversions of two very large crude carriers acquired from Vela International for \$27m each, will see topside integration performed at the Shipbuilding Unit at the Açú Superport Industrial Complex, another EBX project.

South Korean shipbuilder Hyundai has a 10% interest in this nascent shipyard. Additionally, two wellhead platforms WHP-1 (for Waimea) and WHP-2 (for Waikiki), each capable of sourcing oil from 30 undersea wells, are anticipated to come on-stream in 2013, after delivery from Techint, in Brazil.

Starting with 20,000 barrels per day initial production from *OSX-1*, OGX is targeting 730,000 barrels per day output in 2015 and 1.4m bpd in 2019. OGX pegs its reserves at some 4bn barrels of oil already discovered in its Campos Basin holdings, where it operates five blocks owned outright and participates with Maersk Oil in two additional areas.

The daily hire on the second FPSO, to be booked by owner OSX from its sister company OGX, the charterer, will be around \$290,000 per day.

The term of all the OSX/OGX charters is 20 years.

OGX is described as an "anchor client" for OSX, whose strategic objectives include "orders from other clients" going forward.

The EBX Group's plans for building offshore equipment are ambitious; OSX hopes to order several dozen units, consisting of 19 FPSOs and 29 production platforms, during the decade, equipment



Charterer OGX is targeting 730,000 bpd output in 2015 and 1.4m bpd in 2019 in the Campos Basin from its FPSO tanker *OSX-1*.

requiring capital expenditures predicted to be some \$30bn. Estimated capex for the first five FPSOs and two platforms is \$4.7bn-\$4.9bn.

Financiers seem to have warmed to OGX's audacious plans, and have been willing to fund the company in 2011. Though its stock performance in 2011 was disappointing, the debt markets have been comfortable with OGX.

In late 2011, a time of continuing difficulties on the finance front, an OSX subsidiary was able to book an \$850m loan to support construction of the *OSX-2*, the unit that would join *FPSO-1* at the Waimea field in mid-2013, producing up to 100,000 bpd.

The 12-year loan, led by ING, Itaú-BBA and Santander, is priced at the London interbank offered rate, Libor, plus 4.41%. It begins amortising three months after production begins.

Another auspicious sign for OGX is a large bond maturing in 2018, nearly \$2.6bn, that was floated in May, 2011 — several months in advance of the first oil, then expected in October.

With a high-yield rating, the B-rated debt, priced at 8.5%, or more than 6% above US Treasury debt with a comparable maturity, was raised to finance development at the fields in the Campos Basin.

In early spring, 2011, market rumours

had OGX looking to farm out (sell down a portion) of its interests in its fields, possibly to Chinese investors; cash from the bond issue assuaged liquidity issues.

In the Campos Basin, plans call for an eventual 12 FPSOs and five wellhead platforms to support 2019 production targets, as EGX executes what it calls a "replicable development concept".

The company shows the 11th and 12th FPSOs delivering by the first quarter of 2016; by the end of 2014, deliveries of 11 platforms are expected, that is nine installations beyond WHP-1 and WHP-2.

OGX, like the much larger Petrobras, could face uncertainties about capacity for building equipment. In a dramatic

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contrast to Petrobras' reliance on third-party yards, OGX plans to construct equipment at its owned shipyard.

In theory, this in-house strategy brings an element of control that the state-owned oil company does not have.

OSX, the equipment owner, talks about a "strategy to expedite development with production equipment contracted two-three years in advance".

Construction began in July this year on the greenfield shipyard at Açú, near Rio de Janeiro.

Following the completion of construction, slotted for the second quarter of 2014, the yard is expected to deliver seven FPSOs and nine platforms by 2016.

The yard's start-up activities, in advance of its overall completion, will be marked by integration of topsides on the two FPSOs *OSX-4* and *OSX-5* in 2013 at the new yard, following hull works specified in early 2012 and then conducted abroad prior to transiting to Brazil.

The "Flex" concept for the FPSOs features modules that can be added and removed, depending on the type of oil being processed.

According to the company, this concept, which will be deployed starting with *OSX-4*, brings about potential time savings of five months during the engineering phase. ■

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