

Ocean Rig secures funding for drillships

OCEAN RIG UDW, the Norwegian subsidiary of majority owner DryShips, is getting nearer to gaining its independence, writes Barry Parker in New York.

It has been nearly three years since DryShips' George Economou first floated the idea of spinning off Ocean Rig as a completely separate entity. Clearly, the financing stars have now aligned, in a big way, bringing this goal closer to reality.

DryShips owns roughly 78% of Ocean Rig, following a private equity placement in December, when \$500m was raised. And in late April, Ocean Rig signed a restructured financing package with a bank group led by Deutsche Bank.

In conjunction with a previous bank financing deal agreed in mid-April — and with the money raised through DryShips' share offerings — Ocean Rig is now able to fund the capital expenditures on a four-drillship building programme at Samsung.

The agreement with Deutsche Bank will make \$495m of funding available for each of the still-undelivered Samsung drillships: *Ocean Rig Poseidon*, a rig which will be going on charter to Petrobras Tanzania; and *Ocean Rig Mykonos*, still unfixed, with delivery anticipated to be in the second half of 2011.

Only two weeks earlier, an aggregate \$800m of five-year bank financing on the first two drillships, *Ocean Rig Corcovado* and *Ocean Rig Olympia*, had been finalised with a syndicate led by Nordea and ABN Amro.

During the April fundraising frenzy, Ocean Rig also managed to raise \$500m of five-year unsecured high-yield bonds, in a private placement.

Once the \$495m funding was arranged on the second pair of firm units, Ocean Rig announced it was exercising its options to purchase two additional drillships from Samsung, with 2013 deliveries.

In December, just before the delivery of *Ocean Rig Corcovado*, DryShips had paid the yard an aggregate \$100m for options, declarable within one year, to build four drillships, priced at \$600m each. Thus, options on an additional two units could still be exercised.

The optional units are described as "Generation 7", with the ability to drill in 12,000ft water depths — versus 10,000ft for the four firm units — a seven-ram blowout preventer and enhanced systems for ballast water treatment, mud handling and riser handling.

DryShips, which began in 2005 as an



The four Ocean Rig drillships constructed so far — *Mykonos*, *Corcovado*, *Olympia* and *Poseidon*; two more optional units could be built.

owner of drybulk carriers, has confounded investors with its forays into the offshore business starting in 2007 — and, in 2010, into a newbuild tanker programme.

One theory that had made the rounds on the investment blogs had DryShips

spinning off Ocean Rig in an anticipated public offering, using the proceeds — which could be as much as \$700m-\$800m, with DryShips maintaining a majority holding — to buy drybulk vessels at a low point in the market cycle.

With additional capital expenditure being necessary for the two — and potentially four — optional Samsung drillships, this theory is now looking less likely. ■

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Brazilian boom fuels US export order for platform supply vessels

Eastern Shipbuilding hopes to create 300 jobs at yard with five-vessel order driven by Marad finance guarantee



BARRY PARKER — NEW YORK

A NEWLY announced order shows how a high-quality yard not normally associated with international orders can join the ranks of suppliers into the burgeoning Brazilian market.

Eastern Shipbuilding, in the Florida, US panhandle on the Gulf of Mexico, has landed an order to build five platform supply vessels to an entity described as Boldini SA, based in Rio de Janeiro. Boldini is a part of the better-known Navegacao Sao Miguel, an offshore service vessel owner.

NSM, in turn, is part of the privately owned Brasbunker Group, whose investors include BTG Pactual, a large investment bank with a growing position in Brazilian infrastructure projects. Brasbunker's fleet list shows ownership of several anchor handling tug supply vessels and, through the Bondini nameplate, ownership of five vessels described as line handlers.

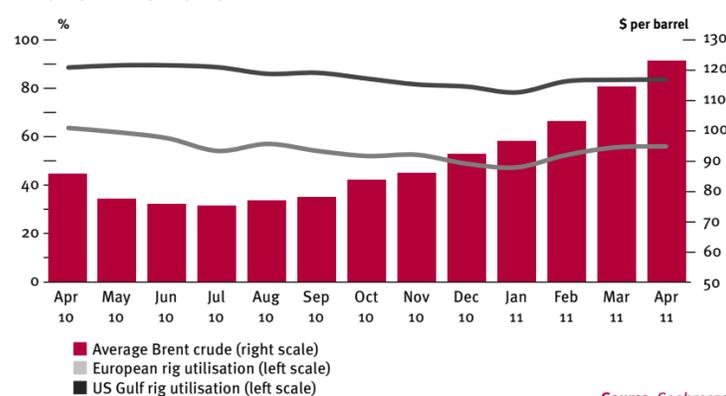
The deal with Eastern Shipbuilding, in the pipeline for quite a while, is driven by the special US government guarantees on financing. Once a buyer passes the rigorous approval process by the US maritime administration, Marad, borrowers can source debt on highly favourable terms.

Maturities can extend over 25 years and the advance rate on the debt — the amount borrowed as a percentage of the overall asset price — can reach as high as 87.5% because of the guarantees. The interest rate, keyed off a US Treasury rate plus a spread, will rival that of top corporate borrowers. Of the larger contract, some \$241m will be guaranteed, enabling the buyers to raise low-cost institutional funding for long terms.

For Eastern, a well-respected Gulf coast yard in a region hard hit by last year's Deepwater Horizon oil spill and its aftermath, a big selling point is job creation. Local officials were predicting 300 new shipyard jobs could be created by the construction project.

RIG UTILISATION AND OIL PRICE

Rising oil price brings slight uptick in utilisation



Source: Seabreeze

A fact of life for Marad's Title XI programme (with some \$2.2bn of guarantees on financing outstanding) is that it is political. The programme has supported the construction of US flag oil service assets in a big way, but has also supported exports of US-manufactured supply vessels in the past.

Marad's credit decisions have sometimes been problematical. Trico Marine, which is restructuring its debts after multiple financial gyrations, used Title XI guarantees to build a trio of vessels for the US trades at Eastern in the late 1990s.

The export sales were spurred by former US president Bill Clinton's efforts at revitalising US yards. In the late-1990s, Halter constructed the 267-ft, 3,400 dwt platform supply vessel *Thebaud Sea*, in the service of Secunda Marine, a Candian operator, assisted by a \$24.1m guarantee. This followed an earlier order for an anchor handler with a \$17.1m support.

In February 2000, the Atlantic Marine yard in Jacksonville, on the east coast of Florida, delivered the PSV *Astro Barracuda* to another Brazilian PSV operator, Astro Maritima. Marad financing guarantees of \$88m were granted to support the construction at the Keppel AmFELS yard in Brownsville, Texas, of a jack-up rig, Tonalá, for a Mexican customer, Perforadora Central, delivered in 2004. Recent reports show the rig on charter to Pemex at \$105,000 per day, but drilling in Asian waters.

300

Far Eastern shipyard jobs created by new project

Eastern has built a number of PSVs for US owners, notably Harvey Gulf Marine, in the early 2000s. Last year, Eastern won an order to deliver six additional offshore support vessels for Harvey Gulf, now 76% owned by private equity investor The Jordan Company and 24% by management.

The yard also built two PSVs in 2010 for another US owner, Aries Marine. Eastern's president and chief executive Brian D'Isernia told Lloyds List: "Eastern Shipbuilding Group is pleased to show once again that US shipbuilding can be successful in the international marketplace.

"We at Eastern look forward to delivering to Boldini/Brasbunker five quality PSVs for the vibrant and dynamic Brazilian offshore market."

When asked how the five vessels differed from other PSVs produced by the yard, Mr D'Isernia explained: "Although we kept the same Z-Drive and bow thruster horsepower in order to enhance the dynamic positioning capability, the lines are somewhat finer in order to meet Petrobras's speed requirement."

He added: "The vessel will meet or exceed Petrobras's requirements for the PSV 4500 [one of several vessel types for which Petrobras had been tendering]. The vessels' DP capability far exceeds Petrobras's original requirement."

Reports suggested the design for the Boldini vessels would be similar to that of the Aires Marine vessels — and the design Harvey is utilising — said to be based on a STX Canada/ STX US design, a 292-ft loa version of the PSV23DE design, a DP-2 vessel. ■

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Offshore boost for US links to Brazil

THE bullish investment environment throughout the offshore oil business bodes well for exports from the US, writes Barry Parker in New York.

President Barack Obama, accompanied by US Secretary of Energy, Steven Chu, visited Brazil in late March, making a commitment for expanded economic ties between the US and Brazil. The private equity connections of Bondini, the nominal platform supply vessel buyer — and borrower of money with repayment guaranteed by the US government — are not coincidental.

Given the deep pockets of Brasbunker's financial owner, whose backers include the wealthy Rothschild and Agnelli families, along with several Sovereign wealth funds, what better borrowers to make the bureaucrats in Washington, DC comfortable with risk? Much of the construction will take place in Brazil. Perhaps one sign of the times was an announcement from naval architects Guido Perla & Associates, based in Seattle, US, that it was opening an office in Brazil.

As GPA explained, bidders using its designs have been successful in Petrobras tenders for multiple offshore

vessel categories; now it wishes to be on the scene during the execution phase.

These vessels have included Petrobras-approved designs such as the PSV 3000 (a 72 m, 3,000 dwt, DP-2 boat based on the GPA 670D design); the PSV 4500 (based on the 87 m GPA685 design, also a DP-2 boat); and a spill responder, the OSRV 750-10 (also based on a GPA design). As Petrobras tenders for boats, its 146-vessel fleet renewal programme includes some 65 PSVs and 18 oil spill response vessels.

Nevertheless, tough Brazilian rules on "local content" may not be achievable, creating possible openings for non-Brazilian yards, such as Eastern and continued vessel charters.

In March, at a US Department of Commerce seminar promoting US exports to Brazil, energy lawyer and trade consultant Jon Vague, from Houston, Texas — who is active in Brazilian business development — pointed to a severe shortage of qualified personnel in Brazil to work on the country's oil and gas projects.

In his presentation to the Houston group, he also mentioned Petrobras's local content requirements, typically around 70%, may be lowered to enable Brazil to achieve its ambitious targets for "pre-salt" oil production.

Petrobras has continued to be busy on the chartering front. Offshore specialist Seabrokers notes in its latest "Seabreeze" newsletter the Brazilian "champion charterer" has recently fixed a trio of boats out of the North Sea market.

These vessels include Sealion's PSV *Toisa Crest* (3,248 dwt), which has fixed four firm years with further options, while the similarly sized *Skandi Commander* has gone on to a charter in Brazil through year-end.

Also mentioned is Vestland Marine's *Ramco Commander*, a 13,000 BHP anchor handler, which will be commencing a four year Petrobras charter, to be followed — if extended — by another four-year term. ■

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Man on a mission: President Obama courts the Brazilians on his March visit.

AP