

Rig sharing deals open up Norwegian waters

Rig Management Norway creates co-operative arrangements to bridge the gap between asset owners' need for lengthy charters and the cost of increasing production in smaller fields



Barry Parker — New York

LAST summer, five Siem vessels were working for Cairn off Greenland's western coast, supporting two Ocean Rig-owned units — the drillship *Ocean Rig Corcovado* and the semi-submersible platform *Leiv Eiriksson*.

All five of the support vessels had shifted back to the North Sea at the conclusion of Greenland's summer drilling season. Siem's quintet included the platform supply vessel *Siem Danis*, which was subsequently sold for \$34m — representing a \$14m gain — and two anchor handlers, *Siem Topaz*, now on to Statoil, and *Siem Aquamarine*. Also included among the five were two PSVs recently fixed by Eni West Africa.

Leiv Eiriksson will be back. The rig, currently working in the Falklands for Borders & Southern, to be followed by work for Falklands Oil & Gas, will mobilise to the North Sea in late 2012 to begin a combination of appraisal and exploration work on a newly announced three-year deal for a group to be co-ordinated by the Stavanger-headquartered Rig Management Norway group.

The new consortium's membership has been disclosed, except for RWE Dea, the offshore energy producing arm of a Hamburg-based energy multinational, which has very publicly stated that it will be drilling three wells out of an anticipated 15. The precise hire rate in the new contract for the fifth generation harsh environment semi-submersible has not been revealed, however, the stated backlog of \$653m calculates back to a dayrate around \$600,000.

RMN creates co-operative

arrangements which it describes as "rig funds". Ongoing RMN deals have tied up the rigs West Alpha (on in the low \$500,000's) and Borgland Dolphin (on at around \$530,000 per day). The midwater semi-submersible Transocean Arctic, currently finishing up a contract for Statoil at \$295,000 per day, will transition to RMN in mid-2012 at a dayrate of \$417,000.

The critical components of rig deals are back to back sublet agreements between RMN and licences via the field operators, individual company drilling slots, financed by single operators, and a mechanism for sharing the financial exposure for unbooked capacity among the rig fund participants. The upshot is that RMN's approach supports the drilling efforts of smaller players lacking the financial wherewithal and operational infrastructure to support the multi-year charters of expensive rigs. Alternatively, large players such as RWE may have a limited drilling programme insufficient to support a multi-year charter.

Rig sharing is an outgrowth of the Norwegian government-supported Konkraft initiative of the mid-2000s, which sought to increase rig availability for smaller market entrants.

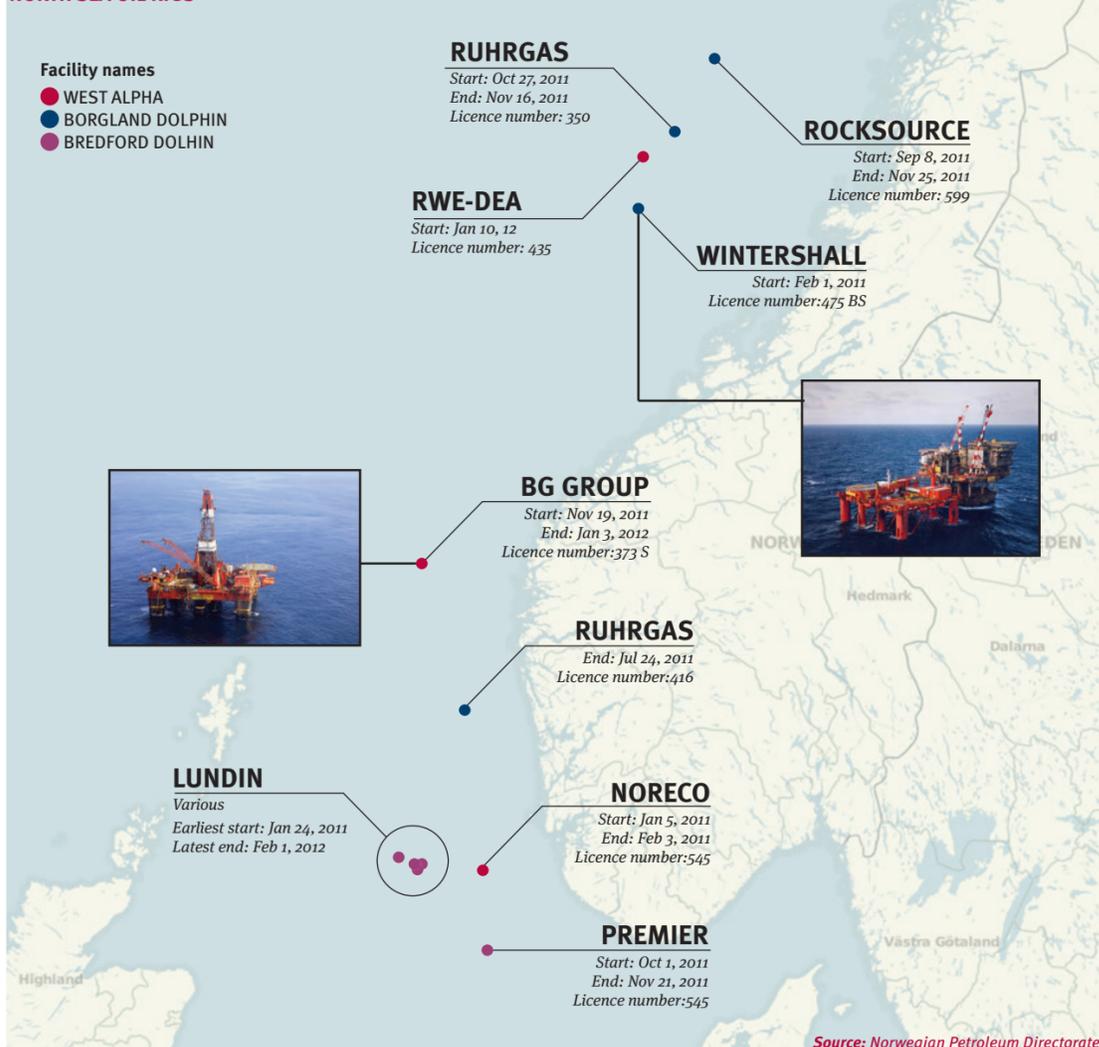
The practice closes a gap between the Norwegian desire to increase production in smaller fields that might be outside the province of oil majors and larger independents, and the needs of asset owners for lengthy charters, in a market poised to move up through \$600,000 per day for high-end floating equipment.

Rigs suitable for Norwegian waters, whether owned by listed companies such as Ocean Rig/Dryships, North Atlantic/Seadrill, or Fred Olsen Drilling, or in private outfits such as Odffell Drilling, Aker Drilling — now part of Transocean — or AP Moller-Maersk's drilling subsidiary are typically transacted in long-term charters.

One beneficiary is the smallest Bridge Energy, an independent exploration company with blocks in the UK and Norwegian North Sea, listed in Oslo. Bridge stated in its offering memorandum in the spring of 2010: "In order to be well positioned for future expansion, the company has secured two well slots for the Borgland Dolphin, one in 2011/2012 and one in 2013, through a rig sharing arrangement."

Bridge, currently closing on a private placement of additional shares, was awarded four licences in the Norwegian

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North Sea. Bridge's licences are situated near the site of a recent mega-discovery — at Aldous/Avaldsnes (renamed, in January, as the Johan Sverdrup field). Bridge's intention is to drill five wells in 2012, including at the Wintershall-operated PL 457 in Block 16. Wintershall Norge, which is tied to the German chemicals giant BASF, is a participant in the ongoing

"The substitution occurred as an opportunity arose to take a rig that had recently upgraded its Blowout Preventer to include casing shear rams and which had just completed its DNV 10-year special survey"

Tullow

Borgland Dolphin and the upcoming Transocean Arctic rig funds.

Rig sharing requires movements of rigs, always weather permitting. A late January 2012 flight of anchor handler charters, on units ranging from 14,000 bhp to 36,000 bhp, were tied to a move of the Borgland Dolphin. Broker reports had the *Havila Venus* — at NKr130,000 (\$23,000) per day before moving on to work for Statoil in mid February at NKr75,000 per day — *Bourbon Orca* (at NKr105,000 per day), *Far Sapphire*

(at NKr140,000 per day), *KL Sandefjord*, *REM Gambler*, *Brage Viking*, *Stril Commander* and *Olympic Poseidon* (before its fixture to Ross at NKr110,000 per day) all linked to a move of the rig in late January, which followed dry holes on two wells drilled for E.ON Ruhrgas in the Norwegian Sea.

The semi-submersible was moved northward to the Maria prospect in the Norwegian Sea, where it is now working for Wintershall. Within the consortia, slots of typically two- three months' duration are scheduled, but sometimes swapped to meet operational needs. The Olsen-owned rig is set to work for consortium member Total E&P Norge in Block 25, after finishing the work at Maria.

Broker reports showed that Marine Logistics Service — handling technical management tasks for the Borgland Dolphin — was in the market for an offshore support vessel beginning February 20-22, to assist with the all around work in connection with the rig; broker reports showed MLS taking *Bourbon Orca* to service another rig, Bredford Dolphin, on to Lundin. The rig will be shifting northward to the Albert prospect, after having been employed at the Johan Sverdrup discovery.

Konkraft, the industry-based initiative promoting improved oil production on the Norwegian Continental Shelf, offered a stated goal to: "Apply integrated operation more widely to reduce operating costs and increase recovery factors." It has clearly

succeeded. In its fourth transaction, NRM will be chartering an exceptionally suitable rig. Borders & Southern had trumpeted its subcharter arrangement with Falklands Oil & Gas (which took two option slots tied to the original contract), noting: "Not only will we share mobilisation costs for the rig but also on third-party services and equipment."

The choice of the Leiv Eiriksson (substituted for Ocean Rig's other semi-submersible Eirik Raude, the rig initially chartered to work the Falklands but working for Tullow offshore West Africa instead) made sense to Borders on other grounds. The London-based driller commented: "The substitution occurred as an opportunity arose to take a rig that had recently upgraded its Blowout Preventer to include casing shear rams and which had just completed its DNV 10-year special survey."

Rigs on conventional charters also require OSVs for moves. After weather delays, three Norwegian-controlled vessels, *Balder Viking*, *Loke Viking* and *Magne Viking*, were booked at £7,000-£7,500 per day (about \$11,000-\$11,800) by Premier Oil in the UK sector of the North Sea. Premier is shifting its chartered in Sedco 704 (an older semi-submersible owned by Transocean, on charter at \$262,000 per day) from its now abandoned East Fyne appraisal well to its Bluebell project, both in the Central North Sea. ■

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West African activity attracts ultra-deepwater drilling rigs

A YEAR after production began at the Jubilee field, offshore Ghana, West Africa continues to be a hotbed of offshore activity, drawing drilling rigs and support craft into the region, writes Barry Parker.

Two platform supply vessels from the Siem Offshore fleet, *Siem Louisa* and *Sophie Siem*, have mobilised to West Africa, with the terms of their hires under wraps. Siem's two 3,500 dwt PSVs, with a deck area of 680 sq m, have been taken by Eni Ghana for multi-month firm periods, with options for hires described only as being at market rates.

Brokers' market reports pegged the average dayrate of January fixtures for smaller PSVs on cargo runs around the North Sea at around £8,000 (\$12,500). Dayrates are higher for period work farther from the home base, though brokers could not provide specific hires for the Eni/Siem deal.

Eni Ghana, operator of the Nunya 1-X field off the eastern coast of Ghana, has begun exploratory drilling with the semi-submersible platform Transocean Marianas, which is earning \$450,000 per



Ocean Rig's semi-submersible Eirik Raude is working for Tullow offshore Ivory Coast.

day on a contract through end 2012. Eni gained its 35% stake via a "farm out" from Afren Energy.

In explaining the mechanics of the deal between oil giant Eni and the much smaller Afren, the latter explained: "Under the terms of the farm out Afren will receive

a carry through the drilling of one exploration well, back costs and carry through future seismic acquisition and a milestone bonus payable upon the achievement of first oil on the block."

The Nunya oil prospect, also known as Cuda, is situated in the Volta River Basin,

near Ghana's eastern maritime border adjoining Togo and Benin. Geologically, it is part of the same formation as the better-known Jubilee field, off Ghana's western coast and the nearby Sankofa gas discovery at a Vitol-operated field drilled last summer by the Blackford Dolphin.

The Nunya formation is described by Afren as a "play type similar to recent Jubilee and Odum discoveries".

Further to the west, African Petroleum Corp has reported a significant oil discovery offshore Liberia, at its Narina-1 field, drilled at a water depth of 3,750 ft by the semi-submersible Maersk Deliverer. The rig began drilling for this Australia-listed explorer in August, 2011 after finishing a series of wells for Ophir.

Maersk Deliverer has also been employed on short-term subcharters to Vanco and Lukoil, providing time for evaluation of seismic data. In offshore Sierra Leone, where African Petroleum also has interests, Tullow was reporting that it has found hydrocarbons at the Anadarko-operated Jupiter-1 well, being explored with the ultra-deepwater drillship

Transocean Discoverer, at a water depth of 7,000 ft. The rig is also exploring at the adjacent Mercury-2 well in the same block.

Ocean Rig's semi-submersible Eirik Raude is working for Tullow offshore Ivory Coast, under a short contract expected to continue through early April, after having been shifted over from the Jubilee field, on appraisal work at a series of wells including the Kosrou prospect.

By April, Seadrill's newbuilding West Leo, an ultra-deepwater semi-submersible delivering from Jurong, will have mobilised to West Africa; Seadrill has signed a one-year charter with Tullow for the newbuilding at a rate that works back to around \$510,000 per day.

Market sources have suggested that following the conclusion of its short-term charter to Tullow, the Eirik Raude is slated to undergo survey and upgrade work. The rig, unfixed beyond its present charter, will return into a market predicted to break through the \$600,000 per day level — if the upbeat prognostications of the bullish analysts do indeed play out. ■

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