

Northwest Europe E&P activity outlook steady

MANY OBSERVERS HAVE been saying there is renewed interest in the North Sea, primarily in the UK sector and to a lesser extent offshore Norway. Recent licensing rounds have borne that out, as rounds in the UK and Norway have been more successful than in many years. Additionally, the Barents Sea will also see its first exploration activity in several years.

Various segments of the market in terms of rig type are seeing some improvement while others are experiencing either flat or lower activity. In some cases, contractors are moving rigs out of the market to other areas as they obviously see a certain level of stagnation in the segment.

ODS-Petrodata reported a good level of rig tendering activity during the first quarter this year for contracts set to begin during the summer, which is already occurring. The Norwegian market and heavy duty jackup market is strengthening in terms of activity although the standard jackup market is seeing lower demand, to the point that some jackups are being mobilized out of the region.

UNITED KINGDOM

The UK semisubmersible market is experiencing some gains in activity with 16 units working under contracts until at least late third quarter with about half of them contracted through early the fourth quarter if options are exercised. **ChevronTexaco**, **ConocoPhillips** and **Shell** are the most active in the UK floater market.

Although the standard jackup market has also experienced some gains in activity levels with two previously idle units, the **ENSCO 72** and **GlobalSantaFe's** **Labrador** obtaining contracts earlier this year, it seems like it is literally two steps forward and three back, as three other standard jackups were expected to become idle in early summer, potentially increasing the number of idle units to around eight.

As a result, some contractors are mobi-

lizing jackups to other market regions, including **ENSCO International** and **GlobalSantaFe**. The Middle East and Asia Pacific regions appear to be the favorite new locations for jackups departing the North Sea from both the UK sector and Norway. **GlobalSantaFe** is

"Utilization of 116-C rigs has been quite high until this last weak spot," Mr Hunt concluded.

The move will still leave **GlobalSantaFe** with nine jackups. Although the jackup market in the southern North Sea has experienced some softness during the past 12 months, presently, the company doesn't have plans to move additional rigs out of the North Sea, according to Mr Hunt. Last year the company moved a jackup from the North Sea to Trinidad.

"Today the North Sea jackup market is much closer to being in balance," Mr Hunt said, noting the role of independents moving into the region.

"The question is what degree of activity that the independents are going to have in the southern North Sea, and they seem to be moving at a relatively fast rate."

NORWAY

Most of rigs required to satisfy drilling programs the remainder of the year offshore Norway have been contracted, so little change is expected the remainder of 2004. About half the contracted fleet is under commitment into and through most of 2005 as well.

Norwegian North Sea demand resulted in **Transocean** taking its semisubmersible **Arctic** from cold stack status to active for a long-term contract with **Statoil** that is set to expire in early 2006.

The recent award of new licenses in the country's 18th round could result in rig tenders later this year for drilling programs beginning in 2005. Around half of the currently working semisubmersibles are under contract through 2005, resulting in a potentially tight market that could possibly see rig movement from other areas if they can meet approvals from Norway to operate in the sector.

Norway is expected to see Barents Sea activity for the first time since 2001. **Ocean Rig** is contracting the **Erik Raude** semisubmersible for a program by **Norsk Hydro** and **Statoil** for one and



The Noble Ronald Hoop is in The Netherlands after recently being idled. The rig is being bid for programs that are scheduled to begin in July.

mobilizing its **GSF Adriatic 11** from the southern North Sea to Southeast Asia where it will have additional leg length installed before it will be available for contract.

"When we look at a relocation," said **Roger Hunt**, Senior Vice President of Marketing for **GlobalSantaFe** in Houston, "it is generally a story about the relative long-term demand and supply situation in each of the markets and also how that particular asset fits into the asset group in the respective market.

"With the **Adriatic 11**, it is one of only three **Marathon LeTourneau 116-C** jackups in the North Sea, and that class of rig is in high demand in Southeast Asia.

"The 116-C has had a very good track record in the southern North Sea, but over the last few years you have seen them quietly relocate as bigger rigs are delivered to the North Sea.

two wells, respectively. The program is expected to commence between October 1 and December 31, 2004. A well will be drilled with the rig in the North Sea prior to the Barents Sea programs.

They won't be inexpensive wells. The rig contract value alone is estimated by ODS-Petrodata to be around \$233,000 per day.

Norsk Hydro said it is taking a positive view of the Barents Sea and hopes that exploratory work in the Obelix prospect will result in a discovery, of course. However, the operator also said the risk of a dry hole in the area is high. More than 60 exploration wells have been drilled in the Barents Sea since 1980, most close to the Hammerfest Basin, the most explored section of the Barents Sea. The fourth well drilled in the area was a discovery, which resulted in the Snohvit field containing gas, condensate and oil. There was no exploration from 1995 to 2000 primarily due to disappointing exploration results.

There were some favorable drilling results in 2000 and 2001 and that, plus approval of the Snohvit development plan, have resulted in increased interest.

Eni had hoped to also drill a well in the Barents Sea this year but has postponed its plans until 2005 at the earliest pending rig availability.

PLATFORM RIGS

Not much is written about the platform rig market in any region of the world, perhaps because this market segment does not seem to be as "glamorous" as the mobile rig market, which garners most of the attention. However, in the North Sea there are more than 90 platform rigs on various structures, most offshore Norway and the UK, which posts 34 and 56, respectively.

Many of the rigs are on standby at any given time, usually awaiting workover programs. For example, of the 34 platform rigs offshore Norway, 19 were drilling in late May. There are 56 platform rigs in the UK sector with 29 drilling in late May.

The market is such that generally when a new platform is installed that calls for a platform rig to either perform development drilling and/or workover work, a

new rig is usually built rather than using an existing unit.

There is generally a mix of ownership, either by the operators who own the structure or by drilling contractors who will own and operate the rig. Most of the oil company-owned platform rigs are managed and operated by drilling contractors under various contracts, some of which have been managing the same platform rigs for an operator for as long as 18-20 years.



Noble Drilling is bidding the Noble Lynda Bossler for North Sea drilling contracts that are expected to commence in July.

In a recent contract, Norwegian contractor **Smedvig** was awarded a letter of intent from **Shell UK Limited** for platform drilling services and maintenance on 12 fixed installations in the UK. The commitment is for four years with two renewal options of two years each. **KCA DEUTAG** previously managed and operated the platforms for Shell UK. The firm four-year agreement with Smedvig is valued at NOK900 million. The contract will employ approximately 200 people and will be managed from a newly established Smedvig office in Aberdeen. The platforms under the contract include Brent A, B, C and D; Nelson, Auk; Cormorant Alpha; Dunlin; Eider; Fulmar, North Cormorant; and Tern.

In addition to Shell, operators with platform rigs in the North Sea include Statoil, Norsk Hydro, **ExxonMobil** and

ConocoPhillips in the Norwegian sector. Operators in the UK sector include **BP**, **ExxonMobil**, **ChevronTexaco**, **Marathon**, **CNR International** and **Talisman Energy**.

LICENSING

Both the UK and Norway recently conducted successful licensing rounds that could portend new activity perhaps as early as late this year or early 2005.

In the UK's 22nd offshore licensing round, the government received applications for 164 offshore blocks, 25 more than the previous licensing round.

Twenty of the 68 companies that applied for licenses are potential new entrants in the North Sea, which bodes well for drilling contractors.

Additionally, the government introduced its "innovative" Frontier licenses designed to increase interest in newly offered blocks north and west of the Shetland islands. Four license applications were received for Frontier acreage. The Frontier license allows a company to apply for relatively large amounts of acreage and then relinquish $\frac{3}{4}$ of that acreage after an initial screening phase. The exploration and development periods are extended by two years longer than the traditional license.

The government also received traditional license applications and 42 Promote license applications. Thirty applications for onshore licenses were also received, three times the amount from the previous round.

In Norway's 18th licensing round, the government said 16 companies will be offered participating interests in 16 new production licenses, which contain a total of 46 blocks or partial blocks. The blocks are in areas that have seen little to no exploration but were said to have high potential, although some of the blocks awarded were near established areas.

This was the largest licensing round since 1965 with a total of 95 announced blocks.

Many of the blocks are in the deepwater areas of the Norwegian Sea and around the 62nd parallel on the border between the Norwegian Sea and North Sea. ■