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 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 mobilizing 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 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.

“There is a 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.

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

“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
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.

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