

# North Africa region experiences steady E&P activity

**E&P ACTIVITY IN** North Africa has been fairly steady for decades for at least one contractor, but others have also found steady rig employment in the region, both onshore and offshore. One area that has been closed to Western companies, Libya, could open up to allow E&P activity, one contractor believes.

Offshore there are few rig tenders, with only one tender for a semisubmersible for offshore Tunisia. Onshore, several tenders are out for rigs in Libya and Algeria, both areas that could potentially see fairly increased activity levels.

## LIBYA

KCA DEUTAG has been working in North Africa for more than 40 years, including onshore drilling and workover operations in Algeria, Tunisia, Sudan and Libya.

The latter is the contractor's only active area presently, and it may remain that way since the company is focusing its efforts in other areas such as West Africa, Russia and later possibly Iraq. However, the company would like to increase its presence in Libya.

KCA DEUTAG also has been working for **Agip** in its offshore Bourri field since 1998, providing supervisory support and senior operations personnel to **National Oil Wells Drilling and Workover Company (NWD)**, which provides drilling operations on the two Bourri platforms.

Onshore, the contractor's five rigs are all presently contracted, one for **Wintershall**, one for **Agip**, and three for **Waha Oil**. The contractor recently received contract extensions for its rig T-16 working for **Agip** and T-72 working for **Wintershall**.

In terms of future activity, **Agip** tendered for an additional land rig, but there also may be additional E&P activity from Western oil and gas companies, a KCA DEUTAG official believes.

**Claus Chur**, KCA DEUTAG's Group Director, Land Division, said apparent improving relations between Libya and the US could mean the entrance of US companies into the country.

"The US government imposed sanctions

against Libya that doesn't allow American companies to work inside Libya," Mr Chur noted, "but there are some



Companies like Nabors and KCA DEUTAG have taken advantage of drilling activity in the desert areas of North Africa.

signs or positive expectations that the sanctions might be lifted in 2004."

"If that happens," he said, "I am sure there will be increased activity then."

The US government removed travel restrictions to Libya in February as a result of the country volunteering to abandon its nuclear arms program, and several US oil companies are expected to return to the country to continue their E&P programs where they left them in 1986 when the US government restrictions included a ban on direct trade, commercial contacts and travel.

Among the companies discussing oil projects with Libya are **Marathon**, **ConocoPhillips** and **Amerada Hess**, which made up the **Oasis Group**.

Mr Chur said Western companies could begin E&P efforts by 2005 if sanctions are lifted this year. "There are already delegations in the country from different companies preparing the groundwork," he said.

"There still is a significant amount of hydrocarbons to be found in Libya," Mr Chur said, "with only about one-fourth of the country explored to date."

The country is producing about 1.6 million b/d of oil today, however, more than 3 million b/d was being produced in the 1970s, he noted.

"That clearly indicates that undiscovered resources and potential are fairly significant," he said.

"There is quite a bit of production history ahead of us," he continued, "and we expect a re-entrance of international oil companies, specifically Americans, that will speed up the activities in the country."

## EGYPT

With plenty of natural gas reserves onshore and in the Mediterranean and Gulf of Suez, Egypt is one of the countries cashing in on exporting the resource via LNG. A facility is presently under construction in the country by **Burullus Bas**, part of **British Gas**.

E&P activity in the Mediterranean is fairly active, with **GlobalSantaFe** operating the only jackups in the Mediterranean offshore Egypt, although **Maersk** is mobilizing a jackup from the North Sea. **Atwood Oceanics**, **Transocean** and **Saipem** are operating semisubmersibles off Egypt.

Contract terms can range from several months to a couple of years, with dayrates for large jackups in the Mediterranean ranging between \$50,000 and \$60,000.

Contracts for two of **GlobalSantaFe's** jackups in the Mediterranean will expire this summer but they are expected to get new contracts.



**GlobalSantaFe's jackup Key Singapore is working offshore Egypt in the Mediterranean Sea for GUPCO. Contract terms in the region can range from several months to several years with dayrates as high as \$60,000.**

"We expect the activity level will remain constant in the Mediterranean," said **Andrew Tietz**, Global SantaFe's Sales and Contracts Manager for the Mediterranean and Middle East.

With a tight jackup market, semisubmersibles sometimes move into shallow water to drill exploration wells.

"The market for shallow water semisubmersibles is not that strong right now," Mr Tietz said.

"If you want to use a semisubmersible to drill, rig availability and rates would push you in the direction of using a semisubmersible."

Some of the wells being drilled in the Mediterranean offshore Egypt have become deeper and deeper and more difficult to drill due to the depth.

Consequently, the jackups drilling there presently all have three mud pumps to

handle potentially higher pressures.

"There has been talk of drilling even deeper and getting into zones that are going to require 15,000 psi BOPs," Mr Tietz noted, "so I think the (equipment) requirement in the Mediterranean is going to be higher than what we have seen in the past."

The government is presently tendering for new licenses in the Mediterranean with several companies said to be interested.

The jackup market is significantly different in the Gulf of Suez. For one, it is much shallower than the Mediterranean so large jackups generally aren't necessary, although there are a few of the larger units in the Gulf.

Dayrates for the smaller jackups range from the mid-\$20,000 to the mid-\$30,000, primarily because an operator doesn't need all the bells and whistles it might need on larger rigs for drilling in the Mediterranean.

"The Gulf of Suez is a mature province," Mr Tietz said, "and it is actually on a decline with not much new activity and demand."

Much of the work presently is drilling over old platforms for workovers or sidetracks. There is some exploratory work, however, Mr Tietz notes.

"We are seeing more and more smaller players coming into the Gulf of Suez and trying to make a go of it," he said.

Mr Tietz said primarily smaller international companies are showing interest in the Gulf of Suez as the larger operators begin moving out, not unlike the situation in the Gulf of Mexico.

## ALGERIA

Activity in Algeria has softened since the third quarter 2003, but it is expected to increase by this summer. **Pride Inter-**

**national** has two land rigs in Algeria, both of which are presently idle, and have been since the third quarter 2003.

"We are bidding the two rigs actively but not aggressively," said **Gary Casswell**, Vice President-Eastern Hemisphere for Pride International.

Pride would consider moving the rigs to another country or region, perhaps in its Latin American operations.

**Nabors Drilling** operates five land rigs in Algeria, three of which have been idle since the late third quarter 2003.

Until the market softened then, the rigs had worked almost exclusively for **Berkine**, the joint venture of **Anadarko Petroleum** and Algerian state oil company **Sonatrach**. Nabors, however, is a bit more optimistic about the Algerian rig market than Pride International.

"We are looking at eight bids for work in Algeria," said **Dennis A Smith**, Director of Corporate Development for Nabors Industries.

"We expect to have all of our rigs back to work over the next quarter or so."

"It won't become a boom," Mr Smith said, "but it should become fairly active, although Algeria could be constrained by its OPEC quota." ■



**Drilling onshore in the North Africa region is experiencing steady activity, with countries such as Algeria possibly increasing E&P.**