

ASIA PACIFIC DRILLING

*The
good times
are
rolling*



**Pacific Rim market outlook soars as
jackup rates continue to grow and oil
prices make mature fields viable again**

WITH A GENERALLY benign offshore environment and business climate, the Asia Pacific has been riding high on the drilling wave over the past year. Effective rig utilization is at nearly 100%, and industry experts continue to predict rig shortages for the foreseeable future. Meanwhile, dayrates have at least doubled.

"On the jackup side, newbuilds have been securing ever-higher dayrate fixtures. There's not an immediate indication of oversupply," said **Ben Bollinger**, **GlobalSantaFe** vice president-sales and contracts. The company currently has 7 rigs — all jackups — in the region. This fleet is already 70% booked for 2007 and 50% booked for 2008, Mr Bollinger said.

While GlobalSantaFe has not moved any rigs out of the area over the past year — signaling a strong market — it also hasn't moved any in. "It would be hard to justify moving a rig into Southeast Asia right now, with the quantity of new rigs being built there."

A majority of the industry's newbuild jackups remain uncontracted, he continued, which "leads you to believe we might have a glut in Southeast Asia. Whether we do will depend on if those new rigs are absorbed by other areas of the world."

Right now, Mr Bollinger doesn't see much incentive for contractors to take on the complications and costs of mobilization because "the rates in the Pacific are attractive enough that there's no reason to go anywhere else. With the exception of the North Sea, you'll probably find the highest jackup dayrates in the world between West Africa and Asia Pacific."

Paul Vorabutr, regional vice president of the Thai offshore assets division for Thailand's **PTT Exploration & Production (PTTEP)**, noted that he has seen jackup rates "rising very sharply in the last 2 years. Semi and drillship rates have gone up as well, but not to the same degree as jackup rates."

COSTS ARE UP TOO

There's one dynamic, however, that Mr Bollinger believes many people are missing: "Just as our dayrates are increas-

ing, our costs are increasing as well, especially labor costs. I think it's a result of the newbuild rigs. Many of the new rig owners are realizing that they have to put those rigs to work soon and they need competent crews. They don't have the resources to hire and train crews, so they're basically sourcing them from existing drilling contractors. That puts pressure on labor costs."

CAPACITY ISSUES

Higher oil prices have given a boost to drilling activity worldwide, but in the Pacific Rim region, they've been key to making mature fields profitable again, Mr Bollinger said, citing critical markets such as Thailand, Indonesia and Malaysia.

Glen Kelley, senior vice president-marketing and administration of **Atwood**

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Oceanics, agreed that there has been more drilling in the region, but he also noted the limitations the market has seen. "The number of available rigs has limited the activity level. I would say there's certainly a demand to drill more wells, but the number of wells actually drilled probably has only increased slightly from the previous year," he said. As new rigs become available, "I think we'll see a significant increase in 2007."

Atwood currently has 4 rigs in the region — 2 semis (the Atwood Eagle and the Atwood Falcon) and 2 jackups (the Atwood Beacon and the Vicksburg). The Atwood Beacon recently left Vietnam for a shipyard in Singapore to reattach its last leg sections. It will then be mobilized out of Southeast Asia and is expected to begin a 25-month drilling program with India's **Gujarat State Petroleum Corp (GSPC)** in November.

The Vicksburg recently was mobilized from Malaysia to Thailand, where it will work for **Chevron** until at least June 2009. "The Gulf of Thailand area looks

very strong going forward," Mr Kelley commented.

Mr Vorabutr of PTTEP also cited the Gulf of Thailand as a high-growth area. He said that in addition to operating Bongkot, Thailand's biggest gas field, the company is developing 2 more gas fields there with a combined production of more than 650 MMSCFD.

The Atwood Eagle recently began drilling for **BHP Billiton** on the Stybarrow field, a deepwater, all-subsea program that is expected to produce first oil by 2008. It is 1 of 3 fields that make up a new oil province in North West Cape in Western Australia, according to **Derek Morrow**, Atwood Oceanics Australia manager and chairman of the **IADC Australasia Chapter**. "The bulk of the oil developments on the North West region involve subsea trees and flowlines/pipelines connected to a purpose-built FPSO that can disconnect from the riser in the event of adverse weather, such as cyclones," he said.

Other than Stybarrow, the **Woodside**-operated Enfield project produced first oil in late July. The FPSO Nganhurra being used on the project has a maximum production rate of about 100,000 bbls/day, and this is expected to be the main contributor to Woodside's forecast of a 40% production increase in the second half of 2006. Woodside also has approved development of the Vincent field in the North West, with start-up slated for 2008.

DEEPWATER PROSPECTS

GlobalSantaFe's Mr Bollinger noted that while the Asia Pacific deepwater market has so far lagged behind better-known areas such as the Gulf of Mexico and West Africa, there has been some change. "There might be potential use for additional deepwater units, perhaps offshore Brunei or eastern Malaysia."

The Atwood Falcon recently entered a Singapore shipyard to upgrade its water depth capability from 3,700 ft to 5,000 ft. The work is being done at **Shell's** request and reflects its need for deeper drilling capabilities in the area, Mr Kelley said. After the upgrade — estimated to cost about \$24 million and take 75 days to complete — the Falcon will work in Malaysia for Shell until at least July 2009.

"There's not enough deepwater rigs for the near-term. The ones coming out will probably be going to other areas like Africa and the North Sea," he said. "In Australia, the Atwood Eagle could be the

On facing page: The Atwood Falcon is undergoing upgrades to increase its water depth capability to 5,000 ft. It will then work for Shell in Malaysia until at least July 2009.

only deepwater unit left because the only other deepwater rig will be leaving for the Gulf of Mexico.”

DEEPWATER TENDER-ASSIST

In the past year, Atwood has moved the Seahawk, a tender-assist unit, out of Malaysia, where it had primarily worked since 1992. The rig was moved to West Africa for a 2 to 4 year contract with **Amerada Hess**. “It could remain in West Africa, but we’re already getting inquiries from Southeast Asia for the rig to come back,” Mr Kelley said.

Although Atwood decided to mobilize the Seahawk to West Africa for now, he believes the use of tender-assist rigs in deeper waters could turn into a trend in the Pacific region. Two deepwater tender-assist drilling programs have already been done in Southeast Asia, one in Malaysia and one in Indonesia, where technology was used to put a derrick equipment set onto a TLP in deep water. “It may attract more attention in the future,” he said.

BY REGION

On Vietnam, Mr Bollinger noted that while there are many shorter-term contracts, “it’s hard to tell if that’s developing into a significant amount of additional demand.” In Indonesia, he said, an increasing number of smaller E&P companies have come into play, but the country’s often-winding bidding and selection process could hinder growth.

“From a contractor’s perspective, Indonesia has a very cumbersome bidding process in terms of the slow approvals. I think it’s putting Indonesia at a disadvantage.”

In Thailand, Mr Vorabutr said PTTEP has extended its reach into Oman, Vietnam, Cambodia, Iran and Algeria. “Offshore Myanmar is one area we are focusing on. Although the result of the first well was not as we expected, our view of the prospectivity of our acreage has not changed, and we are fully committed to completing our drilling campaign as planned,” he said. “We believe the Pacific Rim region still holds a lot of potential for substantial hydrocarbon discoveries.”

Mr Kelley echoed the sentiment, citing worldwide and regional economics, increasing energy consumption in the Asia Pacific region and strong commodity prices. “To sum it up,” he said, “the future looks very bright for the Asia Pacific drilling market.”