

THE NAVIGATOR



FEBRUARY 2012

ISSUE 6

THE MONTHLY REPORT FROM WESTSHORE SHIPBROKERS AS



WESTSHORE

SHIPBROKERS AS

INSIDE THIS ISSUE:

- ▶ **NEWBUILDING NEWS** 3
- ▶ **DRILLING & PRODUCTION** 4
- ▶ **IN & OUT** 5
- ▶ **MARKET FORECAST** 6
- ▶ **THE INSIDE STORY** 7
- ▶ **THE LAST WORD** 8

02 HEADLINE NEWS

Norway's hopes for further finds

Results are in the the Pre-defined areas scheme and submissions for the 22nd licensing round – with interest at record levels.

Headlines of declining production rates and more expected have long been the unfortunate consensus for oil and gas production in the North Sea. That is until the latter part of 2011 when amongst others Statoil announced finds of game-changing significance. The renewed confidence was echoed in the interest expressed in the 60 new production licenses offered up in the Ministry of Petroleum and Energy's Pre-defined Areas (APA) Scheme. The success at Johan Sverdrup (former Aldous/Avaldsnes) where vast reserves were announced in an area where much exploration activity had been carried out already has spurred on operators to bid in what became the biggest ever award for acreage in mature areas. Unsurprisingly Statoil emerged at the forefront of the list of companies taking on operatorship with 11 licenses awarded – all of which in areas classed as 'mature'.

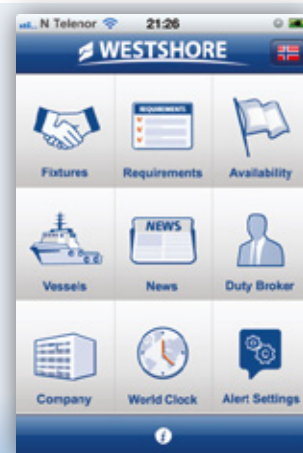
Other successful applicants include; UK independent Valiant Petroleum which will take on operatorship in the Norwegian sector for the first time. Statoil's partner in the Johan Sverdrup discovery – Lundin Petroleum was awarded ten exploration licenses, four of which as operator. ENI Norge will take a further license in the Barents Sea close to the Goliat field. Wintershall secured interests in seven new licenses, four as operator, which sees the German oil company further climb up the list of important players in the Norwegian sector. Another one to keep an eye out for is a small Norwegian independent by the name of Spring Energy which picked up interests in eight licenses including one as operator which will add to the two other

licenses it currently acts as operator for. Spring Energy say it is focusing on activities in the Norwegian continental shelf and has interests stretching from the North Sea to the Norwegian Sea and up into the Barents Sea.

Next on the agenda for the Norwegian sector is the 22nd licensing round which may cover areas of the Barents Sea. Following the initial phase of oil companies being invited to propose areas of interest to them commercially, The Ministry of Petroleum and Energy said that a record number of 181 blocks had been nominated in the Barents Sea area alone. The current intention is to announce the 22nd licensing round before the summer of 2012 with production licenses being finally awarded in the spring of 2013.

1000 App users!

The first and only offshore support vessel App for iPhone has just reached 1000 users! The success of the iPhone version will no doubt soon be replicated with the launch of the version for Android which is being worked on in-house and hoped to be launched soon.



03 NEWBUILDING NEWS

NEWBUILD DELIVERIES NEXT SIX MONTHS

MARCH 2012

Brage Trader
Olympic Energy
Skandi Kvitsøy
Skandi Hawk
Bourbon Clear

APRIL 2012

Viking Prince
OOC Leopard
Skandi Atlantic

MAY 2012

Sjoberg
Bourbon Calm

JUNE 2012

Far Scotsman
FD Incomparable
Olympic Orion

JULY 2012

Bourbon rainbow
Island Crusader
Viking Fighter
Simek UT755 TBN
Vestland Mistral

AUGUST 2012

Blue Ship Invest TBN

Is there a secret to a successful start?

With so many newbuild PSVs entering the market the degree of success each individual vessel has met on delivery can vary greatly – we take a look at the reasons behind achieving close to 100% utilisation compared to those that sit and wait patiently for the illusive first job.



The divided market in the North Sea that has been oh so evident over the past couple of years has been played quite effectively to some owners advantage. While rates available on the UK-side may be lower, chartering activity is higher and owners taking vessels over to Aberdeen have in some cases been able to fix that first job, albeit at a lower rate than what may have been achievable had it been a 'Norwegian fixture', quickly. Once the first job is under your belt the hard part is often done – assuming the job is carried out well and all parties are satisfied at the end of course. Prime example of this scenario is recently delivered Solvik Supplier. The Vestland Offshore managed PSV picked up three jobs two UK charterers before securing 45 days work with Total. Similarly the January-delivered Blue Fighter secured her first job with E-On on the UK side and may be on the brink of announcing a term requirement shortly afterwards.

But the playing field has changed somewhat in the first quarter of 2012 as the term activity has surpassed the expectations of many, leading to the absorption of much of the new and existing tonnage. It is safe to assume that the challenges faced by owners with new PSVs will have been alleviated slightly as more opportunities present themselves.

NEWBUILD ANNOUNCEMENTS THIS MONTH

Allseas fixed up a three new vessels for pipehaul work namely Bourbon front, Ocean Pride and Brage Supplier. The contracts are for 40 days.

Brage Viking, the new AHTS for now named Viking Supply Ships has delivered and is prompt in Stavanger awaiting its first job.

Several naming ceremonies were held this month including Olympic Commander, Rem Supporter, Blue Fighter and Ocean Pride's ceremony will be held start of February.

Fosnavåg based World Wide Supply has added a further two Damen PSVs to the current order of four to be built at the Dutch yard Damen Shipyards. The two last PSVs will be delivered in November and December 2013.



04 DRILLING & PRODUCTION

ON THE MOVE IN FEBRUARY.....

- Songa Trym (Statoil)
- Rowan Norway (ADTI)
- Deep Sea Bergen (Statoil)
- Bideford Dolphin (Statoil)
- Songa Delta (DNO to Suncor)
- Stena Spey (Warm Stacked to EnQuest)
- Ocean Nomad (BG)

UPCOMING & ONGOING

Statoil has commenced the 166 day (estimated) drilling campaign at the King Lear prospect north of Ekofisk. Jackup Maersk Gallant is drilling the well in the highly anticipated location for Statoil described as 'high impact'.

ConocoPhillips has secured the jackup Maersk Resolve for a two well job starting in May on the UK sector.

Seadrill's 2000-built drillship West Navigator has been extended on its contract with Shell working at Ormen Lange. The contract extension is for 18 months.

Bad weather in the UK sector caused the Banff FPSO to lose its anchors this month causing some damage to risers. As a result the unit had to be removed from the field for a damage assessment to be carried out.

Troubles at the YME platform continue with new problems adding to the difficult weather conditions resulting in serious cost escalations. The last project completion date of second quarter 2012 has now been extended and legal action between suppliers and project partners now looks on the cards.

The search for drilling units in the North Sea continues as BP issues a tender for a heavy duty jack up to cover work in the central North Sea in 2013. In addition RWE-Dea seek a jack up for a six well programme commencing April 2013.



Rig shortage throws a spanner in the works

The fundamentals are all looking so good, major finds reported, increased confidence, majors increasing their spending budgets but the number of wells to be drilled in 2012 will be hindered by one major factor – lack of suitable drilling rigs. Offshore drilling in the Norwegian sector is heavily governed, as units seeking to drill in Norwegian waters must comply with strict regulation and achieve SUT certification showing the unit meets the required technical and safety standards for drilling. For months now it has been seen that there is virtually zero available floating rigs with existing SUT classification that could undertake additional contractual obligations for the remainder of 2012 and that is now beginning to stretch into 2013.

2011 saw a total of 52 wells spudded in the Norwegian sector, up from 41 in 2010. But a shortage of drilling units coupled with increased costs have led many to expect the tally for 2012 to remain flat on last year.

As we reported in December's Navigator one company is choosing to approach the problem from a different angle – Statoil. In an attempt to curb the increasing challenges brought by lack of suitable drilling units Statoil has started a programme whereby it seeks to build and contract units of particular relevance to the fields it operates and the challenges faced there. In tandem with some of the industry's main drilling companies, Statoil is redesigning the standard for semis and jackups for use in the Norwegian sector. However this project will take some time, not least the construction phase which has not yet started.

In the meantime insistence from NPD's director Bente Nyland to concentrate efforts on existing fields where unrealised opportunity may lie, will have to wait as rig capacity at least on the Norwegian side, is stretched to its limit.

05 IN AND OUT

Vessel	Design	Manager	ENTRY	From
Island Captain	UT 776 CD	Island Offshore	Mid – Feb	Newbuild – Norway
Stril Polar	PSV 09L CD	Møkster	Mid – Feb	Newbuild – Norway
Vessel	Design	Manager	ENTRY	To
Rem Supplier	PSV	Rem Offshore	Mid – Feb	SPD
FD Reliable	PSV	Gulf Offshore	End – Feb	Petersons
Maersk Launcher	AHTS	Maersk Supply	End – Feb	BP
Havila Commander	PSV	Havila	Start – Feb	MOUK
Normand Draupne	AHTS	Solstad	End – Feb	Gaz de France
Stril Orion	PSV	Møkster	End – Feb	Maersk Oil
Siem Topaz	AHTS	Siem Offshore	Mid – Feb	Statoil
Northern Wave	PSV	Trico	End – Feb	Providence
Skandi Emerald	AHTS	DOF	End – Feb	OGX – Brazil
Vessel	Design	Manager	EXIT	To
Skandi Skansen	AHTS	DOF	Mid – Feb	Subsea 7
Siem Sailor	PSV	Siem Offshore	Mid - Feb	Statoil
Havila Fortress	PSV	Havila	Mid – Feb	ADTI
Blue Fighter	PSV	Remøy Shipping	Mid – Feb	Apache
North Stream	PSV	Gulf Offshore	Start – Feb	DNO
SBS Typhoon	PSV	SBS Marine	Mid – Jan	RWE Dea
Siem Danis	PSV	Siem Offshore	Mid – Feb	Sold to Nigerian interests
Edda Freya	PSV	Østensjø	Start – Feb	Allseas
Ocean Pride	PSV	Sartor	Start – Feb	Allseas
Bourbon Front	PSV	Bourbon	Start – Feb	Allseas
Edda Frigg	PSV	Østensjø	Start – Feb	Allseas
Brage Supplier	PSV	Møkster	Start – Feb	Allseas
Rem Fortress	PSV	Rem Offshore	End – Feb	ADTI
Solvik Supplier	PSV	Vestland Offshore	Start – Feb	Total
Subhadra	AHTS	Varun	Start – Feb	TBA Caspian
Suchandra	AHTS	Varun	Start – Feb	TBA Caspian
Rem Fortune	PSV	Rem	Mid – Feb	Sold – Nigerian interests

06 MARKET FORECAST

TERM ACTIVITY IN THE FIRST QUARTER

THE DELIVERIES OF NEW PSVS CONTINUES UNABATED BUT TERM CHARTERING HAS SOAKED UP SEVERAL MORE VESSELS THAN SOME THOUGHT...



With so many new vessels entering service this year it was difficult to see how all the new tonnage could have been absorbed leading to some potentially difficult situations for PSV owners. But 2012 has kicked off in spectacular fashion when it concerns term chartering activity with news of arrangements being made for term work either in the North Sea or in other regions coming in thick and fast these past couple of weeks. Moreover there are still several outstanding term requirements for North Sea work and more announced recently. As one might expect, with each vessel secured the availability goes down and the rates paid for subsequent fixtures creeps up.

As Westshore discussed in last month's edition of the Navigator, pipe haul has already lead to some significant absorption of PSV tonnage as Allseas secured no less than five vessels for a 40-day programme at rates in excess of GBP 20K per day. Notably three out of five fixtures were for vessels less than six months old. More fixtures can be expected from this charterer as projects on the cards for 2012 have yet to be allocated specific tonnage. What may have started as several oil companies positioning themselves to take advantage of an excess of PSV tonnage has slowly started a trend of higher and higher rates being set for term work.

Furthering this is the handful of announcements of vessel sales and vessels leaving the North Sea for work in other regions – most notably West Africa. In this category we find the 1000m2 deck Rem Fortune and VS 470 Siem Danis which have been sold to parties outside the North Sea. Rumors regarding Caspian Sea work have been in the market for

some time but draft restrictions for entering the Caspian will exclude many vessels from being considered for this work. And of course Brazil will likely take a handful of vessels although this will rest on the AHTS side where little global competition for superior tonnage can be found. Petrobras et al will likely find cheaper PSVs readily available elsewhere without having to pay the North Sea prices.

More announcements of term fixtures is expected through this quarter and they concern activity in the UK sector, the Faeroe Island and also work in the Norwegian sector for which we believe further term requirements will be issued.

Fixture date	Vessel	Charterer	Work Scope	Day rate
01.02.2012	E.R.KRISTIANSAN...	Enquest	Supply duties, 9 months firm + 2x3months o...	GBP 12000
01.02.2012	FD REMARKABLE	Enquest	Supply duties, 9 months firm + 2x3months o...	GBP 13000
01.02.2012	STRIL ORION	Marathon N	Supply duties, 6 months firm+2 wells opt.	RNR
31.01.2012	TROMS CASTOR	MOG	Supply duties.60 days firm + 30x1day	NOK 155000
31.01.2012	ESVAGT CONNECTO...	Statoil	Supply duties, 1 well, Faeroe Islands, ca. ...	RNR
31.01.2012	KL BROFJORD	Statoil	Supply duties, 1 well, Faeroe Islands, ca. ...	NOK 165000
31.01.2012	EDDA FREYA	Noreco	Support Maersk Resolve, 1 well + D/D 14	RNR
25.01.2012	REM FORTRESS	ADTI	Supply duties, 1well firm (Est 6 months)	RNR
20.01.2012	BOURBON FRONT	Allseas	Pipehaul, ca. 40 days	GBP 23000
20.01.2012	OCEAN PRIDE	Allseas	Pipehaul, ca. 40 days	GBP 22750
20.01.2012	BRAGE SUPPLIER	Allseas	Pipehaul, ca. 40 days	GBP 22750
20.01.2012	EDDA FRIGG	Allseas	Pipehaul, ca. 40 days	GBP 22750
20.01.2012	SOLVIK SUPPLIER	Total E&P	Supply duties. 45 days firm + 4x1 week	GBP 15000
20.01.2012	EDDA FREYA	Allseas	Pipehaul, ca. 40 days	GBP 23000
18.01.2012	SKANDI WAVENEY	Peterson	Supply duties, 1 year firm + 2 year option	RNR
09.01.2012	BB TROLL	Saipem	Assist Scarabeo 8, 50 days	RNR
03.01.2012	SOPHIE SIEM	ENI Ghana	Supply duties 180 days	RNR
03.01.2012	SIEM LOUISA	ENI Ghana	Supply duties 100 days	RNR

TERM FIXTURE ANNOUNCEMENTS IN 2012. SOURCE: WESTSHORE

09 THE INSIDE STORY



A rising tide lifts all boats?

Reporting season is quickly approaching for the supply vessel owners listed on the Oslo Stock Exchange. The finance departments of the eight listed owners will be busying themselves for the scrutiny of the presentations given at set dates throughout February, be that by conference call or at the traditional locations in Oslo.

WRITTEN BY

Inger Louise Molver
Offshore Analyst



After a tough couple of years for support vessel owners the news from the fourth quarter is hoped to show some improvement from what has been announced in the previous reports. Havila, Eidesvik, Siem, Farstad, Deep Sea Supply, Rem, Solstad and DOF all report fourth quarter 2011 earnings in February with Havila already having come out with preliminary accounts. On the spot market in the North Sea conditions in the fourth quarter proved particularly volatile with spectacular highs and lows which will impact owners to a greater or lesser extent depending on their spot market exposure. Whilst the accounts may not entirely be out of the red and into the black, an improvement is still widely anticipated for most of the owners.

Outlook

In addition to the figures reported in the accounts what's also of interest is the management comments. What's expected here is a general consensus that the market is improving, the tough times that owners have gone through as a result of a dip in demand and a deluge of new vessel deliveries will be largely be

behind them. An increase in demand for support vessels in most of the basins around the world is thought to continue despite global economic challenges. This will keep demand for their services high and continue to be the case as the high number of orders for new rigs starts to result in delivered units from 2012 and stepping up significantly in 2013.

New projects

We may start to see indications of new projects on the horizon for owners but financing remains a key factor in prohibiting another newbuild cycle, much to the dismay of the shipyards. The balance sheets are in general still very leveraged owing to the significant growth most of the owners went through over the last two to three years. This, coupled with the ongoing challenges in the finance markets leaves few owners in a good position to be considering further growth. It has been said that as soon as owners begin to see the light at the end of the tunnel they promptly lengthen the tunnel but this time that temptation may not be an option.

08 THE LAST WORD

Westshore Asks:

“ what will the average spot fixture rate for PSVs be for February? ”

And the winner is..

In last month's Navigator we asked the panelists what the average utilisation rate for AHTS vessels would be on the spot market – the answer coming in a few points short of 70% overall not the worst the market has fared so early in the year.

Average fixture rate for large AHTS vessels came in at around GBP 17,000 in January, up from last year's level of just below GBP 10,000. In general the spot market has not experienced a great deal of activity this month – it has really been the term market that has kept the brokers busy. And of the two segments it has been the AHTS market that has fared worse than the PSV.

This month the question we asked our panelists was what will the average spot fixture rate for PSVs be for February? Given then interest in the term market, the rates on the spot market will potentially be affected – but what do our panelists think?

Atle Holgersen came in closest with his answer last month so gets to stay on to answer in this edition. Joining Atle is Jan Lothe responsible for the chartering of NSO Fortune and Alex Apostolou from Offshore Shipbrokers in Aberdeen



ALEX APOSTOLOU
OFFSHORE SHIPBROKERS

ANSWER - GBP 10,500



JAN LOTHE
OCEAN GOING

ANSWER - GBP 7,700



JOHN HAUGSTAD (ON BEHALF OF ATLE HOLGERSEN)
SIMON MØKSTER

ANSWER - GBP 9,750

