

# North Sea sees more interest by independents

**THERE APPEARS TO** be “renewed” interest in the North Sea, primarily in the UK and Norwegian sectors as evidenced by recent significant interest in licensing rounds. Contractors working

called frontier blocks where rental fees will be reduced by 90% during the first two years.

Other initiatives include extended exploration and development periods. Additional incentives may also be added.

national, “but that is a slow process.”

## SEMISUBMERSIBLE MARKET

Some drilling contractors are already seeing results from the entrance of independents moving into the UK North Sea. **Diamond Offshore**, for example has one semisubmersible working for **Talisman** under a six-month contract and has recently contracted a second semisubmersible to Talisman. The contractor’s third semisubmersible there is contracted to Shell until March 2005.

The company is currently bidding the *Ocean Princess*, the semisubmersible with Talisman that ends in June, and expects the rig to stay busy.

“We have worked that rig steadily in the past,” said **Gary Krenek**, Vice President and CFO for Diamond Offshore, “and we expect that rig to stay busy.”

GlobalSantaFe operates ten rigs in the North Sea including four semisubmersibles and six jackups. One of the semisubmersibles, the *GSF Arctic II*, is cold stacked. The problem is that the North Sea semisubmersible market is seasonal although the company said it hopes to work the three available units throughout the summer and fall. They presently are on short-term contracts through mid-summer 2004.

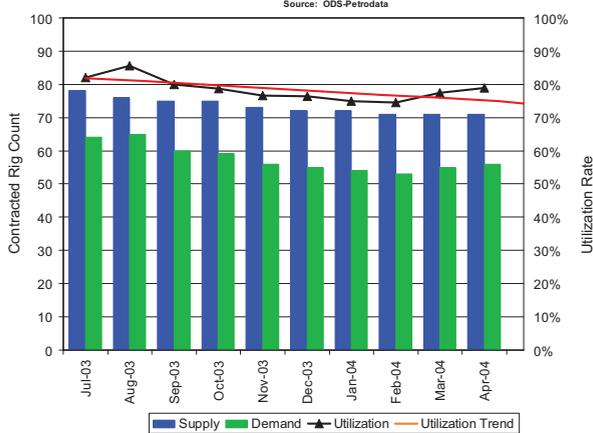
“We think there will be a resurgence of utilization during the summer months,” Mr Cosby said. “We do not think it will get anywhere near full employment.

“There are a lot of short-term projects visible,” Mr Cosby noted, “so it is possible the market might look quite good,



GlobalSantaFe’s *Galaxy I* is drilling in the North Sea for Apache.

**North Sea Rig Fleet Utilization**  
Jackups, Semis & Ships



In Norway, operators showed huge interest in the country’s 18th licensing round as a total of 95 blocks were made available, the largest Norwegian licensing round since 1965. Operators applied for licenses on 59 of the blocks.

The Norwegian Petroleum Directorate was to deliver its recommendations to the Ministry of Petroleum and Energy in April.

in the region also say the UK particularly is showing improvements as the area moves into the summer drilling season, and partly the result of independent oil and gas companies moving in.

North Sea rig supply has decreased since July 2003 along with demand, according to figures from **ODS-Petrodata**. The overall utilization rate trend line is down, although there will likely be an increase in activity during the typical summer drilling season. In fact, rig demand had already turned upward slightly during March.

However, ODS-Petrodata also reports that 20 of the 55 rigs that are contracted in the North Sea will reach the end of their contracts by mid-year against only a dozen known outstanding rig requirements that began around the same time.

## ACREAGE AVAILABILITY

The UK Energy Minister unveiled acreage available in the country’s 22nd licensing round and called the offering the largest in almost 40 years. The licensing round covers all of the UK’s onshore areas plus more than 1,000 full or partial offshore blocks.

The licensing round incorporates previously-announced initiatives aimed at stimulating activity, and includes so-

## INDEPENDENTS MOVING IN

“Most of what you see mirrors the Gulf to a certain extent,” said **Steve Cosby**, Sales Manager, Gulf of Mexico and Canada for **GlobalSantaFe**, “where majors are looking to other areas and selling assets to independents.

“You are certainly going to see new entrants,” he said. “It is just a question of time when there is a shift to the smaller independent companies as they prepare their prospects and begin drilling their assets.

“The independents seem to be much fletter of foot in taking a prospect to the execution stage,” Mr Cosby continued, “but the negative is the size of the program may not be as large as they were in the past because of the mature area.

“I think there is going to be more activity this year than last year,” he said, “and we have some hopes that 2005 is going to be better than 2004 as long as commodity prices stay the way they are.”

However, this process might not be as quick as drilling contractors may hope. “As independents move into the North Sea, it will help over time,” said **Richard LeBlanc**, Vice President, Investor Relations and Treasurer for **ENSCO Inter-**

say, in August. However, we do not see a fundamental change to the cyclical nature of the semisubmersible market in the UK sector.”

There have always been idle semisubmersibles on the Norwegian side. Mr Cosby noted there is evidence of some programs in Norway that will take some of those idle rigs off the market. “That is a good thing,” he noted, “because it will keep them out of the UK sector.

“However, as far as semisubmersibles from the UK sector moving to Norway, that is not likely”, he said. “It’s very expensive to get a rig certified for Norwegian operation.”

## NORTH SEA JACKUPS

Unlike the semisubmersible market where there is much overcapacity, the jackup market has been running near 100% utilization during the past six months, with only 1-2 jackups idle. Like the semisubmersible market, jackup activity also is seasonal.

The North Sea jackup market is categorized by two distinct areas, the Southern North Sea and Central North Sea, with the southern area in shallower water that does not generally require the larger heavy duty harsh environment jackups.

The Southern area includes water depths generally around 200 ft or less while the Central area has water depths up to about 300 ft.

That doesn’t mean a larger harsh environment jackup won’t sometimes work in the southern sector. GlobalSantaFe, for example, is contracting the Galaxy 3, a heavy duty harsh environment jackup, to **Apache** in the Forties field in the southern region working over a platform that previously utilized a platform rig.

Rather than go through the exercise and expense of installing another platform rig, Apache decided to contract a jackup with a long cantilever reach in order to reach the well bays.

While the jackup market is predicted to strengthen, at least during the summer drilling season, there are contractors seeking opportunities elsewhere. **Maersk Contractors** will be mobilizing a jackup from the North Sea to the Mediterranean and a second rig may be moving to Australia.

**ENSCO International’s** jackups are in Denmark, The Netherlands and the UK. The areas have become more like the Gulf of Mexico, noted Mr LeBlanc, more well-to-well with shorter programs.

“We haven’t seen activity really increase there,” he said. “There are some rigs available in the market but it still is a market where dayrates have been reasonably steady in the low \$40,000s or low \$50,000.

“We find that they don’t have the term work like some of the growing markets and therefore you can have some idle rigs from time to time.” ■