West Africa markets see increasing opportunities

THE UTILIZATION TREND line for West Africa jackups, semisubmersibles and drillships is down slightly, according to figures from **ODS-Petrodata**, although utilization has hovered between 70% and 80% since July 2003. Demand, however, has experienced decreases since last November until turning upward slightly in March. The utilization rate has remained fairly steady primarily due to the supply of rigs decreasing since December 2003.

Nevertheless, ODS-Petrodata predicts additional market strengthening during 2004 amid strong competition for new work. Demand for jackups is expected to remain fairly level, according to the company, but demand for semisubmersibles and drillships could see increasing levels, including a well in ultra-deepwater approaching 10,000 ft.

DEEPWATER ACTIVITY

Diamond Offshore's semisubmersible Ocean Nomad, rated for1,200 ft of water, recently completed a contract with **Premier** offshore Guinea Bissau with a dayrate in the high $40,000. That rig mobilized to Gabon for Vaalco/SASOL for three wells plus options for a rate also in the high $40,000. The contractor is pursuing additional work for the rig.

Pride International's drillship Pride Angola is drilling for Total off Angola under a contract that expires in 2010.

While the rig may be considered shallow water in some areas, there is considerable work in those water depths off West Africa, according to the company.

"There is deepwater work at 5,000 ft plus in West Africa but there is also work in up to 2,000 ft," said **Gary Krenek**, Vice President and CFO for Diamond Offshore.

The company's Ocean Patriot semisubmersible, a 1,500 ft rig, is working for **PetroSA** off South Africa until May. The contractor is not expecting additional work in South Africa and is bidding the unit in various areas of West Africa.

"There are quite a few major development projects that are under tender right now in West Africa," said **Steve Cosby**, Sales Manager, Gulf of Mexico and Canada for **GlobalSantaFe**.

He sees an increase in ultra-deepwater during 2004 and 2005 and notes that the shallow water and mid-water depth floater activity is in a relative balance.

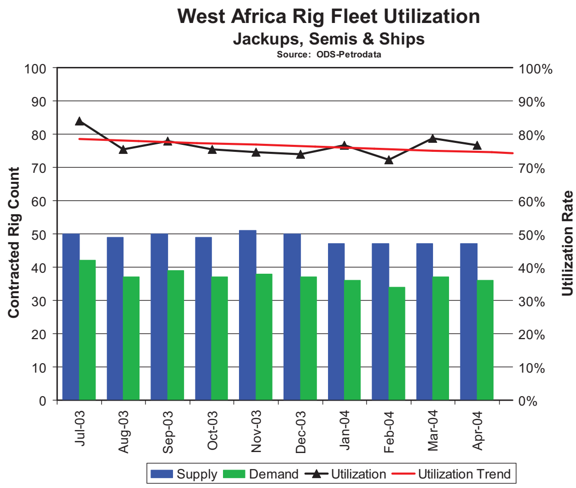
"It is unlikely that you would stack a semisubmersible for a long period of time (in West Africa)," he said. "It is just a matter of waiting on some large development projects that have been sanctioned to begin their planning and execution phases.

"The demand is quite visible," he said.

That is good news for GlobalSantaFe as one of its newbuild semisubmersibles, the Development Driller II is presently without a contract so the West African market could potentially become a home to the rig.

"We also have the Celtic Sea in the Gulf of Mexico that we would look at for West African projects and our large drillships," Mr Cosby noted.

Mr Cosby said there were several tenders outstanding for development projects requiring floating rigs that should begin during the second half of 2004 and the first half of 2005 for both semisubmersibles and drillships.



Dayrates on certain semisubmersibles are dropping, some only slightly but others falling significantly.

Pride International is operating the 10,000 ft water depth drillships Pride Africa and Pride Angola under new contracts that don't expire until mid-2010. Both work for Total with dayrates in the low $160,000 range until mid-2005, when the present contracts expire, and then in the low to high $150,000 until 2010.

Pride also is feeling the lower dayrates with the Pride North America, which is contracted presently at the mid $160,000. "That rate is going to drop to the low $100,000s," said **Gary Casswell**, Vice President, Western Hemisphere for Pride International.

Too much competition is the reason given for that precipitous drop, Mr Casswell said.

If there is in fact too much competition, then the industry could possibly see rates continue to fall. According to ODS-Petrodata, there were more than 50 outstanding rig requirements, most for floaters rather than jackups. The company notes that **ChevronTexaco** has a requirement for a well in more than 10,000 ft of water off Nigeria this year. Semisubmersible demand is expected to remain fairly level throughout the year, however, drillship demand is forecast to be up by a couple units beginning in June and remaining at an increased level during the remainder of the year. The reason for the increase is ChevronTexaco's requirement for two ultra-deepwater units during the second half of the year.

Additionally, ODS-Petrodata reports that **ExxonMobil** will be contracting **Noble Drilling's** semisubmersible Noble Homer Ferrington, presently in the US Gulf of Mexico, for a 10-well plus eight option well contract beginning in August or September following upgrades in the US Gulf. The firm portion of the contract is estimated to last from 18-24 months.

JACKUP ACTIVITY

As noted by ODS-Petrodata, while most of the outstanding requirements are for floating rigs, demand for jackups is expected to remain level to increasing slightly during 2004. However, there still are jackups entering the area against drilling contracts. GlobalSantaFe, for example, will mobilize the GSF Adriatic II from the Gulf of Mexico to Cabinda for a two-year contract with ChevronTexaco. The rig is expected to arrive this summer. The company's GSF Adriatic V, working off Gabon, will also move up to Cabinda for ChevronTexaco. Both rigs will begin working on the Sanha development project in August.

All of the company's 10 rigs in West Africa presently are contracted, including three High Island class rigs that were idle earlier this year.

There is a bit of softness in the Nigerian rig market with operators waiting on **Nigerian National Petroleum Company** (NNPC) to agree to funding of major operator drilling programs for 2004, according to Mr Cosby.

"From what we see that process has been delayed somewhat," he said. "There were some expectations during the fourth quarter last year that by summer 2004 a lot of the rig capacity would have been taken out of the (Nigerian) jackup market and we would be at near full employment.

"I think there is now a question mark over whether that is going to happen," Mr Cosby continued. "The underlying demand from the operator is that they still have the desire to drill but given OPEC production constraints and NNPC budget difficulties, it is possible that operators won't get support for all of their programs.

"It may be that the softness in the West African jackup market moves into 2004 and when it recovers is a bit of a guess right now," Mr Cosby said.

Not all of the jackups in Nigeria are idle of course but the Nigerian market traditionally has employed about one-half or more of the jackups in West Africa. In early April, five of the 11 jackups in Nigeria were idle.

"There are programs that we see in other areas of West Africa," Mr Cosby said, "which will come on as 2004 unfolds.

"However," he continued, "the basic demand driver is Nigeria. If you are asking if capacity could be taken up elsewhere in West Africa, the answer is probably not.

"If Nigeria doesn't rebound, then contractors will be looking for some place to put the rigs," he concluded.

While some see trouble signs continuing in Nigeria, **Noble Drilling**, which operates six jackups offshore Nigeria, is more optimistic. Four of its six jackups were idle until recently, however, one unemployed unit, the Noble Percy Johns, was contracted to **ExxonMobil** beginning April 1 for work offshore Nigeria.

Noble is also pursuing drilling contracts for the jackups Noble Lloyd Noble, Noble Ed Noble and the Noble Don Walker, all for work opportunities offshore Nigeria.

Terms are in the range of 1-2 years, and although there may opportunities elsewhere in West Africa, Noble will continue to seek contracts in Nigeria, where it has been working for many years.

Jackup dayrates in Nigeria range from the mid $40,000 to low $50,000 depending upon the particular rig and contract term.

Jackup dayrates in other areas of West Africa range from the low $50,000 to the low $60,000 generally.