

Support vessel rates set to tumble

Analysts warn of oversupply as orders pour in

Martyn Wingrove

THE global offshore support vessels market will become oversupplied and charter rates will fall, despite growing demand from deepwater operations, say analysts.

With a total fleet orderbook of 586 offshore support vessels, there is likely to be good availability of ships for term and spot charters from next year.

Analysts at DVB Group Research believe it is only a matter of time before the high dayrates experienced in support vessel markets over the last three years come under pressure from a surge in new tonnage.

There seems to be no let-up in the ordering of new anchor handling tug supply and platform supply vessels as 122 ships have been added to the global orderbook in the last six months.

According to DVB, there are around 3,613 offshore support vessels operating worldwide, of which 1,582 are anchor handlers and the rest are PSVs.

There are 376 anchor handlers and 210 PSVs on order for delivery between 2007 and 2012.

DVB notes that there has been a rush in orders for new anchor handlers in the last six months, with 104 booked for delivery to 2012 by owners who feel the market will continue to be strong.



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"The real impact of newbuild contracting on day rates is yet to be seen and will greatly depend on the number of vessels which will retire from the market," said DVB in its latest report. "Most of the existing fleet was built during the last building boom in the early 1980s."

"The oversupply of vessels built during that period has only been utilised to near capacity three times since," the analysts said.

Since the third quarter of 2004, the offshore support vessel fleet has been operating close to full capacity and charter rates have been higher than historic levels. The growing trend to explore for and develop deepwater oil and gas fields has driven shipowners to order new vessels, which can operate in water depths to 4,000 m.

Around half of the anchor handling fleet, but less than 400 PSVs, are capable of operating in deepwaters so there is still room for the more advanced newbuilds.

It is in the deepwater markets — US Gulf of Mexico, Brazil and West Africa — and in the harsh environments found off northern Europe, where the highest charter dayrates are secured.

DVB said the US Gulf of Mexico is the busiest supply vessel market in the world, but it is highly competitive.

More than half of the region's hydrocarbon production comes from deepwater facilities, which require greater logistic support than the shallow water platforms.

In the US, anchor handling vessels that are rated more than 8,000 bhp can command spot rates of \$75,000 and large PSVs have been earning \$15,000 a day, said DVB. Anchor handlers working in West Africa are gaining term charter dayrates of \$30,000 and those rated more than 10,000 bhp may get up to \$70,000.

According to Aberdeen brokers, anchor handlers working in the UK are securing dayrates of £75,000 (\$150,000) this week as nearly all the available fleet is booked up.



In demand: Offshore support vessels such as *Grampian Commander* in Aberdeen are securing high-term charter rates.

A solution for stranded gas fields

DUTCH ship designer Sea of Solutions has developed a specialised fluid carrying vessel to enable oil companies to develop stranded gas fields.

The subsidiary of Offshore Ship Designers has designed a gas carrier that has a long coiled pipeline instead of storage for liquefied natural gas, so it could sail from a field to any terminal as a shuttle tanker.

Sea of Solutions believes the concept is technically feasible and the cost is low enough to allow its use in remote gas field projects.

Known as a coiled natural gas carrier, the design is being launched at this year's Offshore Europe exhibition in Aberdeen, starting today.

Sea of Solutions believes an oil company could order a CNG carrier instead of building a long-distance gas pipeline or a hugely expensive LNG plant.

Untreated natural gas could be produced from a reservoir by subsea wells directly into the ship's coiled pipes and shipped to an onshore reception facility without the need for offshore processing infrastructure.

"The advantage of this concept is that the investment is in the vessel itself and is not related to a specific offshore field," said Nick Wessels, a design engineer with Sea of Solutions.

"It is an attractive means to develop fields for which production rate or total reserve volumes cannot be easily estimated."

The carrier is designed to cope with unprocessed gas, which includes methane, besides heavier gas liquids such as ethane, propane and butane.

The coiled pipe design avoids the need for large complex pressure vessels that would otherwise need to be built into the ship.

Sea of Solutions has created an optimum vessel design to load around 515m cu ft of saleable gas in 218 km of coiled pipelines. This would represent between two and five days of production from a reasonably sized gas field.

This would require a 240 m long ship, which will store the gas at 130 bar and at temperatures derived from using seawater as a coolant. The ship could have a transit speed of 15 knots between a field and the terminal.

There are plenty of stranded gas fields around the world where oil companies have been searching for oil instead. Many are not large enough to make building thousand of miles of pipeline or an LNG plant economically feasible.

News in brief

Conversion for FPS

FPS OCEAN has secured a \$50m loan from DVB Bank and Eksportfinans to fund the conversion of shuttle tanker *Laurita* into floating production storage and offloading vessel *Deep Producer 1*. The vessel is being converted in the Middle East and could be available in the second quarter of next year. FPS has also acquired aframax tanker *Semakau Spirit* to convert it into another FPSO in Dubai Drydocks early next year.

SeaBird vessel sale

SEABIRD Exploration has sold the *Raven Explorer* for \$17m after studies showed the vessel could not be converted into a shallow water seismic acquisition vessel. The Norwegian contractor is looking for another offshore support vessel which could be used for this purpose. SeaBird expects to have its next vessel in operation this month as the *Harrier Explorer* is finishing sea trials before it starts a four-year contract with Petroleum GeoServices as a seismic source vessel.

Amec joint venture

AMEC has formed a joint venture with MMC Oil & Gas of Malaysia to work together on engineering for large deepwater projects in southeast Asia. The head office in Kuala Lumpur will become one of Amec's global engineering hubs. The company will target a growing number of deepwater projects in Asia, including those off Borneo.

Vroon's new arrival

DUTCH shipping company Vroon Group has taken delivery of its latest diving support vessel, *VOS Satisfaction*, from ABG Shipyard of India. ABG is building another two vessels for Vroon for delivery in 2008 and 2009. *VOS Satisfaction* has Wärtsilä engines and a four-point mooring system supplied by Kongsberg.

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Global goes for SOS heavylift



GLOBAL Industries has ordered a new Sea of Solutions-designed pipelaying and heavylift vessel from Keppel Singapore to capitalise on growing demand for offshore construction work.

This is the third newbuild heavylift design ordered from Sea of Solutions this year as it has provided work for a Nordic Heavy Lift vessel and one for Larsen & Toubro.

The Global 1200 vessel will be a dynamically positioned combined derrick and pipelay ship with a 1,200 tonne lifting capacity and is scheduled for delivery in April 2010.

The 162 m vessel will have an AmClyde single post crane on the aft for surface and subsea construction work and a specialised pipelaying stringer on the aft.

It will be able to lay pipe of up to 60

inches in diameter and have a 400-tonne deep water lowering capacity.

Sea of Solutions teamed up with Vuyk Engineering to design the topside systems. The vessel will be propelled by two 4,500 kW propulsion thrusters providing speed of 15 knots. There will also be five retractable thrusters of 2,400 kW each and an 800 kW tunnel thruster.

Global Industries has expanded its operations out of its home US market and needs new capacity to tackle the larger deepwater projects being developed by the oil majors.

It recently upgraded its existing pipelaying derrick barge *Hercules* and catamaran crane vessel *Titan II* to undertake larger offshore projects. It has also leased multi service vessels *REM Fortress* and *REM Commander* in India and the Gulf of Mexico.

Norsk Hydro may get Mariner back on track

DEVELOPMENT of the Mariner heavy oil field in the UK North Sea may be back on after Norsk Hydro acquired a controlling stake in the field and the nearby Bressay heavy oil discovery, writes Martyn Wingrove.

Hydro hopes to use its experience in the Norwegian sector, where it is producing more than 100,000 barrels a day from the Grane heavy oilfield, and on the Peregrino project in Brazil to develop Mariner and possibly Bressay.

The Oslo-listed company, which is selling the energy business to state organisation Statoil, will be buying a 64.6% operating interest in the Bressay discovery and 45% in the Mariner field from US oil major Chevron.

"Hydro has been looking for areas where our heavy oil experience could be a way of increasing commerciality of new fields," said the company's head of international business development Torgeir Kydland.

"These prospects are near to our home ground and what we have learnt from the development and production at Grane has proven useful also in the development work at Peregrino."

Chevron was considering a development involving a fixed steel platform on Mariner but decided to chase more lucrative projects in the West of Shetlands area instead.

Italian company Eni and London-listed independent Nautical Petroleum are partners in Mariner, while OMV of Austria is involved in the Mariner East oil discovery and Shell has a stake in Bressay.

Mariner has been thoroughly appraised and holds more than 50m barrels. Nautical is keen to develop it and plans to drill a nearby exploration well soon.

Meanwhile, Calgary independent Oilexco has acquired Canadian Natural

Resources' ownership in the Balmoral production semi-submersible and related fields to reduce operating costs for its Brenda-Nicol project, which is tied to these facilities.

Oilexco is paying \$50m to CNR and providing a security credit of \$63m for the decommissioning costs to the production unit and subsea infrastructure.

Oilexco will own 78% in the floating production unit and the Balmoral field, plus 85% in Glamis and 69% in Sterling.

The Balmoral, Glamis and Sterling fields are producing around 2,000 barrels a day, but Brenda can pump out around 30,000 bpd so it provides the bulk of the area's liquids.

"This is a strategic core area for us within the UK central North Sea," said Oilexco's president Arthur Millholland. "Having majority ownership of the Balmoral floating production unit will allow us to maximise operations and increase its throughput."

Also in Britain, Petrofac Energy and Valiant Petroleum have swapped assets to accelerate development of two northern North Sea fields.

Petrofac has exchanged its 29% interest in the Crawford field to Valiant in exchange for a 3% stake in the West Don area.

Under the agreement Petrofac will hold an operating interest of 27.7% in West Don, which is a potential subsea development, to a nearby production platform.

The operation of Crawford will be managed by Fairfield Energy, which plans to drill an appraisal well soon.

"A draft field development plan was submitted for the Don Southwest field in May and we continue to make good progress towards submitting a draft plan for West Don," said Petrofac's chief executive Amjad Bseisu.