THE NAVIGATOR

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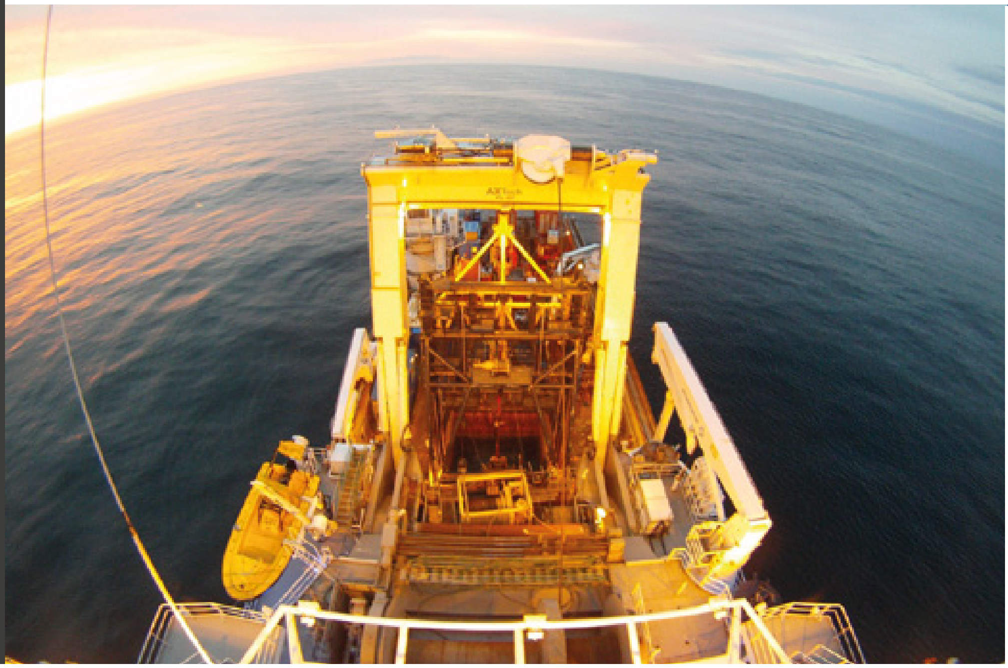
THE MONTHLY REPORT FROM WESTSHORE SHIPBROKERS AS



WESTSHORE
SHIPBROKERS AS

INSIDE THIS ISSUE:

The strongest rig market ever?

In a recent announcement from the Norwegian Petroleum Directorate, the finds at Johan Sverdrup and improved recovery at Ekofisk and others in 2011 resulted in a substantial increase in recoverable petroleum reserves and actually discovered more gas than it managed to produce during the year. But the message from the NPD was clear, this was no time to rest on laurels, in order to meet targets out into 2015, extra focus had to be placed on increased recovery rates, additional drilling and quick decision making regarding the production of new finds.

However one of the main sticking points on the drilling front as The Navigator has reported previously is the severe lack of drilling capacity able to drill on the Norwegian Continental Shelf – and in the Deep/Ultra Deepwater segment too. And it is this fact that has led some companies to position themselves to take advantage of the shortfall – and it comes as no surprise that John Fredriksen is at the centre of the action. Speculation about the placement of a rig order came to a conclusion at the end of February with news of two drillships with an option for a further one for Fredriksen's Seadrill. Although not built on the back of any contract or with intentions for work in any one region, Seadrill spokesmen said that the predicted shortfall in supply of units in the deep water segment is set to be a feature for at least the short term but potentially long term too, although this was underpinned by the assumption the oil price would continue at a level around where it is now.

And there will be more on the cards for the Norwegian magnate after his investment company Hemen Holdings (for which investment in Deep Sea Supply accounts for around 35%) sold off a large stake in Seadrill. The proceeds of which will be used for the acquisition of distressed assets – newbuild jackup orders a likely candidate, ordering further newbuilds and other opportunities for consolidation.

But these new rig orders will not impact the market before 2014 at the earliest with delivery times at even the largest and most experienced yards not coming in before then. In the meantime what it means for 2012 at least is that the activity generated from drilling rigs in the North Sea – that's number of wells that can be drilled and amount of support needed from vessels – is effectively capped. No real increase in activity could be seen before next year at the earliest but 2014 more likely. With such bullish sentiment coming from the rig market it will be interesting to see how this affects the offshore vessels over the next couple of years.

03 NEWBUILDING NEWS

Swire Pacific

building a fleet for the future

Quietly but continually, Swire Pacific has been accumulating a significant order book of new and unquestionably modern vessels. Its efforts are not being concentrated in its current areas of operations either. The company has had vessels trading in the North Sea through the eighties and nineties not to mention Pacific Blade which has periodically traded the spot market since 2005 but the company's main focus areas have been Asia Pacific and Australasia of late. This month an announcement was made regarding the acquisition of Bergen-based Seabed AS – owner and manager of the Seabed Worker. The acquisition of an operational company in Norway and a list of new North-Sea capable vessels under construction, it has sparked the debate – is Swire making plans for a North Sea come back?

The company took over the contracts for four UT786 CD 16,100 bhp AHTS vessels from Nordcapital under construction at Sekwang in South Korea, the first of the series 'Pacific Champion' having delivered in February 2011. In addition several Havyard 844 have been scheduled at ST Marine and Drydocks in Singapore. However Swire have informed us that several issues with the yards have set the delivery schedule back significantly to the extent that none of the newbuilds will hit the water before Q4 2012.

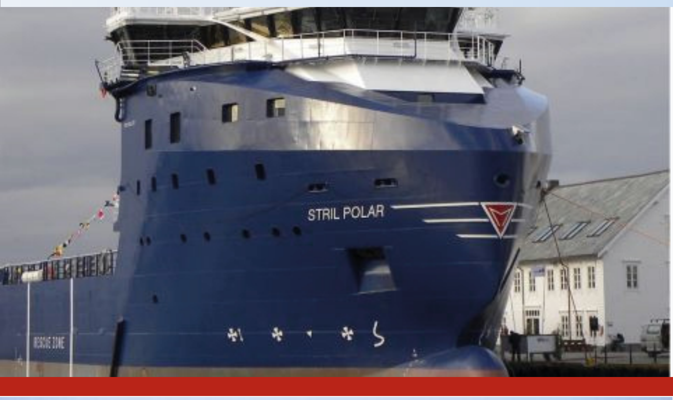
The size and design of the new AHTS represent what some have predicted as a turning point for North Sea AHTS tonnage. The stream of deliveries that have arrived from the last newbuilding cycle have been progressively larger, more powerful and more capable – many blurring the lines between straight anchor handling tonnage and subsea construction. But have the demands of a North Sea rig move changed so dramatically in the last decade to warrant the doubling if not tripling in investment to build these North Sea monsters? The financial crisis has put a focus on costs like never before to the extent where the mid-size AHTS may come back in vogue leaving room for new (or old) players to enter the market.

NEW OUT AND EXPECTED SHORTLY

Island Captain – The second of Island Offshore's latest round of UT776CD design PSVs has delivered from the yard. The vessel sailed to Aberdeen to take her chances on the spot market there where her first contract was picked with Premier Oil. The next vessels in the series to deliver will be Island Contender and Island Crusader with a further four vessels coming in 2013 and two further 3,800 dwt PSVs of UT717CD coming in 2014. The newbuilding programme represents one of the most extensive for a Norwegian owner building PSVs in Norway and is understood to be backed by Island's US partners Edison Chouest.

NEWBUILDING NEWS

NEW OUT AND EXPECTED SHORTLY CONT..



Stril Polar – the decision was taken to take delivery of the STX PSV09 CDL vessel early and the decision seems to have paid off as the vessel has secured two spot jobs for Statoil and a month's work for MLS which will commence at the start of March. Following on from that comes a 10 well charter for Wintershall in the Norwegian sector, announced this week.

Skandi Hawk – DOF's outlook brightened significantly this month with the announcement of several new contracts for its fleet and an overall strengthening of its financial position through debt refinancing. Its latest delivery Skandi Hawk has picked up work in South East Asia and will now remain there for at least a year forming part of DOF's SE Asian fleet. We had previously speculated this vessel could join the North Sea fleet but DOF's decision to keep the vessel in the region where it is delivering solves the problem of taking on a mobilization cost for a ballast journey and takes one off the list of new vessels to the North Sea.

Vestland signs up for another – An order has been placed for a Havyard 832L PSV at Havyard Leirvik for Vestland Offshore, current managers of Solvik Supplier. The vessel is expected to be ready October 2012 as hull construction was already underway in Turkey. Vestland Offshore will be vastly expanding its fleet this year with the addition of three new PSVs understood to be named Vestland Cetus, Vestland Insula and Vestland Mistral.

a word with WESTSHORE...

thank you to....

The photos for this month's edition come from Egil Lund while working on the Island Valiant on a recent job involving buoy transfer to Far Sapphire. In addition the recent christening ceremony for Ocean Pride was attended by Chris Andre Johansen for which several photos were taken around Bergen harbour.

Tore Kopland
Shipbroker

"Term chartering has been extremely busy so far this year on both the UK and Norwegian side, and Statoil has just come out with a further tender, this time for three or six years for a PSV."

05 DRILLING & PRODUCTION

Irish eyes are smiling

The latest from Barryroe, where Providence is drilling with the GSF Arctic III semisubmersible, is a 'better than expected' hydrocarbon find. Bad weather and rig performance issues had suspended operations at the field temporarily before being resumed earlier in February. Drilling operations have now come to a close with the focus for Providence and partner Lansdowne Oil & Gas being preparation for flow well tests. The Transocean owned semi-submersible which has been working in Ireland for Providence since the commencement of the drilling campaign in November 2011, will be next employed for Nexen in the Central North Sea. Trico's Northern Wave has been providing support during the campaign.

More drilling in the Irish sector is now scheduled for the second quarter of 2013 following budget conclusions being reached between Exxon Mobil Ireland and partners. The 'Dunquin' prospect, some 200km off the south-west coast of Ireland has now completed all pre-drill well activities and a spud date has been penciled in. No rig has been formally contracted for the drilling campaign however.

Further up the line comes encouraging news of seismic data interpretation from Lansdowne Oil & Gas that has now begun the farm out process for its prospects in the Celtic Sea. The prospects that have undergone analysis include Amergin for which estimated reserves have been upped to 231 Mmbo and the Midleton prospect where greater clarity on size and structure of the reserve was established.

OTHER NEWS.....

The AHTS market saw a boost in activity as no fewer than three rigs emerged from Invergordon this month. The Transocean John Shaw and Stena Spey had both spent a brief period in Invergordon as the units were uncontracted over the winter. The John Shaw has now started work for TAQA while Stena Spey has started work for EnQuest both in the UK sector. The WilPhoenix however had spent a brief period in the yard preparing for commencement of its current charter with HESS in UK waters. Awilco provided an update on the WilHunter which had been undergoing further repairs but has now resumed drilling at the Orlando well in the Northern North Sea which has been plagued by 'operational difficulties and bad weather'

ON THE MOVE IN MARCH.....

- **West Elara (Statoil)**
- **Noble Ton Van Langeveld (MOUK to Centrica)**
- **Transocean Winner (Maersk Oil to Lundin)**
- **Bredford Dolphin (MLS)**
- **West Alpha (BP Norge)**
- **Polar Pioneer (BP Norge)**
- **Glomar Arctic III (Providence to Nexen)**

STATOIL SIGNS UP FOR TWO CAT D SEMIS

As we reported in the December issue of 'The Navigator', Statoil has addopted an entirely unique initative to secure rig capacity for its drilling programmes of the future – particularly those in the North Sea where Norwegian sector compliance has become notoriously tight. This week news came of a contract signed between Songa Offshore and Statoil for a further two «Cat D» semi submersible rigs, adding to the order for two placed in July 2011. Statoil said that one of the rigs will be used for drilling at the Norne, Heidrun and Åsgård licences, while the other will be part of Statoil's strategic rig fleet and set up for year-round operations in the Barents Sea.

The units will be built at DSME in South Korea and will deliver complete to Statoil's specification of winterization and additional enhancements, drilling package to come from Aker Solutions. The first two units will be named Songa Endurance and Songa Equinox but names have yet to be assigned to the order for the latest two units. Delivery is not expected before 2015 when the units will commence eight year contracts with Statoil with option periods spanning a further 12 years.

06 IN AND OUT

Vessel	Design	Manager	ENTRY	From
Olympic Energy	STX PSV09LNG	Olympic Shipping	End – March	Newbuild – Norway
Skandi Kvitsøy	STX PSV09CD	DOF	End – March	Newbuild – Norway
Vessel	**Design**	**Manager**	**ENTRY**	**From**
FD Reliable	PSV	Gulf Offshore	Start - March	Petersons
Havila Commander	PSV	Havila	Mid – March	MOUK
Rem Supplier	PSV	Rem Offshore	Mid – March	SPD
Toisa Coral	PSV	Sealion	End – March	AGR – West Africa
Toisa Crest	PSV	Sealion	End – March	AGR – West Africa
Northern Wave	PSV	Trico	End – March	Providence
Maersk Launcher	AHTS	Maersk Supply	End – March	BP
Vessel	**Design**	**Manager**	**EXIT**	**To**
Malaviya Seven	PSV	Great Offshore	Start – March	SPD
Stril Polar	PSV	Møkster	Start – March	MLS
Rem Fortress	PSV	Rem Offshore	Start – March	ADTI
FD Indomitable	PSV	Gulf Offshore	Start – March	TAQA
Durga Devi	PSV	Chellsea	Mid – March	RWE Dea
Havila Fortune	PSV	Havila	Mid – March	E On Rhurgas
Havila Fortress	PSV	Havila	Mid – March	ADTI
VOS Prominence	PSV	Vroon	Mid – March	Senergy
Stril Orion	PSV	Møkster	End – March	Marathon
Edda Freya	PSV	Østensjø	Start – April	Allseas
Ocean Pride	PSV	Sartor	Start – April	Allseas
Bourbon Front	PSV	Bourbon	Start – April	Allseas
Edda Frigg	PSV	Østensjø	Start – April	Allseas
Brage Supplier	PSV	Møkster	Start – April	Allseas

07 MARKET FORECAST

A SLOW START OR THE SHAPE OF THINGS TO COME?

Several sources, ourselves included have been vocal about the strong summer and autumn that could be in store for the AHTS segment in the North Sea, but with such a slow start to the year its difficult to stand by this opinion. What's happened so far this year and is a strong summer still on the cards?

WRITTEN BY

Inger Louise Molver
Offshore Analyst

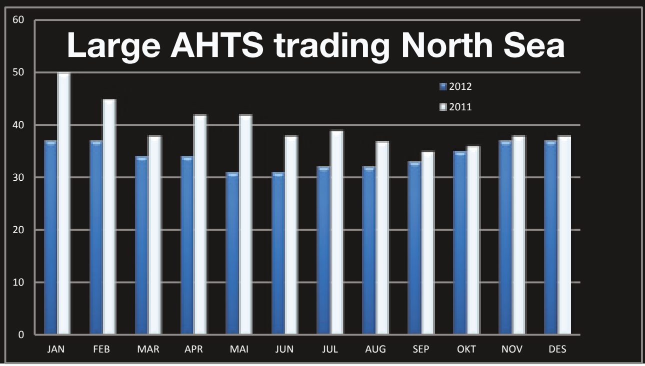
The problem with forecasting the North Sea spot market is no matter how good the numbers look, you can never predict bad weather or the unforeseen circumstances that really throw the market into a severe shortage or over supply which consequently gives you the highs and lows in rates. But in saying that it's hard to argue with the numbers there, i.e. the lack of new vessels coming in and the contract coverage of the existing vessels keeping anything working outside the North Sea busy for most of 2012, with hardly any exceptions.

Last year's Greenland campaign by Cairn will unlikely be replicated this year and this did take several vessels out of the spot pool but activity in West Africa is creating a lot of interest for owners as has other projects in Brazil and even the Caspian. Our forecast is now showing less AHTS vessels in the North Sea this year than there was last.

The number of rigs working and the time that these units are spending on contract is up on last year. But this has most likely reached its maximum capacity as no more suitable units will be found and contracted for work during 2012 other than those with sublet slots and already working in European waters.

Demand for vessels will also come from the subsea market for which the construction season is approaching as the harsh North Sea weather abates. The subsea contractors are expecting a busy season with work schedules taking them far beyond the usual October/November. So some of the light construction capable AHTS vessel will no doubt disappear down this route very shortly.

So, there are less vessels than last year but more demand for them – it's still a reasonable conclusion that the summer and autumn months will be busy. And the market comments from the stock exchange listed owners that recently presented year end results, echoed this. So we stand by what was said last year – everything points to a good remainder of 2012 for the AHTS segment in the North Sea.



08 THE LAST WORD

Westshore Asks:

"According to Aberdeen Harbour website, how many offshore vessels will be in port March 15th?"

And the winner is..

For the first time since the launch of the Navigator we have a two-time winner of 'The Last Word' Quiz and the team at Simon Møkster Shipping must be doing something right if in addition to winning the quiz again, this month saw term charters fixed for two of their vessels to Wintershall.

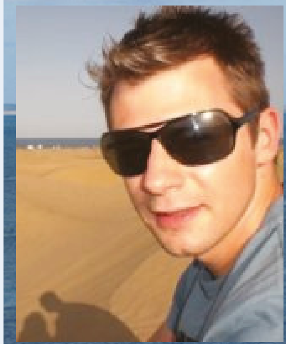
The question asked last month was what would the average fixture rate be for PSVs in the North Sea. Despite a steady utilisation rate of between 70-100% for most of the month, rates rarely ventured above GBP 10,000. The last day of the month being the exception when the market was sold out and owners started to push for higher rates.

What is immediately apparent in this section of the spot market is that it's demand that drives the market rates – a relatively high number of new vessels has delivered in the last few months but it's the steady stream of cargo and supply requirements that has meant everything has been absorbed quite efficiently. Moreover what can only be described as a deluge of term fixtures has shown the demand from charterers has been up this year. The commencement dates for these term fixtures has already started with several more to come before the end of May (see In & Out list)

So this month's question requires a little less skill and a little more luck, and joining John from Møkster is Andy Duncan from Clarksons in Aberdeen and Bjørn Julius Ulstein Vattøy from Island Offshore.

JOHN HAUGSTAD
(ON BEHALF OF ATLE HOLGERSEN)
SIMON MØKSTER

ANSWER - 30



ANDY DUNCAN
CLARKSONS ABERDEEN

ANSWER - 41

BJØRN JULIUS ULSTEIN VATTØY
ISLAND OFFSHORE

ANSWER - 35