

SE Asia rig demand and dayrates continue to soar, future opportunities remain strong

THE LAST TIME the Southeast Asian rig market was discussed the headline stated that jackup and floater dayrates were skyrocketing. That is still very much the case and, in fact, dayrates are still soaring. One drilling contractor recently secured a contract for its jackup offshore New Zealand beginning in May 2007 for a dayrate in the mid-\$180s. This contractor also obtained a jackup contract in the mid-\$140s.

The region has been strengthening for the past 18 months, reaching a balance earlier this year. It now appears there is a deficit of rigs, mainly jackups, although the semisubmersible market is extremely tight.

There was a concern earlier that a number of the jackups under construction in Southeast Asia, primarily in Singapore, that are scheduled for delivery in 2006 could undermine the market and turn dayrates around. While that is still on the minds of many contractors, it appears to be a less bothersome concern as virtually every other region around the world is also experiencing a dearth of jackups, particularly the US Gulf of Mexico, which experienced numerous jackups severely damaged or destroyed as a result of two Category 5 hurricanes in the span of about three weeks.

JACKUP MARKET

GlobalSantaFe Corporation said that although there has been a net increase of rigs in the region during 2005, the company continues to expect rising demand to exceed the available rig supply at least through this year. That scenario could result in creating shortages of available rigs and possibly causing some operators to delay certain drilling programs.

The company also said that it believes there is little likelihood that there will be any significant mobilizations of rigs to Southeast Asia from other areas, at least in 2005, due to high demand in other market areas. As a result, GlobalSantaFe said it expects upward pressure on dayrates to continue until possibly affected by deliveries of new rigs under construction in area shipyards.

One newbuild jackup not scheduled for delivery until next February is already committed to various operators at least through May 2007 at rates exceeding \$100,000 per day, including a stint

offshore New Zealand beginning in late 2006 at a dayrate in the mid \$180s. **ENSCO International's** jackup ENSCO 107, presently under construction at **Keppel FELS** in Singapore, is scheduled for delivery in February and is expected to go to work right away offshore Malaysia, then Thailand and Vietnam before mobilizing to New Zealand for the contract with the mid \$180,000 rate.



GlobalSantaFe's Compact driller is working for Chevron in the Gulf of Thailand under a contract that runs through September 2007. The Southeast Asia jackup market is experiencing increasing dayrates with some jackups commanding \$100,000 per day or more and with several bid tenders still outstanding.

Despite several new rigs being delivered with some anticipated to enter the Southeast Asian market, **ODS-Petrodata** is forecasting an undersupply of jackups through the next 12 months at least. For example, the company said there were 28.3 rig years of demand in the Southeast Asian jackup market in October 2005 but only 28 rig years of marketed supply available. By the end of summer 2006, the company predicts demand will rise to 34.8 rig years against a marketed supply of only 30 rig years.

As a result, dayrates essentially have nowhere to go but up, which is where they have been going the past six months, at least. For example, last May 300 ft independent-leg cantilever jackups were receiving rates in the \$80s, the top end of the range at that time. Other rigs were being paid rates in the \$70s, with still others, depending upon a rig's capabilities, receiving rates in the \$60s.

GlobalSantaFe operates seven jackups in Southeast Asia, and while many of its rigs are seeing rates in the \$70s and \$80s presently, a number of them are slated to begin new contracts in 2006 that take them above \$100,000 per day. Several of the new contracts are for significantly higher rates than their present charters.

For example, the GSF Adriatic XI, working offshore Vietnam until mid December this year at a rate in the low \$70s is expected to begin work on a 10-month commitment at a rate above \$110,000. In another example, the GSF Parameswara working off Indonesia at a rate in the low \$70s was expected to begin a new 32-month contract at just over \$100,000.

Also, the GSF Rig 134, also working offshore Indonesia for a rate in the mid \$50s presently is expected to begin a new three-month contract in the mid \$80s this November and then to begin a 12 month contract at a rate of \$103,000. Finally, the GSF 136,

working under a contract in the low \$60s until May 2006 will then begin a four-month contract at above \$110,000. Dayrates on several of GlobalSantaFe's other jackups in the region are still in the \$70s and \$80s.

Other drilling contractors, while not seeing all of its rigs in the \$100s, still are posting significant dayrate increases. **Transocean Inc's** Trident VI, for example, began a contract last April with PetroVietnam at a rate of \$70,500. The rig's previous rate was \$55,000. The contractor's Trident 16, working for **Petronas Carigali** offshore Malaysia at \$69,000 presently, will begin a new contract with **Unocal** for work offshore Thailand this November at a rate of \$95,000 per day through August 2007.

Australia appears to be where the big bucks are made, if recent contracts are any indication. Transocean's jackup Jack Bates is currently drilling offshore Australia for **Woodside** at a rate of \$89,000 per day through March 2006. In April 2006, the rig begins a three-month contract with Chevron for \$195,000 daily.

FLOATER MARKET

The Southeast Asian semisubmersible market, while tight during 2005, is expected to see demand outstrip supply by an even greater margin in 2006. As a result, dayrates are also expected to rise, however, still not to levels seen in West Africa or the North Sea.

The reason is that most opportunities for standard semisubmersibles in Southeast Asia, except for Australia, are short term. Consequently, dayrate opportunities reflect that type of market with drilling contractors experiencing rates in the \$70,000-\$80,000 range for the most part.

One interesting note on the semisubmersible market is that these rigs may be able to piggy back on the jackup market to a certain extent. Jackups in Southeast Asia are enjoying 100% utilization, with that market in 2006 expected to continue in an undersupplied situation. As a result, standard semisubmersibles could take up some of the demand from that market.

As noted above, several jackups in the region are receiving \$100,000 or more per day, which is not to say that semisubmersibles would necessarily be able to command that rate but they could see something higher than their present dayrates due to demand in the shallower waters.

Like the jackup market, drilling contractors with available semisubmersibles are seeing significantly higher dayrates offshore Australia, primarily because that market demands higher specification rigs as well as requiring a significantly higher operating expense than Southeast Asia. All six semisubmersibles offshore Australia are contracted at least through 2006, with recent dayrates as high as \$175,000. However, according to ODS-Petrodata, deepwater semisubmersibles in Australia are reportedly being bid as high as \$240,000.

FUTURE WORK OPPORTUNITIES

Part of the reason that semisubmersibles are expected to be in short supply beginning early 2006 are the number of tenders for projects that begin in the first half of next year, with some contracts that are not scheduled to commence until late 2006.

As mentioned earlier, much of the semisubmersible work is short term, and that is true of new charters beginning in 2006. Most tenders for work in Southeast Asia call for 2-3 wells with options. These formal tenders are for programs mainly offshore

Indonesia and Vietnam. Programs offshore Australia are anywhere from 12-18 months.

There are significantly more pre-tenders and other potential future requirements, but, again, those for work in Southeast Asia are still for only a matter of a few wells. There is quite a bit of potential activity offshore Vietnam with **BP** looking way ahead at potentially as many as nine wells beginning in late 2007. PetroVietnam has potentially four wells beginning early in 2006. Other operators with possible work offshore Vietnam include **Idemitsu** and **KNOC**.

For jackup work in 2006, the programs are longer, even those calling for a specific number of wells rather than for term work. **Chevron** has tenders for a jackup for six wells offshore Indonesia beginning in late 2006. The operator also tendered for a jackup for a contract for as long as five years, also for work offshore Indonesia. **Total** is seeking a jackup for 15 months of work beginning late next year as well as a second program calling for a jackup for as long as two years. Both programs are offshore Indonesia.

Offshore New Zealand, **OMV** is planning as many as eight wells commencing in mid-2006.

With the present strong market, and the amount of potential work in 2006 with some programs set to commence in 2007, Southeast Asia and Australia are expected to continue as one of the strongest regions. Also helping to keep that area a strong drilling market is the fact that drilling contractors are not yet rushing in with additional rigs that could ruin the present supply/demand ratio that has been keeping the market one of the best in the world. ■