

# South China Sea boost for high-spec jack-ups

Despite sovereignty disputes offshore discoveries and production continue



BARRY PARKER — NEW YORK

THE South China Sea is perhaps best known for disputed delimitation of international boundaries. As recently as last week, PetroVietnam accused Chinese ships of cutting cables on a seismic exploration vessel.

Boundary disputes notwithstanding, the undercurrent of exploration activity continues, to the benefit of high-specification jack-ups to drill at water depths of 300 ft-400 ft.

The continuing promise of the region can be seen from last month's announcements of a tie-up between PetroVietnam and the long established French seismic survey company Compagnie Générale de Géophysique-Veritas.

Thailand, a net oil importer but with small-scale crude production of roughly 228,000 barrels per day, has seen a group of recent offshore discoveries.

Nucoastal, part of the UK and Canada-listed Coastal Energy, which produces 10,500 bpd mostly offshore, has made two discoveries at its Bua Ban North field in the Songkhla Basin, in a part of the Gulf of Thailand where sovereignty is not disputed.

With Atwood-Oceanics' jack-up Vicksburg on charter through to the end of 2011 — with a possible six-month extension — at \$90,000 per day, Coastal Energy says that it will be continuing appraisal work on the recent discoveries, and possibly hire another rig.

Elsewhere in the Gulf of Thailand, London Stock Exchange-listed Salamander Energy, an independent with a focus on Asia, continues exploration

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*Chevron*

activities at its Bualuang field using Diamond Offshore's jack-up Ocean Sovereign, with a 300-ft capability, which is on at a dayrate in the "low \$70,000s".

Salamander's latest figures show estimated reserves of 42 million barrels of non-risk-adjusted oil equivalent spread over three licences at the field.

Following employment to Pearl Oil (Thailand), part of a larger regional independent based in Singapore, Vantage Drilling's Emerald Driller, a Baker Pacific Class 375, has gone into Thai oil company PTT Exploration and Production with an initial two-month deal at \$132,000 per day commencing in late April, 2011, followed up by the recently announced 18-month charter at \$129,000 per day.

PTTEP is the operator of Arthit, a producing gas field where Chevron and Moex have minority stakes. In blocks adjacent to production platforms, development drilling continues.

PTTEP has been drilling with Seadrill's high-spec jack-up West Cressida — hired at a \$129,500 dayrate through May, 2014,

supported by Seadrill's tender T-3, on at \$84,500 per day.

Chevron, a long-time player in the region through Caltex and the old-Unocal, describes itself as the largest oil and gas producer in Thailand, selling its liquids and gas to PTT — the national oil company.

In blocks adjacent to its Erawan field, online since the early 1980s, Chevron continues to develop a series of adjacent fields. According to the oil giant: "In 2010, seven operated and six non-operated exploration wells were drilled in the Gulf of Thailand.

"Four in operated areas were successful. Eleven operated exploratory wells are planned for 2011." Transocean's jack-ups Trident XV and GSF Compact Driller, both on at \$100,000 per day, have been handling exploration duties for Chevron, alongside Seadrill tenders T-7, hired at \$64,000 per day and Tioman T-10, on at \$120,000 per day.

Following the expiry in April of a charter with PTTEP, Chevron has taken the T-12 tender for two years at \$120,000 per day.

Planners in Thailand view oil and gas reserves, including those in the Gulf of Thailand, as finite. In December, 2010, PTTEP listed its proven reserves at 1.043bn barrels of oil, equivalent, but has acknowledged that it must substantially grow its reserves, 79% of which are gas.

Earlier this year PTTEP, with State ownership of approximately 33%, had pegged the size of its capital programme at the equivalent of \$11bn, with another \$6bn for operating expenses, over the years through to 2015.

The estimate coincided with the signing of a wide-ranging co-operation agreement with Statoil with a scope that includes natural gas, as well as tar-sands in Canada.

It was also in discussions with Malaysia's Petronas Carigali, in a Joint Development area shared between the two countries within the Gulf of Thailand, regarding possible exploration for gas.

To the west of Thailand, PTTEP had also been drilling for gas in the Andaman Sea, off neighbouring Myanmar, using the West Juno, with 400-ft capability, on at \$129,500 per day.

The Seadrill-owned 2010-built jack-up has now gone on to a short charter to Rimbunan Petrogas, an up-and-coming independent producer with ties to the logging Billionaire Tiong Hiew King, at a dayrate of \$124,500.

As activity in Vietnam heats up, Pearl Oil (Nam Con Son), was reportedly looking for a partner to fund exploratory drilling off Vietnam's coast, near gas fields developed by BP that now fuel electricity generation in southern Vietnam.

Pearl's affiliate owns rights to the soon-to-be-explored block jointly with Lundin, the Swedish independent, and Kris Energy, a southeast Asian specialist backed by the deep-pocketed private equity fund manager First Reserve.

Kris Energy, actually founded by a team of ex-Pearl managers, announced in late May that it was taking over operator responsibility for two licences offshore Vietnam from an Australian partner Neon Energy. PV Drilling has arranged a charter for the Seadrill-owned Offshore Resolute to BHP Billiton at \$127,500 per day.

PV Drilling also said it signed a contract putting Vantage's PPL-built Aquamarine Driller on charter to Salamander Energy, and Japanese partners in at least one block, at \$137,000 per day, for drilling off Vietnam's Hanoi Trough.

Lundin, in the meantime, has just announced the beginning of a short-term five-well programme offshore Sabah in east Malaysia, drilling down to 70 m with Seadrill's jack-up Offshore Courageous on a longer-term deal to Sarawak Shell Berhad/Sabah Shell Petroleum Company at \$159,500 per day until March 2012. ■

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Catalyst for change: the Montaro spill in 2009 has prompted a fine-tuning of the spill response regime rather than a wholesale scrapping.

*Bloomberg*

## Australia poised for regulatory changes to oil and gas exploration

OIL and gas exploration around Australia has been brisk as new sources continue to take on greater importance, writes Barry Parker in New York.

However, the blowout of a well operated by PTT Exploration & Production in summer 2009 has been the catalyst for important changes to Australia's drilling regime.

PTTEP, headquartered in Bangkok but with a growing worldwide footprint, was the operator at Montaro field (off the coast of northwest Australia), where a leaking well and subsequent explosion culminated in a fire that consumed the jack-up rig West Atlas as it was injecting mud to "kill" the leaking well.

Last week, the Australian government's Department of Resources, Energy and Tourism released its final report on the incident with recommendations, following an earlier response to a report issued by the Inquiry Commission in November, 2010.

Nearly all of the 105 original recommendations were either accepted or noted.

The Australian approach to the Montaro accident is in dramatic opposition to the regulatory changes in the US, where the entire permitting and regulatory processes are being recast, with all the resultant political brouhaha.

Australia's 'national plan' for handling maritime oil spills, which has evolved since the early 1970s, will be fine-tuned (rather than scrapped), with the support of the industry, which is also fine-tuning its spill response consortium Australian Marine Oil Spill Centre.

Bills are already before the Australian parliament to: "...establish a single national offshore petroleum regulator for Commonwealth waters by January 2012," — a departure from Australia's historical system of dual oversight by both state and national regulators.

State regulators in Western Australia (where much of the exploration occurs) have voiced objections to this new scheme. Unlike in the US, where permitting for new offshore exploration has been largely halted, exploration activity offshore Australia has continued. Indeed, PTTEP's Australian arm has agreed to an 18-month strict monitoring programme as a condition for retaining its exploration licences.

The Thai upstream operator has placed applications with Australian regulators to resume drilling in the Timor Sea (off the coast of northwest Australia), less than two years after the Montaro accident.

PTTEP has requested permission to utilise Diamond Offshore's 1983-built midwater semi-submersible *Ocean Patriot* (rated to 1,500 ft water depths) for several weeks' drilling of two exploratory wells at 105 m depth.

Diamond Offshore reports that its rig has been hired at a dayrate of about \$235,000.

These two appraisal wells (one 90%

owned and the other 100% owned) would then be plugged and further testing would require requisite environmental approvals.

The company is three months into its 18-month "probation" period, with an outside consultant providing a strict monitoring of PTTEP's compliance with an action plan it submitted.

Lurking in the background is a governmental threat to unilaterally pull PTTEP's drilling permits where compliance is found to be lacking. In the government's words, it has: "...attached additional conditions of title to all of PTTEP's current Australian petroleum titles and any future renewals or granting of offshore petroleum title applications to PTTEP in Australia."

One test of the new regulatory climate will come quickly. Conoco Phillips has submitted a proposal for drilling a series of multiple gas wells in the Browse Basin, near the Seringapatam and Scott Reefs in the Timor Sea in depths of 400 m-800 m.

If the proposal passes environmental muster, the drilling programme of up to two years would start in the third quarter of 2011, with a rig yet to be hired.

An earlier proposal, submitted in November, 2010 (following up on gas discovered during an earlier round of drilling) had been kicked back pending environmental assessments.

Meanwhile, PTTEP has announced that production at Montaro, set to yield 35,000 barrels per day, should be starting in the first quarter of 2012, once the production platform is repaired. ■

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**105**

Number of Inquiry Commission recommendations, 102 of which have been accepted or noted