

Hyperdynamics looks to capitalise on global oil price inflation

Exploration company to raise fresh funds through further sell-down of licence



BARRY PARKER — NEW YORK

HOUSTON-based exploration company Hyperdynamics is to sell a stake in its licence to drill for oil off the coast of Guinea in West Africa. The licence is the jewel in the little-known company's crown.

It is rumoured that a stake of as much as 30% in the licence is on offer.

This 30% "farmout" deal, if concluded, would follow on from a sell-down deal with Aberdeen-based Dana Petroleum (recently acquired by the Korean National Oil). Dana paid \$19m for a 23% share of the licence early last year. Dana's purchase followed the failure of an attempt by Hyperdynamics at selling a stake to Repsol two years ago.

In a manner reminiscent of "virtual shipyards", a lean and eclectic management team at Hyperdynamics contracts a group of outsourced vendors, selling a stake in future revenues to fund its present efforts. However, Hyperdynamics is far from being a start-up; it has been drilling offshore (initially in Louisiana) since 2004.

The company has been touted by investors on financial websites such as Motley Fool and Seeking Alpha. With oil prices above \$100 per barrel, investors have been willing to gamble on high potential, low probability plays on oil that might be found in challenging places — such as unexplored portions of West Africa.

Hyperdynamics' shares, literally in the "penny stock" category in the fourth quarter of 2010, are now trading at around \$5-\$6. In spite of there being nil revenues from oil production, Hyperdynamics' market capitalisation reached as high as \$900m in mid-January before backing off to \$700m by the middle of this month.

The company's board of directors includes ex-oilmen, drillers, members of parliament and the diplomatic corps. Its regulatory filings detail discussions between

company promoters (including a former African expert from the US Department of State on its board), with the President of Guinea, leading to a production sharing agreement.

Hyperdynamics' media strategy has ensured that every aspect of its seismic surveys, which reveal some promise but are far from commercially viable, has been trumpeted to the investment community.

At a late February shareholders' meeting, the management described its ongoing seismic work off the African coast, detailing the 3D surveys being completed by Petroleum Geoservices, following 2D work done in 2009 by Bergen Oilfield Services.

An analysis of the seismic data this month conducted by Netherland Sewell, Texas-based experts on oil reserves, suggested oil resources of as much as 6bn barrels could be found in the deep and shallow parts of the licence. Adjusted for the probability of a successful find, the "risk adjusted" estimation is 750m barrels of oil.

The media strategy seems to be working, enabling the driller to raise additional cash; its drilling programme for two, possibly three, wells, set to start in October this year, is

said to cost \$130m. Late last year, a fund within the money management powerhouse BlackRock bought a \$30m stake, acquiring roughly 11% of the company; at recent share prices, and the \$700m valuation, it has more than doubled its money.

Other name-brand investors have also taken stakes. Hyperdynamics' institutional investor following includes well-known mutual funds such as Vanguard and Fidelity, and a holding by Calpers, the California Public Employees' Retirement System, the biggest public pension fund in the US with assets totalling \$228bn at the start of this year.

No doubt BlackRock and other investors

are doing some simple maths. At a \$700m valuation, barrels are being bought for a little more than \$2, after taking into account the interest of Dana, and the possible new stakeholder, in the licence.

From a business strategy perspective, if the estimates are raised by Netherland Sewell, the asking price of the 30% farm-out will likely be raised.

The blogger Toby Shute, who writes for Seeking Alpha and Motley Fool, hypothesises that Nexen or Noble Energy might be buyers, emboldened perhaps by drilling off the coasts of Namibia (Chariot Oil and HRT Oil & Gas), Sierra Leone (Anadarko), Gabon (Cobalt International) and Mauritania (various companies, including Dana Petroleum).

Using a project manager, AGR Peak Well Management based in Aberdeen, Hyperdynamics said that it has tendered for, and anticipates hiring, a moored semi-submersible some time in April, for drilling in water depths of up to 900m.

The rig, expected to be contracted in April, will mobilise in September. No doubt, any hints of oil discoveries will be front page news. ■

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Hellespont Dawn, left, and Sanko Bride: Sanko Steamship and Hellespont Group have joined forces in a new company, Sanko-Hellespont Offshore Management, that will provide crewing and ship management services to the partners' offshore fleet.

Offshore support veterans launch joint venture

A NEW venture in the offshore support vessel arena brings together two veteran companies, both of which have operated supply vessels previously, writes Barry Parker.

Sanko Steamship and Hellespont Group will provide crewing and ship management to the partners' offshore fleets.

The new company, Sanko-Hellespont

Offshore Management, will initially serve four 12,250 bhp anchor handling tug supply vessels and four 3,250 dwt platform supply vessels plus a further four new 16,320 bhp AHTs and four new 4,700 dwt PSVs.

It said that about 20 units in all would be managed.

The new company's chief executive, Hellespont's Andrew Lidgard, said: "We

are based in Singapore as it is a major and growing offshore hub, but our focus is global. Our vessels are available for worldwide work and currently work West Africa, Brazil and Asia."

Capt Lidgard said: "The joint venture is about combining our management strengths to provide a better service to all oil companies."

The company sees a "positive market

ahead, with expected increased utilisation and rates later this year and early 2012", Capt Lidgard said.

However, he emphasised the importance of providing high-quality service to oil companies and the end-users, irrespective of the present point in the market cycle.

Sanko Steamship and Hellespont Group have given a great deal of thought

to the dynamics of the market, and the integral role of the OSV sector.

"Oil companies are actively investing in higher specification rigs, which will drive demand for larger and more sophisticated support vessels. That is why the newbuildings coming to our fleet from Japan in 2011/2012 will include 4,500 dwt PSVs and 16,000 bhp AHTs." ■

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Ultrapetrol follows Petrobras charter with another Nantong newbuilding

FOLLOWING on from the delivery of Ultrapetrol's Chinese newbuilding platform supply vessel *UP Turquoise*, a sistership, *UP Jasper*, is to be delivered soon, writes Barry Parker.

Both PSVs are from the Wilson Heavy Industry yard at Nantong, although four

additional vessels from Bharati in India are pencilled in for 2011 deliveries.

Ultrapetrol is a listed company involved in a host of maritime businesses with a Latin American nexus. In the middle of this month, *UP Turquoise* was delivered into a four-year time charter to Brazil's majority state-owned oil giant Petrobras, at a reported \$30,350 per day.

Not surprisingly, charters to Petrobras provide the lynchpin of Ultrapetrol's offshore support vessel business in a strengthened market. Brazil's ability to meet its forecast need for support craft (as well as for the larger drilling rigs) has been questioned.

Some analysts have pointed to Brazil's willingness to accept Chinese- and Indian-built vessels into what should be cabotage

trades as a tacit acknowledgement of such concerns.

Six other Ultrapetrol-owned PSVs already work for the Brazilian oil giant, on time charters of between three and four years.

These charters were concluded in late 2009 at around \$25,000 per day.

The OSV segment accounts for approximately half of Ultrapetrol's \$90m capital commitments remaining in 2011, the other half being linked to newbuildings in the river barge business.

Ultrapetrol drew down \$20m from an eight year DVB-led credit to finance *UP Turquoise*; another \$20m is earmarked to finance the upcoming delivery of the sister vessel. ■

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Chinese yards step up to meet quality demands

ULTRAPETROL'S newbuilding *UP Turquoise* is indicative of an emerging trend; Chinese yards will now deliver ships that comply with demanding oil company standards.

Sinopacific, tied through common ownership with the Bourbon Group, recently announced that it would be building vessels for the French owner, but significantly, based on the yard's own design.

The yard has previously built many vessels for Bourbon, notably several dozen of the Guido Perla & Associates-designed Bourbon Liberty series of platform supply vessels (Liberty 100) and anchor handling tug supply vessels (Liberty 200). More recently it has built four PX 105 PSVs using a design from Ulstein.

Last year, SinoPacific and Bourbon

agreed a framework for building as many as 62 offshore service vessels worth about \$1bn. The deal's first tranche is a small BV-classed anchor handler, the SPA-80. According to SinoPacific, the order encompasses 20 vessels.

The Wilson yard at Nantong has also catered to the offshore energy supply chain, including the export ship business. It recently delivered support vessel *Ocean Alden* to Norwegian owner Sartor Offshore, which has put the ship on a 10-year charter to Gaz de France-Suez for work at the Gjoa Field in the North Sea.

Likewise, the Fujian Mawei yard has received orders for two PSVs for Uglund and a dozen MMC 887 type type diesel-electric platform supply vessels for Tidewater. ■

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