



The Leading Source for Strategic Market Intelligence

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Deepwater Exploration Remains Strong in 2009

Exploration activity remained steady in the first half of 2009 as compared to same period in 2008 (Jan-June) while announced Discoveries are up 50% compared to last year indicating that operators may be taking on less risky wells.

	Exp Spuds 1H-08	Exp Spuds 1H-09	Discoveries 1H-08	Discoveries 1H-09
Africa Med	13	11	7	11
Asia Pacific	21	18	10	16
North America	29	23	4	13
South America	9	21	4	11
North Sea	31	32	15	31
	103	105	40	82

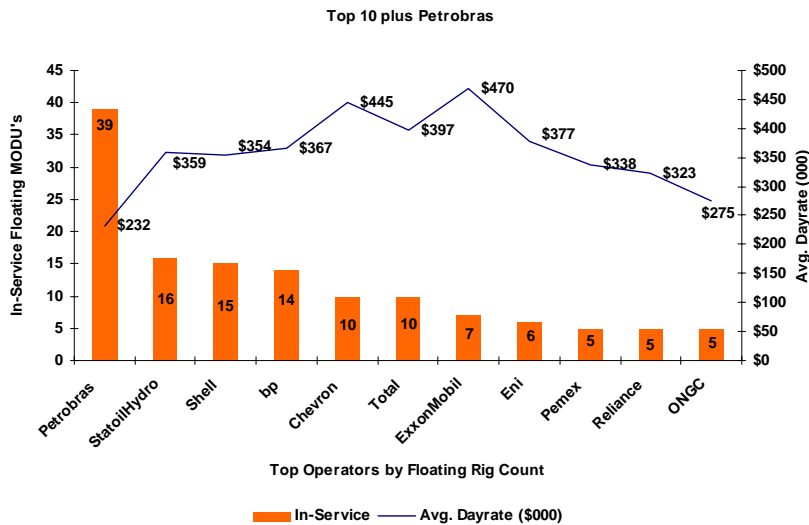
Africa-Med...Israel makes its debut. Noble Energy's three successful wells on the Tamar block have almost assured a future development off this frontier deepwater region. Success continues for super-major BP off Block 31 Angola in 2009. While indies such as Anadarko, Tullow, ENI, and Noble have benefited from exploration efforts in the deepwater frontier areas off Ghana, Libya, Equatorial Guinea and Gabon. Quest forecasts ~130 exploration/appraisal wells will be spud from 2009-2012. Thirty-one floating rigs are currently under contract for Africa-Med regions and another six newbuilds have been contracted to come on-line over the next three years.

Asia-Pac...Australia keeps a steady pace of drilling with notable discoveries announced from Chevron, ConocoPhillips, Apache and Woodside. The future potential of LNG seems to have kept Australia activity on-track despite the slight decrease in exploration for Asia-Pac as a whole this year. Other notable discoveries in 1H-2009 include Husky's Liwan Appraisals off China, and ENI's success off Indonesia's Makassar Straits. Quest forecasts ~200 exploration/appraisal wells will be spud from 2009-2012. Forty-four floating rigs are currently under contract for Asia-Pac regions and another eight newbuilds have been contracted to come on-line over the next three years with roughly 60% going to India.

North America...no shortage of rigs in the US GoM. Success at the drill-bit has increased 70% compared to the same time last year in the US GoM. Anadarko leads the charge with discoveries at Samurai, Heidelberg, K2 South and Shenandoah. Other notable successes include Mariner's Bushwood, Newfield's Pyrenees and Winter, Noble's Santa Cruz, Plains' Friesian #2, and Repsol's Buckskin. Quest forecasts ~185 exploration/appraisal wells will be spud from 2009-2012. Thirty-six floating rigs are currently under contract for North America regions (80% are working in US GoM) and another sixteen newbuilds have been contracted to come on-line over the next three years. Independents continue to carry their weight in the US GoM even taking on pricey rig contracts.

North Sea...StatoilHydro keeps Norway afloat. The NOC has announced 15 discoveries so far this year; they have 14 floating rigs working off the Norwegian coast and expect to receive another 3 newbuild rigs by 2012. Quest forecasts ~165 exploration/appraisal wells to be spud from 2009-2012. We anticipate an up-tick in activity off the UK as markets strengthen and North Sea Independents re-gain their footing. Forty floating rigs are currently under contract for North Sea regions and another five newbuilds are expected to be delivered by 2012. This includes two new high-spec semi's, the Polar Star and the Northern Light, being built specifically for the massive Shtokman project.

South America... Petrobras and Pre-Salt...need we say more. There has been a considerable increase in announcements of Discoveries off Brazil this year. Excitement over pre-salt opportunities abound has led to increased drilling in the Santos and Espirito Santos basins with notable discoveries coming from Petrobras, BG Group, ExxonMobil, and Repsol. Quest forecasts ~130 exploration/appraisal wells will be spud from 2009-2012. Rig count alone speaks volumes. Forty-seven floating rigs are currently under contract for offshore Brazil and 80% are contracted with Petrobras. Another 27 newbuilds are contracted by Petrobras for delivery through 2012 and there is speculation that more tenders may be imminent by as much as 8 more ultra-deep rigs for delivery post 2012. According to Quest rig analysis Petrobras has the highest worldwide rig count and thanks to long-term agreements enjoys the lowest average dayrate of all operators worldwide (see graph below).



Global Rig Capacity

Similar to the jack-up market but to a much lesser degree the mid-water rig market (2nd and 3rd gen. semi's) continue to struggle with downward pricing pressure and new contract opportunities leading to a growing list of idle rigs. Transocean recently speculated in their analyst call that there may also be some lag in demand in 2010 for the older 4th gen. deepwater semi's as the market continues to re-gain footing. However, all the major drilling contractors agree that the deepwater and ultra-deepwater rig market is strong and growing. Ninety-two ultra-deepwater newbuild rigs are expected to be in-service by the end of 2012. As of today roughly 75% of these rigs have secured contracts with operators.

