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MARKET FORECASTS

Deepwater has a long way to go

In relative terms the deep and ultra-deepwater regions are still under-explored and hold considerable potential say **Howard Wright**, senior analyst and **Dr Roger Knight**, data manager at Infield Systems (**Booth 2459**).

The past ten years has seen the deepwater (>500m) offshore arena evolve from a frontier area to an intrinsic and strategically important element for most global offshore operators' asset portfolios. A cursory glance at the websites and annual reports of these operators shows the prominence that deepwater now commands and underlines the value of its success. But, in relative terms the deep and ultra-deepwater regions are still under-explored and hold considerable potential.

Infield Systems' new third edition of *Global perspectives: deep and ultra-deepwater report to 2010* shows global deepwater expenditure continuing its growth trend of the past five years, resulting in an increase in total expenditure to over \$71bn – a 91% increase on the preceding five-year period. This expenditure relates to platforms, subsea, control lines, pipelines and risers and is shown in the actual year of spend.

The figure below shows the dominance of West Africa in terms of deepwater developments. Projects such as Dalia, Bonga and Kizomba have been completed recently or are due to be completed in the near future. Beyond these, there are major developments such as Kizomba C and Angola's Block 18 to name just a couple. Africa as a whole is forecast to account for 40% of all deepwater expenditure over the 2006-2010 period.

In Latin America, Petrobras is still the major player and has remained aggressive in developing its deepwater prospects. Towards the end of the decade, Chevron, with its Frade development, and Shell, with BC-10, look set to be the next foreign operators to develop in this deepwater region. In total, projects in Latin America look set to account for 25% of all future deepwater expenditure.

The third area of deepwater activity in the Atlantic Margin is the Gulf of Mexico. Having seen several major deepwater prospects recently developed there seem to be less on the horizon. Projects such as Blind Faith, Tahiti, Knotty Head and the Great White area show that there are opportunities, but it looks likely that a lot of the activity in the Gulf of Mexico in future years will revolve increasingly around subsea tieback developments to existing hub facilities.

Beyond the Atlantic Margin there are pockets of new deepwater plays. In Asia developments are advancing off the coast of East India, offshore Sabah Malaysia and off the east coast of Kalimantan. Other areas of new prospectivity include Australia with tiebacks in up to 1350m of water for subsea-to-shore projects such as Gorgon/Jansz.

Despite this level of new developments there are potential issues that face the industry if the current feelgood factor is to be maintained. The major issues centre on bottlenecks to supply which are already becoming apparent. Such issues are having an impact on scheduling and cost and although the contracting community has added deepwater capability to take advantage of the growth in deepwater, it still seems likely that the industry is going to reach certain choke points – particularly regarding deepwater pipelay and heavylift. This is likely to have cost implications in terms of day rates and mobilization and demobilization costs, but also it could have a significant impact on scheduling and bring delay to onstream dates.

While operators are no doubt going to continue

to seek new elephant discoveries, the reality of deepwater is that it is no longer the frontier zone that it was five to ten years ago. With fewer new

prospects on the horizon, particularly in North America, it looks like there is a two pronged approach being taken by operators in the

deepwater arena. While new hub developments are always likely to be sought, operators look set to concentrate on maintaining production profiles by bringing tieback fields onstream as ullage allows.

Infield Systems' view is that the number of new facilities expected to come onstream is likely to fall back from the current high levels, but will be replaced by increased activity levels in the subsea market.

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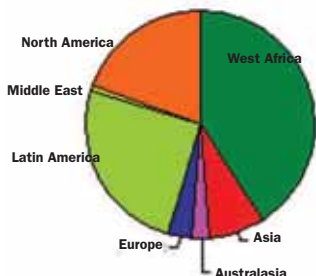


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