The Commercial Side - lease or buy an FPSO? Existing or New build?

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Floating Production Market
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• High and steady activity level
• FPS concept accepted as production solution
• Limited availability of existing units
• End user focus on limiting exposure
• High risk and complex contracts in lease market
• Limited number of contractors/yards/fabricators
• Fast track developments
• Emerging second-hand market
Mobile Production Units Worldwide
Concept Distribution

- Semi-Sub: 43
- Spar: 12
- TLP: 18
- Jack-up: 20
- FPSO: 103
Mobile Production Units Worldwide Area Distribution

North America

North Sea

S. E. Asia / Far East

South America

Africa

Australia/New Zealand
Mobile Production Units Worldwide
Operator Owned vs Leased

- FPSO: 52 (51 Leased, 1 Owned)
- JACK-UP: 13 (7 Leased, 6 Owned)
- SEMI: 31 (12 Leased, 19 Owned)
- SPAR: 12 (12 Leased, 0 Owned)
- TLP: 18 (18 Leased, 0 Owned)
FPSO’s Worldwide
Purpose built vs Conversion

Leased FPSO’s

License owned FPSO’s
Mobile Production Units Worldwide
Purpose built vs Conversion

- FPSO: 59 (44 Converted, 15 Purpose)
- JACK-UP: 17 (3 Converted, 14 Purpose)
- SEMI: 28 (15 Converted, 13 Purpose)
- SPAR: 12 (12 Converted, 0 Purpose)
- TLP: 18 (18 Converted, 0 Purpose)
Mobile Production Units under construction
Purpose built vs conversion

- FPSO: 13
- JACK-UP: 1
- SEMI: 3
- SPAR: 7
- TLP: 4

Converted | Purpose
---|---
13 | 10
1 | 3
3 | 7
4 | 7
Mobile Production Units under construction
Geographical Distribution

- West Africa
- South America
- S.E. Asia/Far East
- North Sea
- Middle East
- Mediterranean
- GOM
- Canada/North Am.
- Australia/New Zealand
- Non Committed
FPSOs Worldwide
Purpose built vs Conversion

West Africa
South America
S.E. Asia/Far East
North Sea
Middle East
Mediterranean
GOM
Canada/North Am.
Australia/New Zealand
Non Committed

Purpose
Converted

0 5 10 15 20 25

Fearnley Offshore
Own or Lease?
Existing or Newbuild?

It almost always boils down to being a question about

MONEY
Own:
Operator or license owns and operates the FPSO (this also includes financial lease arrangements)

Lease:
Operator leases FPSO from a contractor on a bareboat or timecharter contract that may or may not contain risk/reward provisions
Some of the questions that the operator should ask:

What are my technical requirements?

Process plant – capacities/capabilities
  Storage Capacity
  Export system
  Mooring System
  Single/Double Skin
  Climate/Environment
  Regulatory
What do I know about the field?

Reservoir data – how good is it?
Anticipated field life
Other, nearby possibilities
Feasibility of alternative concepts
How much risk am I willing to take?

Production volume/duration
Production regularity
Residual Value of FPSO
Newbuilding risk
Conversion risk
Political risk
What is my company’s strategy?

Preference to own/operate
Tax considerations
Contract strategy/options
Amortization of an FPSO/financing options
Political considerations
Partners
What are my options?

Availability of suitable existing tonnage
Anticipated interest from contractors
Anticipated interest from newbuilding/conversion yards
Shipyard situation (price/availability)
Conversion candidates
Other projects that may interfere
Some of the questions the FPSO contractor should ask:

Will the unit fit my strategic intentions?
Do I already have a suitable unit?
Residual value?
Risks?
What are the market forecasts?
Any chance of additional work on this location?
What is it going to cost?

An operator will normally amortize the unit over the anticipated life of the field.

Oil company IRR: region 15-20%
An FPSO contractor will typically amortize the unit as follows:

**Hull:**
18-20 years

**Topside and mooring system:**
Anticipated life of field, but a more ”generic” design will be amortized over a longer period.

**IRR:**
Slightly lower than oil company – typically 12-18%
Are there available vessels out there?

Existing FPSO’s? YES

Conversion candidates? YES

Yard capacity for new construction? YES

Interested FPSO contractors? YES
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