Quest Offshore Intelligence Brief

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Quest Offshore Resources, Inc.

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THE AMERICAS

1. Canada: ***CAMERON WINS WHITE ROSE SUBCONTRACT FROM TECHNIP***

Technip awarded a contract reportedly worth $70 to $85 million to Cooper Cameron for subsea facilities for Husky Energy White Rose development offshore Newfoundland, Canada. Cooper Cameron will supply systems from its Modular Subsea and Integrated Completion product line. Deliveries of the equipment will begin in the Q2 2003 and continue into 2005. Specifically, Cameron will provide 15 SpoolTree Production Systems and STM Wellhead Systems. Also, the company will provide a CAMTROL Multiplex Electro-hydraulic Subsea Control System, which includes a topsides master control station and an electrical power unit. Other products scheduled for delivery by Cooper Cameron include an intervention workover control system, Cameron vertical connector systems, Cameron Willis subsea retrievable chokes plus subsea valves, connections and related controls hardware for five subsea manifolds.

Cooper Cameron will manufacture the wellheads in Singapore; the SpoolTree systems and connection equipment in Leeds, England; the CAMTROL control system in Celle, Germany and Houston, Texas; and chokes in Longford, Ireland.

The award of Phase II of the development is a mark of continuity for Cooper Cameron, as the company also worked with Technip regarding the front end engineering and design of White Rose.

2. Brazil: ***PETROBRAS LAUNCHES P-51, P-52 BID PROCESS***

Petrobras commenced the bidding process for contracts related to the construction of semisubmersible production platforms P-51 and P-52, bound for Marlim Sul and Roncador, respectively. Although Petrobras does not intend to install the units until 2005, the company initiated the bidding in order to ensure that it will reach its goal of producing 1.9 Mmbo during that year. Petrobras is keen on having the semis operational as planned; the company estimates that it will lose $100 million for every month the semis are delayed beyond their planned start-up date.

The platforms will be contracted through three simultaneous and supplementary auctions. One auction will cover the construction of electricity generation modules, another auction will cover the construction of the gas compression modules and yet another auction will deal with the construction of the hull and production facilities.

The first two auctions are simple and straight-forward: all companies that supply electricity generation modules and gas compression modules will be invited to participate in the bidding process. The bidding process for the hull and processing plant will be more restrictive. Petrobras is only inviting those engineering and construction companies that have prior experience building production platforms similar to the P-51 and P-52. According to Petrobras officials, each FPS construction hull/topsides contract will be awarded to a different company and that the award will be based, in part, on the financial benefits a potential contractor can offer to Petrobras. This decision leaves the door open for foreign engineering and construction companies, as Petrobras has faced intense public and political pressure on the home front regarding its previously stated opinion that Brazilian yards did not have the experience to carry out the project requirements.

The actual cost of the construction of the two FPS semis will amount to about one third of the total development cost of Marlim Sul and Roncador.

3. GoM: *ALLSEAS HEADS FOR GUNNISON*

Allseas snared a $40 million contract from Shell Gas Transmission and Enterprise Products Partners to install a 41-mile (65.9km), 16-inch dia. pipeline to transport gas from Gunnison to the Stingray Pipeline System. The new pipeline will be able to handle 275 MMcf/d of natural gas, allowing room for current production plus additional volume as Gunnison evolves into a regional production hub. Allseas is expected to utilize pipelay vessel ***SOLITAIRE*** to perform the pipeline installation during Spring 2003.

Separately, Global Industries was previously awarded with an EPCI contract from Williams covering the oil pipeline portion of the project. Engineering is well underway on the 95-mile (153km), 18-inch dia. export pipeline.

Triton Gathering will own the gas pipeline, while Williams will own the oil pipeline.

First production from Gunnison is slated for November 2003. The Kerr-McGee operated field lies in 3,150 FSW (960 MSW) and spans Garden Banks blocks 667, 668 and 669. Kerr-McGee holds a 50% working interest in Gunnison, while the remaining interest is split 30% and 20% between Nexen Petroleum Offshore and Energy Resource Technology, respectively.

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4. GoM: ***CANYON STATION RECEIVES FIRST GAS***

Williams' Canyon Station platform, which serves as a host facility for the Canyon Express subsea satellite developments, received its first gas from the Aconcagua and Kings Peak fields. According to Aconcagua partner Nippon Oil Corp., Aconcagua is now flowing natural gas at a rate of 40 MMcf/d. Nippon expects this figure to rise to 210 MMcf/d of natural gas by early Q4 2002. Production rates for Kings Peak are not available. With the addition of seven more wells by the end of October, Williams expects Canyon Station to run at near capacity.

The Canyon Station platform is able to process and handle up to 500 MMcf/d of natural gas. According to platform operation Williams, production from about 35,000 acres of federal Gulf of Mexico leases are dedicated to the facility.

TotalFinaElf operates Aconcagua with a 50% stake, Pioneer Natural Resources holds a 37.5% stake and Nippon Oil holds the remaining 12.5%.

5. GoM: ***WESTPORT RESOURCES DRILLS WATER WELL***

On a quest for deep reserves Westport Resources drilled well no. 1 on Vermilion block 16 to a depth of 15,700 ft. (4,785m), but found only water waiting when they reached the target zone. The well has been plugged and abandoned. Westport Resources operated the well with a 35% interest.

6. GoM: ***SHELL EVACUATES GULF PLATFORMS***

As Hurricane Isidore entered the Gulf of Mexico, Shell began evacuating hundreds of its nonessential offshore workers on the September 20. Shell decided to evacuate 650 employees from its platforms, but production will remain at full capacity and will not be affected by the evacuation.

As QOIB went to publication, Hurricane Isidore had just made landfall in Cuba and was centered near La Fe, Cuba. The National Weather Service expected the storm to emerge in the Gulf the evening of September 20.

7. Houston: ***STEWART & STEVENSON CLOSES PETRO-EQUIPMENT BUSINESS SALE***

Stewart & Stevenson closed the sale of a portion of its petroleum equipment segment's blowout preventer, valve, elastomer and drilling riser products to Cooper Cameron for $14.75 million.

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As part of the agreement, Stewart & Stevenson will lease a portion of its Telge Road, Houston manufacturing facility to Cooper Cameron, allowing Cooper Cameron to complete the work in progress at the time of the sale. Stewart & Stevenson retained the completion of certain contracts, receivables and liabilities of its discontinued business.

8. GoM: *AMERADA HESS INKS CONGER-6 CONTRACTS*

Amerada Hess placed letters of intent (LOI) last week for subsea equipment associated with its Garden Banks block 215 Conger-6 single well subsea tie-back in 1,476 FSW (450 MSW). ABB (Vetco Gray) is supplying a subsea tree and Aker Kvaerner's KOP is supplying a Mux E/H subsea control system. The project is taking a second seat to the Ceiba Phase 1B blocks F&G, Oveng, Abang, Ebano, Akom, and Elon field developments offshore Equatorial Guinea, which Amerada Hess is presently ramping-up in a big way.

Separately, Amerada Hess completed systems integration testing (SIT) of subsea components for its Garden Banks block 201 area development in the Gulf of Mexico, which were shipped last week by vendor KOP in preparation for first production.

9. Brazil: *PETROBRAS KEEPS FAR SAILOR*

Petrobras elected to extend its charter for Farstad Shipping's AHTS **FAR SAILOR** for an additional two years to the tune of $12 million. The vessel has been working for Petrobras since Q3 1997 and is currently supporting deepwater operations in the Campos Basin.

The second vessel of the UT722 design, **FAR SENIOR**, recently started on a 2 year contract for Petrobras after having traded the spot market in the North Sea. Farstad Shipping now has a total of 8 vessels contracted to Petrobras in Brazil, all on long-term contracts.

10. GoM: *TANA HITS GAS PAY AT SHIP SHOAL 133 PRODUCTION*

Tana Exploration Co. chalked up a successful well at Ship Shoal block 133. Well no. 1 was drilled to a depth of 11,917 ft. (3,632m) and tapped about 44 ft. (13m) of apparent natural gas pay in a single interval. Due to the well's proximity to existing infrastructure, the company will tie-back the well to a nearby platform and early first production is targeted for Q1 2003.

Stakeholder Energy Partners Ltd. President Richard A. Bachmann said that the company intends to accelerate its exploration program and has at least 10 exploratory wells planned

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for the next six months. Describing the company's quickening development pace, Bachmann said, "…We have expanded our development and exploitation operations with a new 5-well program at Greater Bay Marchand as well as recompletion and workover activity at East Bay."

Tana Exploration Co. operates the Ship Shoal block 133 well with a 67% stake; Energy Partners Ltd holds the remaining 33% interest.

11. Brazil: *WOOD GROUP EXPANDS BRAZILIAN PRESENCE THROUGH ACQUISITION*

Wood Group Engineering & Production Facilities Brasil purchased 51% of Santos Barbosa Tecnica Comercio e Servicos. Wood Group Director – Engineering and Production Facilities Bill Edgar said, "We believe that Brazil has the potential to be an important market for Wood Group and the acquisition of Santos Barbosa gives us a key presence in the country."

Wood Group is laying out $2.9 million, including acquired debt, plus further payments between 2004 and 2007 to acquire Santos. The payments will be based on the performance of the company. At the 2007 mark Wood Group will acquire an additional 29% of Santos.

Santos Barbosa was established in 1995 and currently employs about 700 people. Santos Barbosa President Jose Augusto Barbosa Reis will retain his position.

12. Houston: *APACHE PRAISES FERC RULING*

Apache characterized a recent ruling by the Federal Energy Regulatory Commission (FERC) that overturned Williams' offshore gas pipeline rates as "a victory for consumers and producers." FERC ruled that Williams and its affiliates acted in concert and had abused their monopoly power by charging producers rate not reasonable with the competitive market. In light of the finding, FERC established an unbundled gathering rate of $.0169 per MMBtu on the North Padre Island System. According to Apache, this represents a drastic reduction from the original non-negotiable price of $.12 per MMBtu quoted to the producer by Williams.

Commenting on the ruling, Apache CFO Roger Plank said, "Unchecked, spindowns could enable pipelines to increase rates on virtually all gathering lines in the Gulf of Mexico, through which flows approximately 25% of the nation's gas."

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13. Houston: *PEOPLE ON THE MOVE*

ConocoPhillips Chairman Archie W. Dunham has been named to the National Infrastructure Advisory Council. As part of the council, Dunham will participate in advising President George W. Bush on matters of information systems security as it applies to energy, banking and finance, transportation, manufacturing and emergency government services.

14. Houston: *PEOPLE ON THE MOVE*

Bluewater appointed Allan Millmaker as general manager of Bluewater Offshore Production Systems (USA). Millmaker has 25 years of oil and gas experience and most recently served as senior vice president of Navion's floating production business unit.

AFRICA / MEDITERRANEAN

15. Eq. Guinea: *EQ GUINEA MAKES MOVE TO UP STAKES*

After reexamining PSCs inked with producers over a decade ago, the government of Equatorial Guinea is looking to increase its field interests, including projects already underway. Several fields in the country's territorial waters are undergoing a period of expansion and growth. ExxonMobil aims to increase production from its Zafiro field from 150,000 BOPD to 235,000 BOPD before the end of 2004. The country's other big players are also striving towards significant production increases. Amerada Hess expects to increase production from the Ceiba field by 63% before the end of the year. Marathon Oil recently received approval from the Equatorial Guinea government to expand the Alba field. Marathon plans to increase production from 17,000 BOPD to 46,000 BOPD, an increase of 171%, before Q3 2003 is over.

A move by the government of Equatorial Guinea to up its stakes in even existing projects could impact the development plans of the region's biggest players, causing delays in project expansion as the two sides come to terms.

16. South Africa: *PIONEER PREDICTS SIGNIFICANT PRODUCTION INCREASE IN 2003*

Pioneer Natural Resources expects its worldwide daily production to jump dramatically as the Sable field offshore South Africa and the Falcon and Devils Tower developments in the Gulf of Mexico come on stream in 2003. Production from these three fields, plus its share of

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production from Canyon Express, should push the company's daily production rate to about 185,000 BOPD, up 60% over Q2 2002 production levels.

Pioneer Natural Resources Chairman and CEO Scott D. Sheffield also sees a bright future beyond 2003. Sheffield said, "We expect growth to continue into 2004 as we benefit from the first full year of production from these projects, and we are pleased with our lineup of discoveries and prospects that could provide the next tier of incremental growth in 2004 and beyond."

Pioneer's lineup includes discoveries in the deepwater Gulf of Mexico, Gabon and Tunisia, as well as an extensive portfolio of potential prospects in North America and Africa.

17. Egypt: *APACHE REVEALS THIRD EGYPT FIND "EL MAX"*

Apache recorded its third consecutive discovery offshore Egypt in the Western Mediterranean license area. The company drilled the El Max-1X well in 3,100 FSW (945 MSW). The results of the well compare favorably with the other two Apache discoveries in the area, but the discovery differs in that the El Max-1X well found a gas column of over 500 ft. (152m) compared to gas columns of 311 ft. (95m) and 247 ft. (75m) for Abu Sir and Al Bahig, respectively.

Apache officials are encouraged by the string of finds in the Western Mediterranean concession, an area the company believes to hold the highest reserve potential of any properties in its worldwide portfolio. Apache President and CEO G. Steven Farris said, "We're now comfortable with our ability to operate in deepwater, having hit on all three of our deepwater exploration wells drilled thus far, and are well on our way toward our goal of establishing at least 3 Tcf of gross natural gas reserves on the deepwater part of the concession."

Apache operates the deepwater portion of the concession with a 55% interest. RWE-DEA holds a 28.333% stake and BP rounds out the group with a 16.667% interest.

18. Libya: *BOUYGUES-DORIS JV SCORES NC41 $70.8MM SUBSEA EPIC CONTRACT*

Bouygues Offshore and Doris Engineering teamed-up to seize the $70.8 million NC41 EPIC contract from Agip for a subsea system destined for installation offshore Libya. The overall value of the project contract is $130.7 million.

The project calls for the engineering, procurement, transportation, installation and commissioning support for a subsea production system to be installed in 623 FSW (190 MSW)

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on block NC 41C, which is part of the Western Libya Gas Project. The subsea production system will consist of two six-slot templates/manifolds and a control umbilical. The installation of the system will be carried out in two steps. The JV plans to install the templates in December 2002, followed by the installation of the protective structures and manifolds in December 2003. As previously reported (QOIB 7/27/02), Cameron UK is the subcontract supplier for the subsea hardware.

According to Bouygues, the contract award from Agip solidifies the company's activities in Libya and will enhance its ability to participate in future contracts in the North Africa and Middle East regions.

19. Nigeria: ***NIGERIAN UNION PREPARES FOR WORK STOPPAGE***

The Petroleum and Natural Gas Senior Staff Association of Nigeria (PANGSSAN), a trade union representing largely white-collar workers, has called for a September 23 & 24 "warning industrial action" in order to encourage government intervention in it's dispute with ChevronTexaco over alleged unfair treatment and also to oppose the privatization of the National Nigerian Oil Corp. The PANGSSAN strike follows two protests earlier this year during which Nigerian women occupied ChevronTexaco facilities and interrupted production for about 10 days. Both prior protests were resolved peacefully.

20. Gabon: ***VAALCO STARTS ETAME PRODUCTION***

VAALCO's Etame field is onstream and producing at a rate of 14,500 BOPD, 36 degree, sweet crude, following the recent installation of flowlines and the arrival of the FPSO PETROLEO NAUTIPA. The company will continue to closely monitor Etame's performance to determine the optimum production rate for the reservoir. VAALCO also plans to acquire 3-D seismic next year to explore a possible northern extension of the field and other exploration targets.

VAALCO operates Etame with a 30.35% interest. Etame partners include PanAfrican Energy Gabon with a 33.9% stake, Sasol Petroleum West Africa with a 30% stake, Energy Resources Japan with a 3.225% stake and PetroEnergy Resources with a 2.525% stake. The government of Gabon retains the right to opt into the project with a 7.5% stake acquired proportionally from the Etame partners.

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NORTH SEA / EUROPE

21. North Sea: *CONOCOPHILLIPS PUTS HAWKSLEY ONSTREAM*

ConocoPhillips' Hawksley field in UK block 44/17a of the North Sea is now producing natural gas. Although details of the field's current production are not available, the producing well, drilled by ENSCO jackup ENSCO 72, tested at a rate of about 165 MMcf/d of natural gas. Total production from Hawksley could total as much as 430 Bcf. ConocoPhillips operates the field with a 59.5% stake, while GDF Britain and Tullow Exploration hold 26.4% and 14.1% stakes, respectively.

Hawksley is part of a group of fields that are being developed as the CMS III subsea project using production and transportation facilities of the Caister Murdoch System (CMS). The project is well on its way to completion, as subsea infrastructure is in place and new production wells are expected to be completed, tied-in and on production within the next few weeks. In order to support the additional production from CMS III, CMS production facilities required extensive upgrades including a new bridge-linked accommodation platform tie-ins for the CMS III subsea development. In addition, in mid-2003, installation of a new compression module will double the CMS compression capacity to cater for existing and new production, and provide for future natural gas developments in the area. CMS III is expected to eventually produce around 300 MMcf/d of natural gas.

22. North Sea: *STATOIL CONDUCTS FIRST REMOTE SUBSEA RECOMPLETION*

Statoil, using Odfjell Drilling's DEEPSEA TRYM and technology developed by Welldynamics, completed the world's first remotely operated recompletion of a subsea well. The work was performed on well I-3H on the Gullfaks field. The technology employed, known as Scrams, enabled the company to monitor and control well operations without expensive interventions. Statoil Reservoir Development Manager for Gullfaks Hermod Johansen said, "The advantage of Scrams is that valves on the seabed can be operated from Gullfaks A. In a reservoir containing oil, water and gas, we can shut off a zone producing water and choke back production from zones which primarily produce gas."

The I-3H well lies in 442 FSW (135 MSW) was temporarily returned to production, but has been since shut-in due to a turnaround. Statoil intends to continue to study the outcome of the remote recompletion in order to determine its suitability for future use.

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23. North Sea: *SCHLUMBERGER CAPTURES TUBING CONTRACT WORTH UP TO $13.2MM*

Schlumberger inked a contract with Statoil to supply coiled tubing services on the Norwegian continental shelf. The contract is set for an initial term of three years with a possibility of two two-year extensions. In all, the contract value may range from $10.7 million to $13.2 million.

Under the terms of the contract, Schlumberger will provide personnel and equipment for all coiled tubing work on the Norwegian continental shelf with some exceptions. Schlumberger will not provide coiled tubing services for drilling or for operations conducted from special intervention vessels.

24. Norway/Houston: *PEOPLE ON THE MOVE*

Petroleum Geo-Services has taken a concrete step towards is stated goal of consolidating and streamlining its corporate center. Sverre Strandenes was appointed senior vice president of corporate communications. Strandenes will report directly to the CEO and, as part of his duties, will serve on the PGS Executive Committee.

25. Norway: *PEOPLE ON THE MOVE*

JDR Cable Systems named Oscar Eide as general manager for its Bergen-based Norwegian unit, JDR Cable Systems (Norway) AS. Oscar brings to JDR experience from an extensive career with several Norwegian oil and gas service companies. JDR anticipates that its new representation in Norway will help strengthen its existing relations with customers.

ASIA PACIFIC

26. Australia: *SUBSEA 7 GRABS WOOLLYBUTT WORK*

Subsea 7 inked a contract with Vanguard SPC for Agip's Woollybutt FPSO installation and commissioning offshore Australia North West Shelf. DSV ***ROCKWATER 2*** will be mobilized imminently to the ~six month project with workscope comprising risers, mooring system, flowlines and umbilical installation in up to 328 FSW (100 MSW).

27. Australia: *NAUTRONIX DIRECTOR ACQUIRES COMPANY*

Mark A. P. Patterson succeeded in his effort to acquire Nautronix. In May of this year, Patterson

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removed himself from his daily duties as CEO of Offshore Technology Group to concentrate on his bid to buy Nautronix. Patterson, who had been a Nautronix Board of Directors member since 1996, sought financial support from Ian Suttie of First Tech and launched a serious attempt to acquire the company. The bid cleared Foreign Investment Review Board regulations in early September and support for the acquisition among shareholders was evident.

The new Nautronix Board consists of Chairman Ian Suttie, CEO Mark Patterson, existing Executive Director Ross Stuart and non-executive Director Charlie Morgan. As on of its first actions, the board will conduct a review of the business and implement short-term changes that are designed to improve the level of communication within the organization, subsequently leading to greater involvement of the staff.

28. Australia: *CASINO-1 HITS JACKPOT*

Santos and partner Strike Oil hit pay on block VIC/P44 in the Otway Basin offshore Victoria, Australia with their Casino-1 well. According to wireline tests, the well encountered about 154 ft. (47m) of natural gas pay. Although the well was successful in locating natural gas, the companies had planned the well as an exploration well only and did not make any provisions for completing the discovery. The partners are abandoning the well and are now considering a possible appraisal well.

Santos operates Casino-1 with a 50% stake, while Strike Oil holds the remaining 50%.

29. New Zealand: *SHELL NEW ZEALAND UPSTREAM BUOYS PROFITS*

Shell's New Zealand unit recorded a 12% boost in 2001 net profit to $94.5 million, despite plummeting net profit in its oil products business. The company's oil products profit declined a full 50% in 2001 to $14.7 million. According to Shell New Zealand Country Manager Lloyd Taylor, the sharp decline in oil product revenues was primarily due to a fiercely competitive local market on one side and rising crude oil prices on the other, effectively squeezing profit margins.

Fortunately for Shell, lower profits did not carry over to its upstream business. The drastic loss on the retail side was counterbalanced by a 51% jump in net profits from the unit's upstream sector. Shell New Zealand's upstream business finished out 2001 with a net profit of $81.2 million. Taylor said the improvement in its upstream business was largely the result of the acquisition of Fletcher Challenge Energy in 2001.

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30. Sakhalin: *ROSNEFT, ALFA EKO CONSIDER COOPERATIVE EXPLORATION*

Alfa Eko, owner of 95% of Sakhalin-6, is in discussions with OAO Rosneft regarding possible joint exploration activities offshore Sakhalin Island. Alfa Eko seeks to develop Sakhalin-6, but the company is unable to go-it-alone as the estimated cost of development is over $1 billion. So far Sakhalin blocks 1 through 5 have the backing of at least one supermajor each. ExxonMobil is leading development of blocks 1 and 3, while Shell is leading the development of block 2. Earlier this year, BP inked and agreement with Rosneft to develop Sakhalin blocks 4 and 5.

The estimated development costs for blocks offshore Sakhalin clearly indicates why joint ventures or heavy-weights are needed in the region. According to the Business Information Service for the Newly Independent States (BISNIS), a division of the U.S. Dept. of Commerce's International Trade Administration, Sakhalin-1 will take an estimated total investment of $12 billion to produce. At an estimated $10 billion must be invested to bring Sakhalin-2 to production. BISNIS estimates exploration costs alone to be over $530 million for both areas of Sakhalin 3.

Many explanations for the extremely high cost of developing Sakhalin fields have been put forward. Hostile climate conditions including sea ice and typhoons, seismic activity, as well as non-environmental issues such as political and regulatory issues have all been cited as contributing to the multi-billion developments offshore Sakhalin. What ever the reason may be, ultimate success in the offshore Sakhalin arena will require not only technical know-how and perseverance, but a thick pocketbook as well.

31. New Zealand: *LICENSING AUTHORITY TRAVELS WORLD PROMOTING TARANAKI*

Crown Minerals, New Zealand's Government Petroleum Licensing Authority, will be traveling to Singapore, London and Houston to promote its upcoming licensing round in the deepwater Taranaki region. TGS-NOPEC will present the results of its recently completed Astrolabe 2D survey of the region.

The seismic data indicates the presence of think sedimentary layers and has identified various large traps including fault closures, drapes across rift block highs and compression-created inversion structures formed during the Eocene. According to TGS-NOPEC, Taranaki is a Cretaceous play, distinctly different than the traditional Kapuni plays found on the shelf.

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Crown Minerals will be conducting a seminar in Singapore on September 27, followed by a presentation in London on September 30. The licensing authority will present its data in Houston on October 3.