

UKCS Offshore Exploration Down 78%

Offshore activities in the oil & gas sector are continuing to fall - the latest industry figures released by Deloitte show that exploration operations within the UK Continental Shelf have decreased significantly in the last 12 months. Deloitte's North West Europe Review, which summarises drilling and licensing in the region and as is produced by its Petroleum Services Group (PSG), reports that while the same number of appraisal wells were spudded in the UK during Q1 of 2009 compared to the year before, the number of exploration wells has fallen 78%.

A total of 18 exploration and appraisal wells were spudded – a 41% decrease in drilling activity on the same period last year. Of those, the majority (44%) of wells were located in the Central North Sea, with a further 28% in the Southern North Sea, 17% in the Moray Firth and 11% in the Northern North Sea.

Derek Henderson, Senior Partner for Deloitte in Aberdeen said: "The decrease in activity in the UKCS can be wholly attributed to the sharp drop in exploration drilling as oil and gas companies reassess their priorities in light of the difficult economic conditions. Cash continues to be a priority as credit conditions remain extremely tough for organisations in the UK, despite the recent base rate cuts.

Deloitte's Review also summarises licensing and deals, oil price fluctuations and corporate or asset acquisitions carried out so far this year.

Robyn Fowler of Deloitte's Petroleum Services Group said that the current economic conditions have prompted an increase in the level of corporate deal activity, as those companies in a strong cash position look to acquire vulnerable assets, helping ensure a stronger position in time for the economic recovery. In the first three months of 2009, five corporate deals, which involve companies with assets in North West Europe and other parts of the world, were announced.

Looking ahead, it is hoped that the challenges currently facing exploration and appraisal activities in the UKCS can be minimised by steps being taken by the industry and Government.