

# GRANT'S

INTEREST RATE OBSERVER®

Vol. 32, No. 18d

Two Wall Street, New York, New York 10005 • www.grantspub.com

SEPTEMBER 19, 2014

## Heavy seas

Toward Russia, Ukraine and the West, these pages have taken the approach, "this too will pass." It hasn't passed yet, Mr. Market continues to remind us: Shares of North Atlantic Drilling Ltd. (NADL) have plunged by 20% since our update of Sept. 5. To the sellers, the anticipated tie-up between the foul weather oil exploration and production company, on the one hand, and Rosneft, its would-be Russian partner on the other, is as good as kaput.

Unhelpful, this outcome would certainly be. In partnership with Rosneft, North Atlantic's drillship, *West Navigator*, and its semi-submersible rig, *West Rigel*, had long-term, profitable work in sight. Without Rosneft, those assets would have to find other, less well-paid employment in a softening spot mar-

ket. North Atlantic's cash flow would suffer, and the handsome quarterly dividend—running at 24 cents a share—would likely be cut. The share price, already slashed to \$8.30, is fractionally lower today than it was on the eve of the Rosneft announcement in May.

Western sanctions do appear to be aimed directly at the Atlantic Rosneft amalgamation; time will tell. The corporate partners agreed that either could cancel before Nov. 10 the off-shore drilling commitments to which they'd contracted; maybe they'll see their way clear to extend the drop-dead date. But with or without Rosneft, North Atlantic is no generic E&P outfit but a specialist in complex Arctic operations. Not much incremental demand would be required to lift day

rates in that exotic sub-segment of the drilling market.

Monday's *Financial Times* featured an interview with the former least popular man in the state of Louisiana. Tony Hayward, ex-chief of BP, now head of Genel Energy and chairman of the Anglo-Swiss commodity trading firm Glencore, was quoted as saying that world oil supplies are not so plentiful as many imagine and that Russian sanctions are cutting off vital new areas of discovery and production. Referring to America's shale boom, Hayward asked, "When U.S. supply peaks, where will the new supply come from?"

The North Atlantic share price has broken on unusually high volume. The sellers are in a hurry, obviously. Value seekers are more contemplative.

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