



Heritage sells fields to Eni, ends Genel talks

Date : 23.11.2009

Source: Reuters (Tom Bergin)

<http://www.reuters.com/article/innovationNews/idUSTRE5AM14920091123?pageNumber=2&virtualBrandChannel=11617>

Heritage Oil agreed to sell its Ugandan interests to Italian Eni for up to \$1.5 billion, enabling Heritage to back out of a planned Kurdish tie-up which Iraqi political disputes made increasingly unattractive.

Proceeds from the sale would be used to develop Heritage's existing assets, including non-producing fields in Northern Iraq, to make acquisitions and may fund a special dividend of 75–100 pence, finance director Paul Atherton, said on Monday. "We will have a billion dollars in cash so we have certainly got the financial resources to undertake some very large transactions," he told Reuters, adding the company was targeting companies and field stakes in Africa and the Middle East.

Analysts said the deal made strategic sense, as the Ugandan fields are about to enter a complex development stage, which would be better managed by a big oil company. However, the price was below most analysts' valuations of the fields - Morgan Stanley valued them at \$2 billion. "The discount reflects Heritage's cash requirements to fund Northern Iraq and perceptions as a forced seller," Morgan Stanley said in a research note.

Heritage made large oil finds in the Northern Iraq earlier this year. It lacked the cash to develop them alone, so agreed a merger with Genel Energy, a unit of the Cukurova Group, one of Turkey's largest conglomerates. Genel was ramping up output at its Kurdish fields and the two envisaged using Genel's cashflow to fund Heritage's fields.

However, this relied on Baghdad and the Regional Government agreeing an oil revenue sharing deal that would allow Kurdish producers to be paid for oil exported across Iraq. So far, this has not happened and Heritage's decision to back away from the deal represents an acceptance that no payments are likely soon and therefore it must fund its fields alone. Genel declined to comment.

The Genel tie-up has also been in doubt since Heritage said in August that an investigation by UK stock market regulator, the Financial Services Authority (FSA), could affect the ability of members of Genel's operational management team to assume their proposed roles in the combined entity.

A probe by the Norwegian authorities into share dealings involving Genel in another Northern Iraq-focused company, DNO International, had also cast a shadow over the merger, although Heritage said last week it still hoped to sign a firm deal with Genel by year-end.

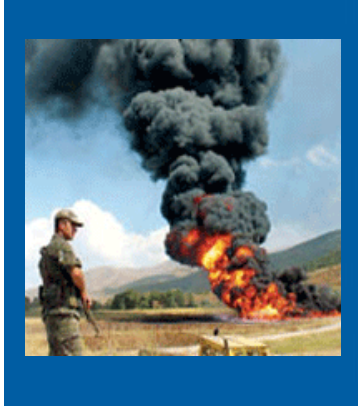
The deal is the latest in a string of African acquisitions by Eni in recent years. It bought London-listed Burren Energy in 2008 and French explorer Maurel & Prom's interest in the M'Boundi field in Congo in 2007. Heritage's 50 percent interests in block 1 and block 3A, which cover the northern and southern end of Lake Albert, bring estimated recoverable reserves of 300 million barrels of oil, although ongoing exploration aims to uncover more. Heritage says on its website Block 1 alone has 'multi-billion barrel potential.' Tullow Oil, Heritage's non-operating partner in these blocks, is running an auction to sell up to half its shares in Blocks 1 and 3A, and up to a 50 percent share in Block 2, in which Tullow holds 100 percent.

Eni CEO Paolo Scaroni told a conference call that his company was not interested in buying Tullow's assets. This, and the lower-than-expected price weighed on Tullow shares which closed down 0,3 percent at 1,256 pence, lagging a 2,0 percent rise in the DJ Stoxx European oil and gas sector index .SXEP.

Most of the oil produced in Uganda is likely to be exported to international markets, requiring the construction of a pipeline to the Kenyan coast. As the crude under Lake Albert is of a thick consistency, the pipeline will need to be heated, making it an expensive project -- a project beyond most explorers' competence. Eni's involvement and the project's complexity could be good news for Italian energy engineering company Saipem, which is controlled by Eni. Scaroni noted the company is competent in such complicated infrastructure projects.

Eni will pay \$1,35 billion upfront and a further \$150 million in cash or a stake in a producing oil field of a similar value within two years, provided certain conditions are met, the companies said in statements. Heritage said it expected to complete the sale in the first quarter of 2010.

The acquisition and the capital expenditure it commits Eni to will place an additional burden on the company, which is already above its targeted gearing levels. Eni declined to say how it will fund the deal. Heritage shares closed down 4,7 percent to 483 pence while Eni shares were down 0,3 percent at 17,20 euros.



Bomb attack halts Iraq-Turkey oil pipeline

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Source: Google News (AFP)

http://www.google.com/hostednews/afp/article/ALeqM5g2ZVuf893dRWN_xljHYHrobZP2Qw

Exports of Iraqi oil to the Turkish port of Ceyhan were interrupted because of sabotage against a pipeline in northern Iraq, the oil ministry said on Tuesday.

The sabotage occurred on Saturday evening, ministry spokesman Assem Jihad said, stressing that no fire had been reported as a result of the incident. "Exports have been suspended," he said. "Technical teams have been sent to the site to carry out repairs but we do not know how long it will take." Saturday's attack was the third act of sabotage against the pipeline in two months, Jihad said.

According to the ministry, acts of sabotage carried out by insurgents reduced oil exports in October by four percent compared to the previous month, but overall revenues were higher because of an increase in prices. Last month, Iraq exported 1,87 million barrels per day (bpd), bringing in 4,2 billion dollars in revenues. In September, the country exported 1.95 million bpd and raised 3,8 billion dollars.



Iraq issues bidding rules for 2nd licensing auction

Date : 23.11.2009

Source: Rigzone

http://www.rigzone.com/news/article.asp?a_id=82733

The Iraqi oil ministry has released bidding rules and final model contracts for Iraq's second post-war oil licensing auction to develop some of the country's prized fields with estimated proven reserves of more than 35 billion barrels.

For the auction scheduled Dec. 11-12, the ministry's Petroleum Contracts and Licensing Directorate, or PCLD, has set two bidding parameters: U.S. dollar per barrel remuneration fee and production plateau target, according to documents obtained by Dow Jones Newswires. Unlike the first bidding round held in June this year, best scores in the second auction would be calculated on the basis of giving some 80% weight toward the remuneration fee.

This would stop bidding companies from raising the production plateau too high in order to gain more returns from super-giant fields such as Majnoon, West Qurna-2 and Halfaya, all in southern Iraq. Production plateau periods of the 10 groups of oil and gas fields on offer range between seven and 13 years.

For the second bidding round, the ministry again has given conservative estimates for minimum production targets. For example, Majnoon's minimum target is 700,000 barrels a day half what could be produced from the field, which holds proven reserves of more than 12,5 billion barrels.

The 10 groups of oil and gas fields in question are: Majnoon, West Qurna-2, Halfaya and Garraf in southern Iraq, East Baghdad and Badra in the center, Qayarah, Najmah in the north, Eastern fields Qumer, Gilabat, Nau Doman and Khashm al-Ahmar (gas field)--northeast of Baghdad, and Middle Furat fields Kifl, West Kifl and Merjan in the center of the country.

These could deliver at least another 2,6 million barrels a day, according to the ministry's estimates and would push the country's production target to more than 9 million barrels a day from the current 2,5 million barrels a day. In June, China National Petroleum Corp. and BP were the only companies to secure one of Iraq's prized oil fields, Rumaila. They set a production plateau target of 2,85 barrels almost triple its current production.

Earlier this month, two consortiums accepted the ministry's tough terms and agreed to sign deals for oil fields listed in the first bidding round. Exxon Mobil Corp. and Royal Dutch Shell secured the giant West Qurna-1. Italy's Eni SpA and its partners Occidental Petroleum Corp. and Korea Gas Corp. of South Korea clinched an initial agreement to develop Zubair. These two pacts are still awaiting the approval of the Iraqi cabinet.

PCLD officials had said that the remuneration fees for the second round would be slightly higher than in the June round when they ranged between \$1.90 and \$2 a barrel because most of the fields in the new round are non-producing fields unlike those in the first.

The tender protocol listed 44 companies prequalified to take part in the two-day bidding round. However, not all companies had paid the participation fees by last Friday's deadline. Sabah Abdul Kadhem al-Saadi, the PCLD's legal and commercial department head, said two to three companies hadn't paid but he didn't name them. The document also defined the signature bonus that winning companies need to pay for each field. These bonuses are between \$100 million and \$150 million each depending on the size of the field.



Russia and Kazakhstan agree on new oil transit terms, parallel energy grid operation

Date : 20.11.2009

Source: Itar-Tass

<http://www.itar-tass.com/eng/level2.html?NewsID=14554294&PageNum=0>

Russia and Kazakhstan agreed on new terms of oil transit. Energy Ministers Sergei Shmatko and Sauat Mymbayev signed a protocol amending the bilateral oil transit agreement of June 7, 2002.

The sides will also consider the construction of oil pipelines, including the Samsun-Ceyhan route, Shmatko said. A protocol amending the bilateral oil transit agreement of June 7, 2002, was signed earlier in the day in the attendance of the Russian and Kazakh premiers. "The protocol updates our plans, such as the balance of oil and transport routes. For the first time ever, we discuss the Samsun-Ceyhan route," he said.

Russia and Kazakhstan agreed on parallel functioning of unified energy systems. Shmatko and Mymbayev signed an agreement to that effect on Friday. "We defined terms of interaction, regulation of electricity supply and payment for transit," Shmatko said. Previous deals were barter, and now we have a serious document, he said. This document is important for Russia, as it may have a certain deficit of electricity in West Siberia because of the accident at the Sayano-Shushenskaya HPP, Shmatko said. "We think that electricity from Kazakhstan will play a big role," he added.

Russian President Dmitry Medvedev said in Orenburg on September 11 that the August 17 accident at the Sayano-Shushenskaya hydropower plant increased the need for integration of Siberian and Kazakh energy systems. "Following the tragic accident at the Sayano-Shushenskaya hydropower plant, integration of Siberian and European energy systems via the Kazakh energy system becomes particularly topical. It is also important to increase the capacity of the Urals-Kazakhstan-Siberia network," Medvedev said at the Russian-Kazakh cooperation forum. "The prosperity of Siberia depends on the solution of these important tasks very much," Medvedev said.

Kazakh President Nursultan Nazarbayev said in Astana on September 17 that Kazakhstan would supply additional 500 megawatt of electricity to Russia because of the Sayano-Shushenskaya HPP accident. Inter RAO UES, Vnesheconombank, the European Bank for Reconstruction and Development and Sumruk Energo have defined terms of funding the construction of the third unit of the Ekibastuz power plant 2. "The funding will reach \$800 million," Inter RAO UES head Yevgeny Dod said.



SOCAR aims to boost oil shipments via Georgian port

Date : 24.11.2009

Source: Oil & Gas Journal (Eric Watkins)

http://www.ogj.com/index/article-display/5977751029/articles/oil-gas-journal/transportation-2/tankers/2009/11/socar-aims_to_boost.html

State Oil Co. of the Azerbaijan Republic (SOCAR), after increasing the existing capacity for tankers, may begin shipping oil from its export terminal at Kulevi on Georgia's Black Sea coast in 2010.

"Tests are under way now and Kulevi terminal will be able to ship more than 80,000 tonnes of oil in each shipment on large tankers, beginning with crude from Tengiz oil field in Kazakhstan," according to one SOCAR official. The statement coincided with earlier remarks by SOCAR Vice-Pres. Elshad Nasirov that enlargement of the Kulevi terminal is needed as the facility is still not able to accept large-tonnage tankers for oil export.

"There are some problems as oil is oil is one thing and black oil is quite another. As soon as Kulevi is ready for acceptance of crude oil, it will work with vessel shipments of up to 80,000 tonnes," Nasirov said. The Kulevi oil terminal has a total capacity of 10 million tonnes/year of, but forecasts suggest that its capacity will increase to 15-20 million tpy within 2 years.

Earlier this year, Kazakh state-owned KazMunaiGaz and SOCAR entered into several agreements to ensure that the growing volumes of Kazakh oil will reach global markets. The agreements visualize deliveries via tanker of Kazakh crude across the Caspian Sea, then to Georgia's Black Sea ports of Batumi and Kulevi by rail and via the existing Baku-Supsa pipeline.

Meanwhile, SOCAR plans to use the infrastructure of its Kulevi oil terminal in Georgia to build a gas-compression terminal instead of picking a completely new site. "It would be cheaper because the terminal is equipped with all the necessary infrastructure," said a SOCAR official. "There is a railway, dock, labor, and all the required communications are already there. From this point of view, the terminal's construction in the area is a good choice."



BP sees upside to economic growth, energy demand

Date : 25.11.2009

Source: Rigzone

http://www.rigzone.com/news/article.asp?a_id=82906

The dip in global growth rates is temporary and the world could soon resume a sharp-rising spurt in economic activity, accompanied by higher demand for energy, the head of BP said.

“We’re living in a time of unprecedented growth... And with that comes a dramatic increase in energy demand,” Chief Executive Tony Hayward said. Speaking at the Commonwealth Business Forum, Hayward said fossil fuels will continue to be the key provider of energy. He said the percentage contribution from alternative energy sources such as wind and solar to overall consumption is likely to remain in the low single digits for decades.

“According to BP’s projections, the world will need 45% more energy in 2030 than we use today,” he said. “That means we’ll need to invest more than \$1 trillion a year, every year, between now and 2030.” He said crude oil and other fossil fuels will continue to be able to meet this rising demand. “I don’t believe there’s a shortage of fossil fuels... We have around 40 years of oil and 60 years of [natural] gas at the current consumption rates.”

Hayward said a key to avoiding excessive carbon emissions amid this expected rise in energy demand will be to increase efficiency, which he said had the double benefit of cutting costs for companies and governments while also trimming emissions. The BP chief touted natural gas as the hands-down cleanest-burning fossil fuel, and said its increased use will be the best way to meet global demand.



OMV: Nabucco is our priority

Date : 25.11.2009

Source: Upstream Online

<http://www.upstreamonline.com/live/article199822.ece>

Austrian oil and gas group OMV is interested in receiving gas through Russia’s planned South Stream pipeline but the rival Nabucco project is still its priority, OMV’s chief executive Wolfgang Ruttenstorfer said.

The Austrian group has also voiced interest in Gazprom's South Stream project but Ruttendorfer said this did not cause a conflict. "Austria and OMV are really very interested in having a portion of the South Stream gas supply connected to (OMV's) Baumgarten gas hub. We are interested in supporting South Stream," he told. "But we also say that Nabucco is our priority because with it new gas will come to southern and central Europe via a new route. So it is not a case of either/or; these pipeline projects are happening in parallel" he added.

Austria currently gets around half of its gas from Russia, 30% from Norway and other countries while some 20% is produced domestically. Its Baumgarten hub is one of the biggest in Europe. Nabucco's other shareholders are Hungary's MOL, Romania's Transgaz, Bulgaria's Bulgargaz, Turkey's BOTAS and Germany's RWE.



❖ EMRA's LPG Market Report (Jan - Sep 2009)

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/yayin_rapor/lpg/2009ilkDokuzAylıkRapor.doc