PETFORM
OIL & GAS BULLETIN
18.12.2009

## TPAO wins oil tender in Iraq as part of consortium

**Date** : 12.12.2009
**Source:** Hürriyet Daily News (AA)
http://www.hurriyetdailynews.com/n.php?n=turkey-as-part-of-consortium-wins-oil-tender-in-iraq-2009-12-12

The Turkish Petroleum Corporation (TPAO) won the tender for the Badra oil field in Kut in Iraq's second oil licensing round as part of the international consortium lead by Russia's Gazprom.

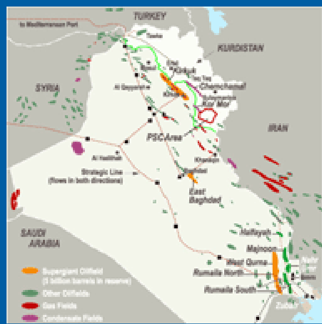
The consortium brings together Russia's Gazprom with 40 percent, Korea's Kogas with 30 percent, Malaysia's Pertonas with 20 percent and Turkey's TPAO with 10%. The consortium committed to produce a minimum of 80,000 barrels daily, grant $ 100 million to the Iraqi Ministry of Petroleum, investing $ 100 million for the development of the oil field and promised a price of $ 5.5 per barrel

## Iraqi oil minister glad TPAO wins oil tender in Iraq

**Date** : 13.12.2009
**Source:** Today's Zaman
http://www.todayszaman.com/tz-web/news-195391-iraqi-oil-minister-glad-tpao-wins-oil-tender-in-iraq.html

Iraqi Oil Minister Hussain al-Shahristani said he was glad that the Turkish Petroleum Corporation (TPAO) won an oil tender in Iraq as a part of the international consortium.

Shahristani said they were pleased that TPAO won the tender for the Badra oil field in Wassit in Iraq's second oil licensing round and they would assist corporations in the consortium. Iraqi authorities have been exerting efforts to boost political, economic and social relations with Turkey, al-Shahristani said. Mehmet Ali Kaya, head of department of international projects of TPAO, said they regarded the tender as a first step for Iraq. Kaya said they were eager to participate in other projects in Iraq as well. "*We opened an office in Baghdad. We will include in many other projects in this country*," he added.




# Iraq offers seven contracts in second licensing round

**Date** : 17.12.2009

**Source:** Oil & Gas Journal (Eric Watkins)

http://www.ogj.com/index/article-display/7642632691/articles/oil-gas-journal/exploration-development-2/2009/12/iraq-offers_seven.html

Iraq has awarded 7 oil field contracts out of the 10 it offered. Oil Minister Hussain al-Shahristani said that current production of 2.5 million b/d eventually could be increased to 4.765 million b/d if companies meet production pledges.

According to Shahristani, one of the largest contract areas on offer in the bidding round was 12.58 billion bbl Majnoon field, awarded to a venture led by Royal Dutch Shell together with Malaysia's Petronas. That was followed by the 12.9 billion bbl second phase of West Qurna field, which was awarded to a venture of Lukoil and Statoil.

The 4.1 billion bbl Halfaya oil field was awarded to a consortium led by China National Petroleum Corp. in partnership with Petronas and Total, while 863 million bbl Garraf field was won by Petronas with partner Japex.

Angola's Sonangol was awarded Najmah and Qaiyarah fields with 800 million bbl and 858 million bbl of reserves respectively, while the 109 million bbl Badra field was awarded to a consortium of state-controlled companies, including Gazprom, Petronas, TPAO, and Kogas.

Following the awards, Shahristani claimed that -in addition to pledges from companies who won earlier field-development contracts- international oil companies have committed to boosting Iraqi production capacity to 12 million b/d, a figure that would rival capacity of world leader Saudi Arabia.

Such production would certainly come under the scrutiny of the Organization of Petroleum Exporting Countries, which in the 1990s exempted Iraq from its quota system. However, in view of al-Shahristani's claims, OPEC will eventually want Baghdad to accept an output target and work with other members in sticking to it.

# Yildiz: BOTAS trying to provide natural gas at fair prices

**Date** : 18.12.2009
**Source:** Today's Zaman
http://www.todayszaman.com/tz-web/news-195897-botas-trying-to-provide-natural-gas-at-fair-prices.html

Energy and Natural Resources Minister Taner Yildiz has revealed that BOTAS is doing all it can to provide consumers with natural gas at fair prices, adding that the take-or-pay contracts are not a complete waste of government funds.

In a written response to the Republican People's Party (CHP) deputy from Adiyaman Sevket Köse's questions in Parliament regarding BOTAS' natural gas pricing scheme, Yildiz explained the 1996 natural gas agreement between Iran and Turkey. Yildiz discussed BOTAS' price mechanism, which became a matter of heated debate after the firm was forced to pay $704 million to Iran for unused natural gas in November.

The letter explained the take-or-pay stipulation, which requires that importers of natural gas such as Turkey pay for the natural gas extracted regardless of whether or not they take delivery. That is, if natural gas demand and therefore consumption are low, as was last year due to price hikes, then the purchaser must pay a certain percentage of the price of the undelivered natural gas. The letter noted that these payments are compensated for in future deliveries of natural gas. *"When we run up against situations where take-or-pay arises, we end up purchasing natural gas that we will consume at a later time,"* Yıldız said.

Writing about increases in natural gas prices -increases that reached 75 percent in 2008- Yildiz noted that *"BOTAS is working toward providing natural gas to consumers at affordable prices. No price hikes were imposed by BOTAS management in 2009; instead, we gave households and the industrial sector a discount of 17 percent and 18 percent, respectively, in February and an additional 25 percent and 26 percent in May."*

Yildiz highlighted that state economic energy enterprises have been pricing based on the cost-based pricing mechanism since July 1, 2008 -a decision enforced by the Supreme Planning Council (YPK)- and that BOTAS was no exception. He noted that BOTAS indexes its prices based on a formula that takes into account the dollar exchange rate, oil prices and the prices of petroleum-derived items.

## Otto Energy and partners secure gas supply from Edirne license

**Date** : 15.12.2009
**Source:** Rigzone
http://www.rigzone.com/news/article.asp?a_id=84139&hmpn=1

Otto Energy announced that the Edirne Joint Venture (EJV) has secured a five-year Gas Sales Agreement (GSA) for all gas production from the Turkish Edirne License.

This long term gas sales agreement provides the EJV with a certain market for both its current gas reserves while also allowing for the monetization of its new gas discoveries on the licence area. The EJV has no supply commitments under the GSA and therefore no risk on gas deliverability. The Gas Sales Agreement is with Aksa Dogalgaz Toptan Satis A.S., an established natural gas distributor in the Turkey.

The Edirne Project has gross 2P Reserves and 2C Resources of approximately 8.5 Bcf (Otto's share 3 Bcf) and is expected to have initial production rates of between 10 to 14 mmscf per day commencing in early 2010.

The gas will be sold downstream of the gas plant at a 15% discount to the Industrial Interruptible Tariff benchmark set by BOTAS. Otto expects that the discounted gas price in the short to medium term will be between US $7,00 to US$8,00/GJ. The discounted gas price will change over time reflecting amendments in the tariffs set by BOTAS. An active drilling program is planned for 2010 on existing and new 3D seismic coverage. Subject to ongoing exploration success gas will continue to be sold under this contract on the agreed commercial terms.

Following the 100% drilling success of prospects delineated by previous 3D data, the Joint Venture is now acquiring an additional 100km2 of seismic data over the western part of the license area. Otto anticipates that further similar low risk prospects will be identified on the new seismic, providing the potential for further drilling success and addition to the reserve base.

The EJV partners comprise Otto which holds a 35% interest in the Edirne License and Joint Operators Petroleum Exploration Mediterraean Int (PEMI) (55%) and Turkish company Petraco (10%).

# Doubts arise over Nabucco pipeline in Turkish Parliament

Date : 17.12.2009

Source: Today's Zaman (Abdullah Bozkurt)

http://www.todayszaman.com/tz-web/news-195789-doubts-arise-over-nabucco-pipeline-in-turkish-parliament.html

Both government and opposition deputies in the Turkish Parliament apparently have misgivings about the financing of the 8 billion euro Nabucco pipeline project.

The report, issued on Monday by the parliamentary Foreign Affairs Committee, before unanimously agreeing to submit the Nabucco agreement to Parliament for ratification, issued a warning over *"the fact there are uncertainties concerning those countries that will provide financial backing for the project poses a serious risk."* Committee members also expressed concerns about the role of Azerbaijan, underlining that the implementation of the project primarily hinges on the participation of Azerbaijan. *"The support of Azerbaijan will play a key role [in the Nabucco project],"* the report said.

During committee deliberations, Energy Minister Taner Yildiz argued that he is quite optimistic about the possibility that Turkey will ink an agreement with Azerbaijan in the near future, saying both countries support each other technically, politically and in bilateral relations. *"Baku can provide 7 to 8 billion cubic meters of natural gas for the Nabucco pipeline,"* he said, adding that the start-up capacity for the construction of the pipeline is approximately the same amount. *"I mean with 8 billion cubic meters of gas, we can start the project; the rest of the countries will follow,"* Yildiz added.

The committee report acknowledged, however, natural gas consumer countries have achieved a relatively advantageous position compared to producing countries due to the global economic crisis and noted the dynamic gas industry may provide new resources to finance the project. The deputies also expressed concern over Russian Prime Minister Vladimir Putin's remarks on Nabucco. Putin said the project runs counter to the South Stream project.

Yildiz disagreed, however, saying in the medium and long term the pipelines will complement each other. He also underlined that Turkey could develop projects that will enable it to work with both the United States and Russia at the same time.

Yildiz further argued that the realization of Nabucco may take eight to 10 years but stressed it will happen eventually. *"We saw similar concerns with the BTC [Baku-Tbilisi-Ceyhan] pipeline. Some said it was a mirage at the time. But we are at very positive stage now,"* he said.

## Turkey to be ‘part of the solution’ in Copenhagen

**Date** : 15.12.2009
**Source:** Hürriyet Daily News
http://www.hurriyetdailynews.com/n.php?n=turkey-to-be-part-of-solution-in-copenhagen-2009-12-15

Having signed the Kyoto Protocol, Turkey has designed a strategy consisting of short, medium and long-term goals to cope with the negative effects of climate change and global warming.

President Abdullah Gül, along with Environment Minister Veysel Eroglu, plans to share the ‘Climate Change National Strategy Document’ at the U.N. climate summit in Copenhagen on Thursday and Friday. The project, whose theme is ‘Turkey is part of the solution,’ is aimed at reducing gas emissions through eco-friendly measures designed for industry and transportation.

As renewable energy sources are championed, power plants will not be permitted to exceed 7 percent of gas emissions in 2020, according to the long-term scenario. The government plans to extend the railway network and encourage people to opt for eco-friendly automobiles or bicycles while commuting in cities. The recycling of waste materials and reforestation efforts are also on the agenda. Turkey is not obliged to make specific reduction goals because it is not a part of the Annex-B list of the Kyoto Protocol, Eroglu said. *“[However,] we are aiming to prevent 181.4 million tons of gas emissions to 2020 thanks to those measures.”*

## OPEC fights adoption of carbon tax in Copenhagen

**Date** : 16.12.2009
**Source:** Rigzone
http://www.rigzone.com/news/article.asp?a_id=84251&hmpn=1

OPEC is fighting tooth and nail to prevent the adoption of a tax on greenhouse gas emissions at the climate summit in Copenhagen, Algerian Energy Minister Chakib Khelil said.

*“There is a very clear consensus within OPEC to reject this discriminatory tax,”* he said. Khelil said that members of OPEC were meeting with officials from African countries to arrive at a common position on the so-called carbon tax.

# Gazprom rejects changes to take-or-pay contracts

Date : 14.12.2009
Source: Capital
http://english.capital.gr/news.asp?id=872320

Gazprom said it has rejected requests from European customers to change the existing take-or-pay principle governing its gas export contracts, but said negotiations with buyers are continuing.

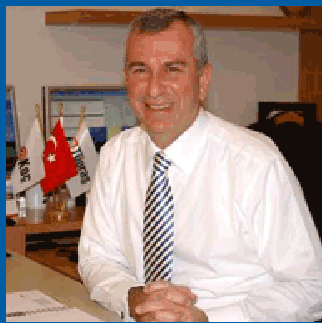
European utilities have imported less gas than stipulated in their contracts with Gazprom this year, as the economic slowdown and inflow of cheaper alternative fuels eroded demand for Russian gas. But they will still have to compensate the Russian export monopoly for the contracted gas. Gazprom says it expects its European customers to buy between 8 billion to 9 billion cubic meters less gas than contracted this year. That means they will have to pay total fines of up to $2.5 billion, as agreed under so-called take-or-pay gas contracts, which require a utility to take delivery of minimum annual volumes and pay up if it takes less.

That has prompted some European buyers of Russian gas to seek to renegotiate some of their long-term contracts with Gazprom. German utility E.ON said last month that it was in negotiations with gas suppliers, including Gazprom, to renegotiate some of its long-term contracts to achieve more flexibility in sourcing supplies.

The price of natural gas under Gazprom's long-term contracts is pegged to that of oil with a six- to nine-month lag. That means prices soared earlier this year trailing the summer of 2008's surge in crude prices. European energy companies responded by scaling back their purchases from Gazprom and buying more gas on the spot market, where prices were much lower thanks to a large inflow of cheap liquefied natural gas from the Middle East and North Africa.

Gazprom said Monday that, despite having rejected the requests from its European customers, negotiations are ongoing. The company declined to elaborate. "*Today's changes in the demand and supply balance in favor of the latter give no grounds to make fundamental alterations to the concept of long-term contracts,*" Gazprom's Deputy Chief Executive Alexander Medvedev said last month. He said there was no justification for the unbundling of the existing oil-linked price formula.

E.ON and Eni both declined to comment Monday, while GDFSuez said it had taken all contracted supplies this year and that it wasn't concerned about volumes for 2010. Gas prices have averaged $236 per 1,000 cubic meters this year. Gazprom said it expects next year's gas selling price in Europe to average $325 per 1,000 cubic meters.



# Tüpras CEO expects refining margins to improve

**Date** : 14.12.2009
**Source:** Hürriyet Daily News (Bloomberg)
http://www.hurriyetdailynews.com/n.php?n=tupras-ceo-expects-refining-margins-to-improve-2009-12-14

Yavuz Erkut, Chief Executive Officer of Tüpras, Turkey's sole refiner, expects to see gross refining margins to increase anywhere between 50 cents and $1 a barrel next year.

Tüpras, owned by Turkey's largest industrial group Koc Holding, is currently working on a project to build a converter, which will turn high-sulfur fuels into low-sulfur products. The company will spend $2 billion on building the converter. The company expects profit margins to pick up next year as oil demand recovers and the economy strengthens, Erkut said.

Gross refining margins will increase by between 50 cents and $1 a barrel in 2010, Erkut said in an interview on December 11 from Kocaeli in northwestern Turkey where the company is based. The four refineries owned by Tüpras have a combined annual crude processing capacity of 28.1 million tons. "*Our sales will grow in line with the expected growth in the market of 1 percent to 1.5 percent next year*," Erkut said, referring to forecasts for Turkey's retail fuel sales.

Tüpras will allow customers including BP and Royal Dutch Shell to defer payments for fuel purchases to boost sales, he said. Refinery utilization will rise to 80 percent in 2010 from about 70 percent this year, according to Erkut. "*Although we have lower sales than last year, we don't need to shut down any of the production units at our refineries either permanently or for long periods*," he added.

Tüpras has a gross refining margin of almost $7 a barrel over benchmark Mediterranean margins, Erkut said. Net refining margins, or the profit from processing oil into fuels, slumped to $1.87 a barrel in the third quarter from $6.37 a barrel a year earlier.

Turkey's economic contraction, expected by the International Monetary Fund to be 6 percent this year, cut Tüpras' sales by 40 percent in the first nine months of 2009 to 14.7 billion Turkish Liras ($9.8 billion) compared with last year. Turkey's government forecasts the economy will grow by 3.5 percent next year. "*We expect the contraction in the gasoline market to continue but diesel fuel sales will grow*," Erkut said. "*Our production will grow by about 10 percent in 2010.*"

An anticipated increase in hybrid and electric car production, which may cut global refining demand by less than 10 percent by 2020, is ‘not a threat at all’ to the refining industry, he said. To meet environmental rules and growing demand for diesel, Tüpras hired Tecnicas Reunidas for a project that will convert 4.2 million tons a year of high-sulfur fuels, such as fuel-oil, into 3.5 million tons of low-sulfur products.

It will spend as much as $2 billion on building the converter, which will boost earnings before interest, tax, amortization and depreciation by more than $400 million a year. The conversion unit, which will be built at the Izmit refinery, is expected to be ready in five years. The share of low-sulfur products in Tüpras’ product mix will rise to 80 percent from 72 percent, Erkut said, adding $4 to $5 to refining margins. “*We will not need another refinery after this project,*” he said. A similar project may be considered for the Izmit refinery ‘in the long-term,’ he said.

Tüpras will buy about 2 million to 2.5 million tons of crude oil from Iraq in 2010, little changed from this year, Erkut said. “*Our total oil bill will be $11 billion to $12 billion this year, compared with $21.6 billion in 2008.*” Tüpras also buys crude oil from Russia, Iran, Libya, Syria and Saudi Arabia. Tüpras has yet to complete its 2010 budget, which will be based on oil prices in the range of $75 to $80 a barrel. *“Forty percent of our oil purchases will be from Black Sea sources,”* the CEO said

## ExxonMobil to snap up XTO Energy in $41B deal

Date : 14.12.2009
Source: Rigzone
http://www.rigzone.com/news/article.asp?a_id=84023

ExxonMobil and XTO Energy have announced today an all-stock transaction valued at $41 billion. The agreement will enhance ExxonMobil’s position in the development of unconventional oil and gas.

Under the terms of the agreement, approved by the boards of directors of both companies, ExxonMobil has agreed to issue 0.7098 common shares for each common share of XTO. This represents a 25 percent premium to XTO stockholders. The transaction value includes $10 billion of existing XTO debt and is based on the closing share prices of ExxonMobil and XTO on December 11, 2009.

XTO’s resource base is the equivalent of 45 trillion cubic feet and includes shale gas, tight gas, coal bed methane and shale oil. These will complement ExxonMobil’s holdings in the United States, Canada, Germany, Poland, Hungary and Argentina.

## Analysts expect considerable increase in oil prices

Date : 16.12.2009

Source: Trend

http://en.trend.az/capital/pengineering/1601345.html

World oil prices dropped to their lowest point over the past two years. Major factors causing such fall were the consolidation of the US dollar and data on increase of US reserves of oil and products.

As a result of trading session on Dec. 10 at the NYMEX the January futures contract on WTI fell by $0,13 to $70,54 per barrel. January futures price of Brent dropped at the London Exchange fell by $0,53 to $71,86 per barrel. Analysts of huge banks, nevertheless, expect considerable increase in oil prices in mid-term perspective. They predict the prices to exceed $100 per barrel in 2012.

JPMorgan : JPMorgan forecasts average future price of WTI at $78.25 per barrel in 2010, $90 per barrel in 2011, $105 per barrel in 2012. In 2013 the bank expects the prices rise to $120 per barrel. The bank forecasts Brent oil prices at $62.42 per barrel as a result of 2009 and $70 per barrel in 2010.

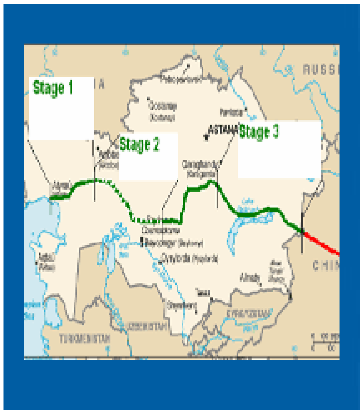
Morgan Stanley : The company expects increase in price of American light oil to $105 per barrel in 2012 due to rehabilitation of world oil demand.

Goldman Sachs : Goldman Sachs also expects rise in oil prices in the near future. According to the bank's forecasts, prices will hit $90 per barrel in 2010 and $110 per barrel in 2011 on the backdrop of increase of demand for oil in developed countries such as China, India and Brasil), caused by high economic growth in these countries.

Merrill Lynch : Meanwhile, US Merrill Lynch bank forecasts oil prices to reach $85 per barrel in 2010.

Deutsche Bank : Deutsche Bank analysts remain pessimistic in their forecasts, expecting cut in process to $65 per barrel in 2010.

EIA : The Energy Information Administation (EIA) forecasts fall on spot price of WTI oil to $75 per barrel in February. By the end of 2010 the EIA forecasts increase in WTI prices to $82 per barrel. Average spot price of WTI will hit $76 per barrel in October-March, the EIA predicts.




# China launches landmark Central Asia gas pipeline

**Date** : 14.12.2009
**Source:** BusinessWeek (AP)
http://www.businessweek.com/ap/financialnews/D9CJ3H6G0.htm

A landmark pipeline from Central Asia to China began pumping natural gas Monday, marking Beijing's latest coup in its search for new sources of energy to fuel its burgeoning economy.

The new pipeline is Central Asia's first major gas export route that completely bypasses Russia. The route stretches around 1,800 kilometers from Turkmenistan through Uzbekistan up to Kazakhstan's border with China and then extends more than 4,500 kilometers into China itself. Turkmen gas deliveries to China through the pipeline are expected to hit around 6 billion cubic meters (bcm) next year, and those supplies will increase incrementally every year until they reach 40 bcm in 2015.

The pipeline -which has been built by more than 8,000 workers over the past 27 months- is China's latest success in a vigorous campaign to seize as many energy assets as possible across Central Asia. "*China gives the highest priority to cooperation between our neighbors and this pipeline is witness to the uninterrupted cooperation that continues to flourish between our nations,*" Chinese President Hu Jintao said.

At a midday ceremony in a remote field in northeastern Turkmenistan, the leaders of China, Kazakhstan, Turkmenistan and Uzbekistan donned gloves and together rotated a pipeline spigot to raucous applause and cheering, sending the first consignment. "*The pipeline passing through our countries will revive the ancient Silk Road, once a conduit for the intensive exchange of goods between Asia and Europe,*" Turkmen President Gurbanguli Berdymukhamedov said in a speech before the opening.

China has already trained its sights on the gargantuan South Yolotan natural gas field close to the Afghan border. An independent audit by a British company last year said the field may be one of the five largest in the world. The start of gas deliveries from Turkmenistan to China comes as the former Soviet nation remains mired in a dispute with Russia.

Until recently, Turkmenistan was selling 50 bcm of gas annually to Russia. However, supplies have been suspended since a pipeline blast in April that Turkmenistan blamed on Russia's Gazprom state-controlled gas monopoly. Gazprom denies responsibility. The pipeline has been fixed, but deliveries to Russia have remained suspended amid arguments about prices as the demand for gas among Russia's European customers has decreased.

## BP exits Tengizchevroil and Caspian Pipeline Consortium

**Date** : 11.12.2009
**Source**: Oil & Gas Journal (Eric Watkins)
http://www.ogj.com/index/article-display/2773376548/articles/oil-gas-journal/general-interest-2/companies/2009/12/bp-exits_caspian_pipeline.html

BP has divested its interest in the Chevron-led Tengizchevroil (TCO) consortium and the Caspian Pipeline Consortium (CPC) pipeline by selling its 46% stake in Lukarco to Russia's Lukoil.

Lukoil, which already owns 54% of Lukarco, will pay $1.6 billion in cash in three installments over the next 2 years and will repay a $43 million loan to BP, the company said. Lukarco owns a 5% share in TCO -which produces oil from Tengiz field- and a 12.5% interest in CPC. The sale to Lukoil means that BP has no remaining share in CPC or Tengiz. In April BP sold its 49.9% stake in Kazakhstan Pipeline Ventures (KPV), which held a 1.75% share in CPC, to state-owned KazMunaiGaz for $250 million.

Following its merger with Amoco in 1998, BP gained a 1.75% indirect share in the pipeline consortium through KPV, a joint venture of a subsidiary of Kazakhstan's state-owned Kazmunaigaz (50.1%) and Amoco-CPC (49.9%). Following its 2000 acquisition of ARCO, BP became a larger indirect shareholder in CPC and an indirect partner in Tengiz. Lukarco, owned jointly by Lukoil (54%) and ARCO (46%), has held a 12.5% share in CPC since 1997. The Lukarco joint venture also owns a 5% stake in Tengiz through which BP had a 2.3% net interest. In October, a senior Kazakh official said the TCO consortium by yearend will increase its planned oil production to 22.5 million tonnes from 21.5 million tonnes.

## PETFORM ANNOUNCEMENTS & REPORTS

### ❖ OPEC Bulletin (Dec 2009)

**Source** : Organization of the Petroleum Exporting Countries
**Weblink** : http://www.opec.org/library/OPEC%20Bulletin/2009/pdf/OB122009.pdf

### ❖ OPEC Oil Market Report (Dec 2009)

**Source** : Organization of the Petroleum Exporting Countries
**Weblink** : http://www.opec.org/home/Monthly%20Oil%20Market%20Reports/2009/pdf/MR122009.pdf