Oil & Gas Bulletin

▸ *30.07.2010*

Turkey and Iran sign pipeline agreement

Hürriyet Daily News, *25.07.2010*

Iran has signed a $1.3 billion pipeline deal to ship gas to Turkey, the Iranian oil minister has said. In a statement, Iran's oil ministry said that "the deal to build 660-kilometer gas pipeline was signed Thursday during the Iranian oil minister's trip to Turkey."

The Turkish government denied that it was involved with the deal. A firm called Som Petrol said it was Iran's partner. Sıtkı Ayan, the chairman of Som Petrol, said Friday that his company had signed a deal to build the pipeline with the Iranian National Gas Company.

Iran will pay a transit fee to export its natural gas to Europe via the proposed pipeline crossing Turkey, a senior Iranian official told. Javad Oji, head of the National Iranian Gas Export Co., said the pipeline "will enable Iran to export 50 to 60 million meters of gas per day," adding that it will be constructed within three years. Turkish Energy Minister Taner Yildiz said neither the Turkish government nor the state-owned Turkish Pipeline Company, or BOTAS, had signed such a deal with Iran. Yildiz said, however, that "several private firms are known to be interested in a pipeline" with Iran. Turkey's talks concerning the giant South Pars gas project in Iran have failed to result in an agreement and have been cancelled, he added.

TPAO likely to bid for Iraqi gas field

Hürriyet Daily News (Bloomberg), *23.07.2010*

Turkish Petroleum Corporation (TPAO) is seeking partners to bid for rights to Iraqi natural gas in auctions in September, Chief Executive Officer Mehmet Uysal said on Friday.

The company bid in June with Edison for the Akkas field. The same partnership is likely to bid again in the September auction because the first offer was rejected by Iraq, Uysal said. TPAO is also interested in other fields including Mansuriya and is in talks with companies including Gazprom on a potential joint bid, he said. Uysal said TPAO's plans to invest in developing sections of Iran's South Pars natural-gas field are now finished and the country awarded the contract to a company formed by the Revolutionary Guards.

Private natural gas companies criticize BOTAS for violating law

Today's Zaman (Ismail Altunsoy), *27.07.2010*

Private companies in the natural gas sector have been experiencing hard times lately, with problems arising mainly from a delay in the full liberalization of the market along with the abolition of a cost-based pricing system.

Natural Gas Exporters and Importers Union (DIVID) Chairman Fatih Baltaci criticized the domination of BOTAS, stressing that this situation is disadvantageous to the Treasury in the sense that it would be the firms that would be paying for the gas not consumed as part of the 'take-or-pay' condition instead of the state.

More actors in the market would also bring about price competition, a situation that is advantageous to customers, he added. In an attempt to liberalize the energy sector, a law enacted in 2001 obliged BOTAS to decrease its market share to 20 percent by the end of 2009. To achieve this, companies were to sign contracts to take over some of the distribution of imported natural gas in Turkey from BOTAS.

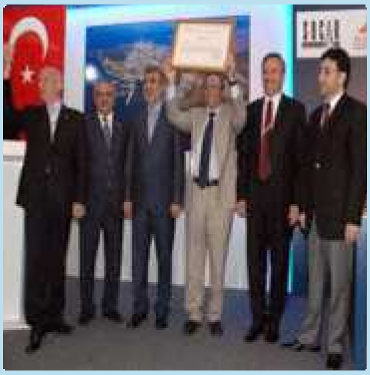
Accordingly, in 2007, four private energy companies, Enerco Enerji, Avrasya Gaz, Shell Enerji and BosphorusGaz entered the market, acquiring the sales rights of 4 billion cubic meters (bcm) of natural gas a year in total. But they remained the only private firms in the sector until now. Their total market share currently accounts for only 10 percent, as BOTAS still undertakes 90 percent of natural gas distribution in Turkey.

Baltaci said a total of $45 million entered state coffers with the transfer of the distribution rights to these companies, while also freeing it from the take-or-pay liability. "And these firms competed with each other logically in 2008 and sold gas at favorable prices. We did not have any difficulties until the abolition of the cost-based pricing system," he said.

When these firms entered the natural gas market in 2007, they were expecting it to be liberalized, Baltaci stressed, continuing: "But, with time, the situation turned out to be completely the opposite." BOTAS should decrease its market share in line with what the law says, he said. "We were not expecting to operate in a market where BOTAS has a 90 percent share. Implementing the law will be to Turkey's advantage in the medium and long run, while it will also help keep the sector alive," he said.

SOCAR – Turcas gets license to build refinery in Izmir

Trend.az, *23.07.2010*



Ankara hosted a ceremony to grant a license to SOCAR-Turcas JV to build a new refinery in Izmir. The license issued by the Energy Market Regulatory Authority (EPDK) was presented to Rovnag Abdullayev, SOCAR President, by the Minister of Energy and Natural Resources of Turkey, Taner Yildiz.

Kenan Yavuz, Executive Director of SOCAR-Turcas, said that the new plant will be built in the area of petrochemical complex Petkim in Aliaga, Izmir. He said that the construction of the plant will involve 7-10,000 people. After starting its operation, the plant will employ about 1,000 people.

Earlier, Foster Wheeler announced that a Global Engineering and Construction Group subsidiary received a contract from the SOCAR-Turcas Rafineri A.S. to build a grassroots refinery at the Petkim facilities in Aliaga. The contract covers the refinery's front-end engineering design, licensing and a basic design package for a delayed coker, which will use Foster Wheeler delayed coking technology.

The facility will have a capacity of 214,000 barrels per stream day (bpsd). Naphtha and fuel oil from the hydrocracking unit will be delivered to Petkim for petrochemical use. The refinery will include crude and vacuum distillation units, naphtha hydrotreating, a 40,000 bpsd delayed coking unit, a 66,000 bpsd hydrocracking unit, kerosene and diesel hydrotreaters, LPG caustic treatment units, a 28,000 bpsd continuous catalytic reformer, a saturated gas unit, amine and sour water stripper, sulfur and tail gas treatment units and a 160,000 Nm3/h hydrogen unit, as well as utilities, auxiliary systems and offsite facilities.

The SYDECSM process will be designed to maximize clean liquid yields while minimizing fuel coke yields. Foster Wheeler's work under the contract is expected to end by late 2010. In early June, SOCAR-Turcas Rafineri A.S. received a license from EPDK to build an oil refinery with a capacity of 10 million tons per year near Petkim, a holding in which SOCAR has equity participation.

The new plant's capacity will be 10 million tons per year. Four million tons will be supplied to meet Petkim's raw material needs. The remaining amount, particularly diesel and jet fuel and other energy resources, will be sold on the Turkish and European markets.

In 2008, the alliance between SOCAR and Turcas Petrol / Injaz Projects has won a tender to sell 51 percent stake of chemical concern Petkim, offering $2.04 billion. Now Turkey imports 70-75 percent of the necessary chemical products. Investments of SOCAR / Turcas / Injaz to the development of Petkim will reduce imports by 30 percent.

Exile Resources took farmouts on five blocks of Aladdin Middle East

Oil&Gas Journal, *28.07.2010*

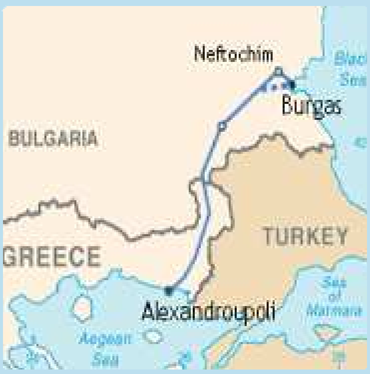
Exile Resources Inc., Toronto, took farmouts on five blocks operated by Aladdin Middle East Ltd., Wichita, Kan., in eastern Turkey on the North Arabian shield near the borders with Syria and Iraq. Exile refers to the blocks as the Rubai licenses. Aladdin recovered oil samples from the NE Ogunduk-1 discovery well in 2009 but did not test it.

In the first phase, Exile will contribute $600,000 for the reentry and testing of NE Ogunduk-1 using an Aladdin drilling rig and personnel. Aladdin will remain the operator and Exile will hold a 5% interest in the licenses. If the well tests at a specified target rate, Exile will enter the second phase.

The second phase involves drilling the NE Ogunduk-2 updip appraisal well. Exile's share of the drilling costs will be $1.2 million. This would earn Exile a further 7% interest in the licenses. If the NE Ogunduk-2 appraisal well is successful in proving the Ogunduk field, the third stage of the joint venture may proceed. The third stage provides Exile with the option to earn a further 23% in the Rubai licenses by fully funding an appraisal well on a location to be agreed upon by Exile and Aladdin. In addition to the NE Ogunduk wells, the blocks contain other prospects that could be drilled in the future. A commercial discovery at NE Ogunduk could be put into production quickly.

Bulgaria and Greece fail to agree on pipeline deal

Today's Zaman (AP), *28.07.2010*

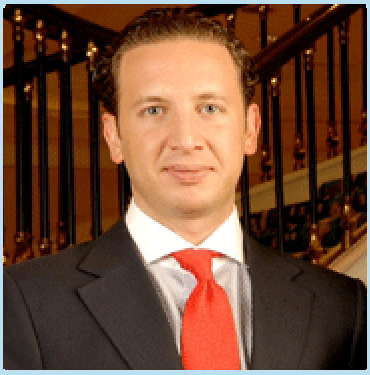


Bulgaria and Greece have failed to resolve a dispute over a $1.3 billion pipeline deal to transport Russian oil. The stalled venture was discussed at a joint cabinet meeting held for the first time by the two countries Tuesday to discuss proposals for common defense, economy and energy projects.

The proposed 282-kilometer pipeline was to bring Russian oil brought by tanker through Bulgaria to the Greek port of Alexandroupolis, bypassing Bosphorus Straits. Bulgarian Prime Minister Boiko Borisov scrapped the venture, citing environmental concerns. But Greek Prime Minister George Papandreou on Tuesday said the venture remains a priority.

Petkim in talks with a Dutch company for Aliaga port

Today's Zaman, *29.07.2010*



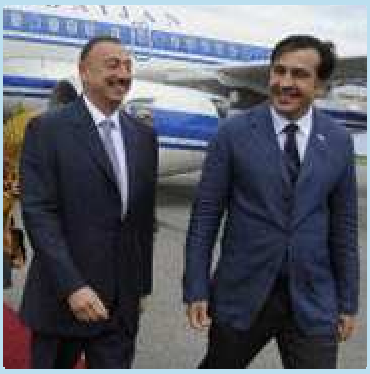
Turkish petrochemicals producer Petkim is in talks with a Dutch terminal operating company to expand and operate the port of Aliaga, which is projected to have a larger capacity than the port of Izmir by 2018, Batu Aksoy, a Petkim board member, has said.

The port is planned to have a container capacity of 1 million 20-foot equivalent units, while its liquid cargo handling capacity is projected to be around 20-25 million tons, Aksoy said, adding that they expect to reach a solid result from these talks by the end of the year.

The redesign of the port is still under way, Aksoy noted, underlining that the company wants to "develop a Petkim peninsula, which is expected to be built in Izmir's Aliaga district, in a way to provide the largest contribution to the country." Petkim is also in talks with other foreign investors over establishing an oil tank farm and electricity power station in the region, he added.

Georgia and Azerbaijan sign transit corridor pact

Hürriyet Daily News (Bloomberg), *29.07.2010*



Georgia and Azerbaijan signed an agreement on creating a transit corridor linking the Caspian and Black seas to increase flows of oil and natural gas to European customers.

The two former Soviet republics will create a commission to form policy on ports, transit and railway companies, Georgian Prime Minister Nika Gilauri said during a government meeting in the capital Tbilisi on Tuesday, according to Bloomberg. The agreement will lead to increased transit volumes of energy and other cargoes, as well as jobs for Georgians, he said.

Georgian President Mikhail Saakashvili held talks on transit cooperation earlier this month with his Azerbaijani counterpart, Ilham Aliyev, Gilauri said. Georgia's Black Sea ports will be the focus of increased transit, Gilauri said. Georgia and Azerbaijan, together with Romania, have agreed to build a liquefied natural-gas terminal for exports of the fuel to Europe.

BP replaces Hayward, quickens asset sales

Hürriyet Daily News (Bloomberg), *27.07.2010*

BP appointed Robert Dudley as chief executive officer and pledged to accelerate asset sales to as much as $30 billion after the Gulf of Mexico oil spill led to a record loss.

The second-quarter net loss of $17.2 billion compared with a profit of $4.39 billion in the year-earlier period. Dudley will take over from Tony Hayward on Oct. 1. His challenge will be to overcome cleanup costs and liabilities after the company booked a pre-tax charge of $32.2 billion related to the leak. BP is selling assets over the next 18 months, reducing investment and cutting the dividend to pay the bills after the spill wiped $70 billion off the company's market value.

Hayward faced public anger in the U.S. and criticism from lawmakers over his handling of the leak that was triggered by an April 20 explosion on the Deepwater Horizon rig, which killed 11 people. Dudley, 54, was born in New York and grew up in Mississippi, part of the Gulf Coast region suffering environmental and economic damage from the spill. BP on June 23 appointed him to manage its response to the leak. BP stock is down 37 percent since the spill started.

The three-month long spill has cast a cloud over the oil company's future, with some analysts speculating BP could be broken up or taken over. At the very least, it's likely to result in a slimmed down company following the asset sales. Chairman Carl-Henric Svanberg agreed with U.S. President Barack Obama on June 16 to set up a $20 billion fund to pay for cleanup and liabilities.

BP said last week that it sold $7 billion of assets in the U.S., Canada and Egypt to Apache Corp. It also plans to sell holdings in Pakistan and Vietnam. BP may revive the sale of fields in Alaska after they failed to make it into the Apache deal, two people with knowledge of the matter said last week.

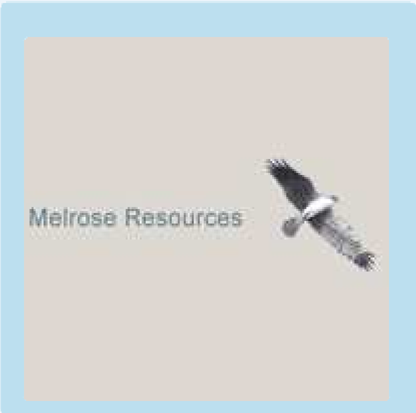
In the first quarter, BP's profit more than doubled from a year earlier. In March, the company agreed to buy $7 billion of assets from Devon Energy in the Gulf of Mexico, Brazil and Azerbaijan. Refining margins are also picking up after averaging $5.49 in the second quarter from $3.08 in the first three months of the year, according to BP.

"The underlying performance should be quite okay in a commodity price environment that's been supportive in the quarter and refining margins that held up well," Dirk Hoozemans, who helps manage the equivalent of $19.4 billion at Rotterdam-based Robeco Group, said before the report was released.

Even if most of BP's global operations are profitable, Dudley, who will be the first American head of the former U.K. state oil company, will need to convince politicians BP should be allowed to keep drilling in the U.S. The Gulf is home to about 25 of the 40 production projects BP plans by 2015.

Melrose Resources hits gas pay offshore Bulgaria

Rigzone, *30.07.2010*



Melrose Resources announced an exploration discovery in the Galata block offshore Bulgaria. The Kavarna East No.1 well has been successfully drilled to test an exploration prospect approximately 10 kilometres to the east of the Melrose operated Galata field production platform.

The new gas discovery lies in between two other recent discoveries, Kavarna and Kaliakra, which contain combined reserves of 74 Bcf and are currently being developed using sub-sea production wells tied back to the Galata platform. The well penetrated the top of the Paleocene reservoir interval at a depth of 2753 feet and encountered a net gas pay of 89 feet with an average porosity of 29 percent.

The preliminary reserves estimate for the discovery is 12 Bcf, in line with pre-drill estimates, and it is expected to be developed using a low cost tie-back to the Kavarna sub-sea well location. The well encountered a gross gas column of approximately 130 feet and consistent with the other fields which have been discovered on the same geologic trend, the reservoir structure is thought to be filled with gas to the spill point. This provides further evidence that the regional biogenic gas source is substantial and that gas volumes may have migrated further north into the central area of the Galata block. The Company plans to acquire seismic over this area of the concession in 2011 to evaluate its prospectivity.

The Jupiter rig will now be used to install the sub-sea tree for the Kaliakra field development and may then be used to drill the Kaliakra East prospect. This well remains contingent, however, on confirmation that the seabed conditions at the well site will allow the jack-up rig to operate at the required water depth.

Commenting on the update, David Thomas, Melrose's Chief Executive said, "Kavarna East represents the third consecutive discovery for the Company in Bulgaria and further supports our local exploration strategy to focus on areas close to the Galata platform where we can leverage the existing infrastructure. We will be moving forward to develop the discovery following the Kavarna and Kaliakra field developments which will come on stream over the next few months."

BP runs final well casing

Upstream Online, *30.07.2010*

BP has begun to lay the final casing string in the first relief well and could move up planned kill operations, the head of the US response said Thursday. Crews on Transocean semi-submersible rig Development Driller 3 are running 2000 feet of 9-7/8 inch casing and will cement it in place, retired Coast Guard Admiral Thad Allen told reporters.

BP had planned to try the first phase of the operation to kill the well the static top kill on Monday. Allen said the operation could be moved up into the weekend due to time gains on preparations activities but stuck to his original timeline that the job could begin anytime between Sunday and Tuesday.

The Helix Energy Solutions service platform Q4000 will pump drilling mud through the kill line of the old Macondo blowout preventer to tamp down the flow of the well. Most likely the mud will be followed by cement but BP will not make that decision until after mud has killed the well and it has been monitored. The whole process will take about 24 hours.

The Q4000 is already in place, hooked to mud and pumping vessels, but BP wants to make sure the relief well is cased and secure before beginning the job. BP remains on schedule to intercept the Macondo blowout in the US Gulf in about two weeks. After the top kill, Development Driller 3 can begin drilling the final 100 vertical feet into the annulus of Macondo, which is expected to take about five days because crews will stop every 20 to 25 feet to locate the Macondo wellbore.

When the rig hits the annulus it will begin pumping mud for the bottom kill operation, once any flow in the annulus has been stopped, the mud will be followed with cement. Finally, the semisub will drill into the main bore to ensure that the kill and cement job from the static kill was effective. Pressure on the capping stack that has kept Macondo shut for two weeks is at about 6951 pounds per square inch and rising at less than 1 psi per hour. Monitoring has not revealed any concerns about the integrity of the well, Allen said.

Chavez threatens to cut off US oil in Colombia crisis

Hürriyet Daily News (AFP), *26.07.2010*

Venezuelan President Hugo Chavez has threatened to cut off oil supplies to the United States if it were to back a Colombian military attack on Venezuela, warning Washington to stay out of the fray.

Chavez broke off diplomatic relations with Bogota in response to charges by President Alvaro Uribe that 1,500 Colombian guerrillas had set up camp inside Venezuela and were launching attacks from its territory. He said on Sunday he had intelligence that "the possibility of an armed aggression against Venezuelan territory from Colombia" was higher than it has been in 100 years.

If Colombia were to launch an attack "promoted by the Yankee Empire, we would suspend oil deliveries to the United States, even if everybody over here has to eat stones," he warned. "We wouldn't send even a single drop of oil to the United States", he said. The United States is the number one consumer of oil from Venezuela, a member of the Organization of Petroleum Exporting Countries, or OPEC, and South America's largest oil producer and exporter.

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