# Oil & Gas Bulletin

► *05.11.2010*

## BOTAS cuts natural gas prices for manufacturers

Today's Zaman (Ismail Altunsoy), *04.11.2010*

**BOTAS had announced that it will not hike the natural gas prices this year despite increasing tariffs in the international markets, has made a surprise move and launched a campaign to even lower the prices for manufacturers. Companies will enjoy reductions in their gas bills between 1 and 2.5 percent, depending on their level of consumption.**

**Although the rates are low, this still lightens the energy costs of the manufacturers enough to make them happier. A company that uses natural gas between 15 million cubic meters and 100 million cubic meters per month will enjoy a drop in their bills by 1 percent.**

If the consumption is between 100 million and 300 million cubic meters, the rate of reduction applied on the bill will be 2 percent. If a manufacturer's natural gas consumption exceeds 300 million cubic meters, then it will enjoy discount of 2.5 percent in its costs. If the manufacturers are operating in Organized Industrial Zones (OIZ), the rate will be reduced even further. BOTAS is planning to sell 5.1 billion cubic meters of natural gas to industrialists this year. Its estimate of total gas sales in 2010 is 33.8 billion cubic meters.

## TPAO discovers new oil wells in Libya

Africa News, *28.10.2010*

**Turkish Petroleum Corporation (TPAO) discovered two new oil wells located in the Gulf of Morzuk, South West Libya, the Libyan National Oil Company (NOC) announced. The discoveries are subject to a contract of partnership, exploration and production sharing between the NOC and TPAO, at a rate of %90.3 and %9.7 for each company.**

**Libya, which has oil reserves estimated at 60 billion barrels and gas, at 1.500 billion m3, maintains oil production at between 1.3 to 1.7 million barrels per day, with a target of bringing the production to 3 million barrels / day and gas production to 2,600 million cubic feet per day.**

# Foreign companies rule Turkish fuel retail market

Hürriyet Daily News (AA), *01.11.2010*

**With the acquisition of 54.17 percent of the shares of Petrol Ofisi by OMV, foreign companies have increased their share in Turkey's retail fuel sector considerably.**

**Relying on data from the Energy Market Regulatory Agency, or EMRA, the share of foreign companies in Turkey's lucrative retail fuel sector has reached almost 70 percent. According to data from EMRA's report on the first half of the year in the fuel market, Turkey imported more than 12.7 million tons of oil, mostly from neighboring Iran and Russia. Domestic refinery production in the same period has reached 8.8 million tons, while sales amounted to 8.7 million tons.**

In the period, the share of Petrol Ofisi, or PO, in the market was 32.8 percent. The company accounted for the sales of 221,000 tons of fuel products out of a general 965,000 tons. The company had a market share of 22.9 percent in gasoline, 24.8 percent in diesel and 25.2 percent in fuel oil. In jet fuel, PO has a market share of 95.5 percent, while it practically owns the maritime fuel sector with a share of 100 percent.

Overall, PO is followed by Shell & Turcas, with a market share of 18 percent. BP, another foreign player in the market, had a market share of 10 percent in the first half, coming after Opet, a domestic fuel retailer. Total Oil, meanwhile, has a market share of 5.1 percent. Thus, with OMV's acquisition of a majority of PO – 95.75 percent – foreign companies' share in Turkey's fuel retailing market has reached 70 percent.

PO has 3,140 fuel oil stations in Turkey, where oil consumption rose 5.8 percent in 2008, according to BP. In contrast, consumption in Austria declined 0.1 percent in the same year. OMV on Oct. 23 announced it would pay 1 billion euros ($1.4 billion) to Dogan Holding for its 54.17 percent stake in PO. According to the agreement, PO will distribute $488 million in dividends to shareholders before the completion of the deal. Dogan will get $265 million, OMV will get $203 million and free-float investors will get $21 million.

Speaking to Anatolia news agency, Atif Ketenci, chairman of the Fuel Oil Stations, Oil and Gas Companies Employers' Union, or TABGIS, said foreign companies active in the sector have brought technological advantages to Turkey since the founding of the Turkish Republic. "We all have been educated by their presence," he said. "They led the sector with their uncompromising stance in health, safety and environment issues." Ketenci said in European countries also, the share of domestic fuel retailers in the overall market is low. "International fuel retailers are also serving this country," he said, adding that he believed OMV would bring important changes to the Turkish market.

# OMV wants Petrol Ofisi to go into power generation

New Europe, *31.10.2010*

**OMV said that it wants its future Turkish subsidiary Petrol Ofisi to branch out from petrol selling to energy production. The company signed a $1-billion-dollar deal on 22 October to raise its stake in the major Turkish petrol station operator to 96%, by buying shares from Dogan Holding.**

**In October, OMV broke ground at the natural gas power plant project in Samsun which will be OMV's first power plant. OMV Chief Executive Wolfgang Ruttenstorfer said he did not exclude the possibility of adding more such green-field plants and wind power investments in Turkey, and explained that Petrol Ofisi would be involved in these activities.**

"We have the view to see Petrol Ofisi as a company not only active in oil, but also in gas and power," he said in a telephone press conference, cited by Deutsche Presse-Agentur (dpa). Regarding OMV's partnership in the international Nabucco gas pipeline, the manager said Petrol Ofisi would not be part of the project. The pipeline would ship Middle Eastern and Central Asian gas through Turkey to Europe. Petrol Ofisi has a national market share of some 27% in fuel sales and owns a quarter of Turkey's total storage capacity.

# Koc Holding reportedly in talks to establish partnership with AES in energy

Penn Energy, *01.11.2010*

**According to local daily Vatan, one of the country's largest conglomerates Koc Holding is in talks to establish a partnership with US-based AES in energy sector.**

**Koc and AES will jointly construct power plants and the two companies will bid together in the privatisation tenders to be held for electricity generation companies, according to the daily. The partnership will be announced at the end of 2010, Vatan says.**

# Abandoned gas field draws new investors

Hürriyet Daily News, *01.11.2010*

**Increased demand and favorable gas prices in Turkey are heating up international investor interest in a gas field in the Central Anatolian province of Konya.**

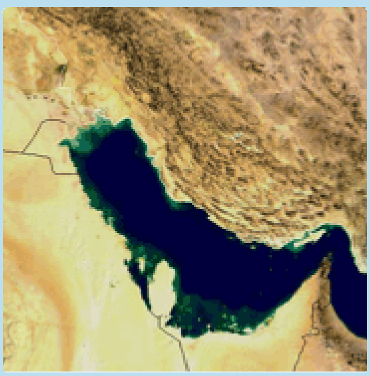
**The London-based investment firm Niche Group has purchased an 18.7 percent interest in Oman Resources, an oil and gas development company that focuses on Turkey and has rights to develop a tract of the Tuz Lake basin owned by Turkish company Arar. "In 1979 and 1980, the price of the gas was around $1.2 to $1.5 per MCF [1,000 cubic feet] and was not seen as valuable a commodity," Oilbarrel.com quoted Niche Group Director Donal Boylan as saying.**

According to the Oilbarrel.com, the tract is part of the Konya project that was developed in the late 70s by Turkey's state oil company Turkish Petroleum Corporation, or TPAO. TPAO reportedly sank 16 wells at the time, six of which were tested for gas. However, the project did not prove cost effective at the time and was aborted. The Gülhanim well is one of the wells currently being developed, but drilling stopped at 500 meters due to technical problems. Drilling is expected to resume and reach the pay zone of 2,000 to 2,100 meters by the end of November.

There is a strong possibility this project will become commercially successful, Boylan said. In preparation, the partners in the investment have already started building of a gas-bottling plant to tap into the local energy market. Funding has also been set aside for a 13-kilometer pipeline that will connect the gas fields to a larger regional pipeline network. Additionally, Boylan said, the gas from the Konya well is 97 percent methane and requires no processing.

# Iran to sell rial bonds worth $2.3 billion to develop South Pars gas field

Bloomberg (Ladane Nasseri), *28.10.2010*



**Iran will sell rial bonds worth $2.3 billion on Nov. 6 to finance the second development phase of its South Pars gas field, Mehr reported. The bonds will be sold through Saderat Bank and Melli Bank, Pars Oil and Gas Co.'s managing director Ali Vakili told. Iran sold in August about $500 million worth of bonds for the first development phase of the gas deposit, the Oil Ministry said at the time. The three-year bonds, yielding 16 percent, were auctioned by the bank on Aug. 21, it said.**

# Iraq expects to finalise Shell gas deal soon

Today's Zaman (Reuters), *01.11.2010*

**Iraq expects to finish within days the final draft of a multibillion-dollar contract with Royal Dutch Shell and Japan's Mitsubishi to capture gas being flared in southern oilfields, Iraq's Oil Minister Hussain al-Shahristani told.**

**Shahristani said in an interview on Sunday the contract would not include the super giant 12.6-billion-barrel Majnoon oilfield, which is being developed by Shell and Malaysian partner Petronas. "We expect to finish the contract within a few days now," Shahristani said, adding that the final draft of the deal was being discussed in the Oil Ministry in consultation with its external advisers.**

"If it is approved as it is, we will present it to the cabinet. We have almost finalized the final draft of the contract." He said he hoped to sign the deal before year's end. The $12 billion deal, first agreed with Shell in 2008, involves capturing associated natural gas produced at Iraq's southern oilfields near the city of Basra. It will cover Iraq's workhorse oilfield Rumaila, being developed by BP and CNPC; Zubair, being worked on by Eni, Occidental and Kogas; and West Qurna, whose two projects are in the hands of Exxon and Shell, and Lukoil and Statoil. But it will not include Majnoon, Shahristani said.

Iraq flares 1 billion cubic feet of gas every day at its oilfields energy it needs to harness to generate electricity in a country suffering from power blackouts more than seven years after the invasion. On Oct. 20, Iraq successfully auctioned off three gas fields, generating questions about whether there would be enough demand in the domestic market or even abroad for so much gas. Shahristani said on Sunday that Iraq's power generation needs were large, and the supply was necessary. In addition to its plans for gas, Iraq has signed deals with international oil companies to develop its largest oilfields. It hopes to quadruple crude production capacity to Saudi levels of 12 million barrels per day within six to seven years.

Shahristani countered skeptics who argue that Iraq will be hard pressed to achieve those ambitious plans by reiterating that these were 'contractual' obligations signed by the companies. "But how much Iraq will actually produce depends on how much the oil market can absorb," he said.

Shahristani said he did not expect OPEC to start discussing a quota for Iraq until production reached 4 million to 5 million barrels per day, and said the 4 million barrel mark would be reached in three years. He had previously said talks on an OPEC quota might start at 4 million bpd. The oil minister said the question of OPEC quotas was not related to Baghdad's recent increase in the country's proven oil reserves by 25 percent to 143 billion barrels. "The number 143 billion is very conservative," Shahristani said. "The real numbers will be significantly larger."

# Iraq to sign over fields in weeks

Upstream Online, *04.11.2010*


**Iraq's Oil Ministry expects to sign initial contracts for the Mansuriyah and Akkas gas fields on 14 November and for the Siba gas field on 15 November, head of the ministry's licensing and contracting office, Abdul-Mahdy al-Ameedi, said.**

**"After the signing, we will send the initial contracts to the cabinet for final approval," he said. "After the approval of the cabinet we will finalise the gas deals. The companies have to start work immediately after finalising the deals." Ameedi added.**

South Korea's Kogas and Kazakhstan's KazMunaiGas won a bid for Akkas field in western Iraq at an auction on 20 October, while Kuwait Energy and Turkey's TPAO won the Siba gas field in Iraq's relatively peaceful southern oil hub of Basra. TPAO, Kuwait Energy and Kogas won rights to the third gas field, Mansuriyah, near the Iranian border.

# Natig Aliyev: Azeri gas project unaffected by Iran sanctions

Kipp Report, *29.10.2010*

**Azerbaijan has so far seen no impact from European sanctions against Iran on its Shah Deniz gas project, in which Iranian state energy firm NIOC has a stake, Natig Aliyev, Azerbaijan's minister of industry and energy, said.**

**He was accompanying Azeri President Ilham Aliyev on a trip to Ukraine. "The Iranian company that takes part in the Shah Deniz project has a status of a so-called 'sleeping partner'. It has a certain stake for which it pays according to an annual investment schedule," he said. "This issue has not been raised on any level yet to be reviewed, discussed or acted upon," he added.**

A British government source said earlier this week that sanctions were unlikely to have any impact on the BP-led Shah Deniz project. The second phase could boost output by 20 billion cubic meters from 2014, compared with a previous forecast of 16 bcm.

# EU's Eastern initiative 'not adequate' for Azerbaijan

EurActiv, *03.11.2010*

**Araz Azimov, deputy foreign minister of Azerbaijan said that the Eastern Partnership, the EU's initiative for developing relations with its Eastern neigbours, was not adequate to address geopolitical challenges in the Caucasus.**

**"The Eastern Partnership, speaking frankly, is not adequate," Azimov said, speaking to a small number of journalists in Brussels. The deputy foreign minister called for "additional tracks" to be built into the EU's Eastern Partnership (EaP) initiative, citing common transit systems for energy and transport and a common trade area as possible areas of cooperation.**

These, he said, should go 'far beyond' the current framework of the EaP. Azimov was also critical of his country's relations with NATO, which are framed in a Partnership for Peace (PfP), as the format does not offer the perspective of full membership of the alliance. "PfP is no more adequate," Azimov said, adding that his country was disappointed by the process of downsizing NATO's expenses and resources.

Asked by EurActiv about Azerbaijan's intention to supply the EU's planned Nabucco pipeline or other competing projects led by Moscow, Azimov argued that his country was selling gas on a purely commercial basis. "The national authority of Azerbaijan, SOCAR, decides what to do with its gas […] Some gas has been sold now to Turkey, some to Russia, that's normal business."

"With Iran we have a swap of gas, because we cannot supply directly gas to Nakhichivan [an enclave of Azerbaijan between Armenia and Iran]. Therefore we supply the Iranian North and they supply the 350,000 population of Nakhichivan." Azimov said the amount of uncontracted Azeri gas available for sale was eight billion cubic metres (bcm). In comparison, the capacity of Nabucco is 31 bcm. But he added that his country was developing new gas fields. "Today we have eight bcm, tomorrow we may have 80 bcm," he said.

"There are projects for Nabucco, there are projects for ITGI, for TAP, for AGRI, all these are possibilities," Azimov said. "Therefore, I cannot say that Nabucco is dead, or is over, but Azerbaijan should not be the single one country fighting for Nabucco," he said. The diplomat insisted that Azerbaijan was not only a source country, but also a transit country for gas from Turkmenistan, the country across the Caspian Sea with the largest gas reserves in the region. The construction of a gas pipeline across the water from Turkmenistan to Azerbaijan is not possible for the time being due to disputes over the delimitation of territorial waters in the Caspian Sea, Azimov acknowledged. The biggest obstacle to solving the problem is Iran, he said. However, Azimov saw a future in a project to develop transportation of compressed gas by boat from Turkmenistan to Azerbaijan, after which it would be shipped to Turkey.

# Russia and Norway ease borders, seek oil cooperation

EurActiv (Reuters), *03.11.2010*

**Russia and Norway agreed to ease frontier controls and said they hoped for cooperation on oil and gas exploration after a deal earlier this year ended a four-decade dispute over Arctic seas.**

**Foreign ministers of the two nations signed a deal in Oslo enabling people living less than 30km from the border to travel in the zone on either side for 15 days by buying a 20 euro permit. Currently, visitors need a visa. The accord would apply to 9,000 people in Norway and 45,000 in Russia, easing ties along a former Cold War boundary.**

"It's an important, small step," Russian Foreign Minister Sergei Lavrov said of the deal he signed with his Norwegian counterpart, Jonas Gahr Stoere. Lavrov said it might be a model for Russia's enclave of Kaliningrad, sandwiched between Poland and Lithuania. The ministers said the deal was a sign of closer ties after the two nations signed a deal in September settling a maritime dividing line off the northern tip of Europe after four decades of talks.

Parliaments are set to ratify that maritime boundary deal by the end of 2010. "When it enters into force we would be discussing specific projects, including the joint exploration of the deposits which are there," Lavrov said of possible oil and gas activities. "There is a great potential for close cooperation between the two countries in what is one ecosystem," Stoere said. He added that each nation would decide within its own region.

Tuesday's meeting, including Nordic ministers and the European Union, also agreed to improve cooperation on the environment, such as a short-cut shipping route between the Atlantic and Pacific Oceans, as ice on the Arctic Ocean shrinks. The accords contrasted with a Russian row with Japan over disputed islands after a visit by President Dmitry Medvedev to one island on Monday. Lavrov said Medvedev planned new visits to the archipelago.

In Europe, a problem with relaxing border controls is that Norway, Poland and Lithuania are members of the Schengen border-free area in Europe while Russia is not. "We are finding a solution that is creative and Schengen-compatible," Stoere said of the 30km travel accord. Lavrov said any deal to ease Kaliningrad border controls on the Baltic Sea would have to allow travel for Russians throughout the enclave, not just 30km from the borders. "The European Commission seems to be ready to compromise on this," he said. He said that Poland was also willing but that Lithuania was "not yet ready for a similar arrangement".

# Polish – Russian gas treaty receives EU blessing

EurActiv, *04.11.2010*

**Poland and Russia are due to sign an agreement in Brussels that will see Gazprom increase its deliveries to Warsaw by 38%. Energy Commissioner Günther Oettinger said the treaty would have 'EU legitimacy'.**

**Oettinger announced that he was going to look today "at the latest draft of the treaty on a confidential basis" but expressed confidence that the agreement would comply with EU legislation. Under the deal, Gazprom will supply Polish gas company PGNiG with up to 10.2 billion cubic metres (bcm) a year, according to media reports in the two countries. The volume under the previous contact was 7.45 bcm.**

Polish Deputy Prime Minister Waldemar Pawlak said the transit of Russian gas through Poland was guaranteed until 2019, according to the Moscow Times, but the two sides reached agreement on the possibility of prolonging the agreement until 2045. A key part of the agreement lifts a clause that currently prevents Poland from re-exporting natural gas surpluses to other countries without Gazprom's consent (the so-called 'non re-export clause'), according to a statement by PGNiG.

This clause had caused a substantial delay in finalising the agreement, with the European Commission warning that it was against EU rules and that Poland risked gas shortages. Poland will also benefit from a price discount if it buys more gas than agreed. PGNiG said this might save it as much as $250 million by the end of 2014 if it uses the full discount offered by Gazprom. Oettinger, who has just returned from a visit to Russia, said the Commission had provided advice to the Polish and Russian authorities, as well as to energy companies on both sides. As a result, the bilateral treaty will enjoy full EU legitimacy, he stated.

The gas deal was negotiated between Warsaw and Moscow in parallel with discussions over Poland's possible participation in the construction of a nuclear power plant in Kaliningrad, a Russian enclave between Poland and Lithuania. Warsaw would also reportedly buy electricity from the plant. Critics say that Poland's energy agreements with Russia run counter to the country's declared policy of seeking to rely less on Moscow for its energy needs. In particular, Warsaw is suspected of losing its appetite for developing shale gas in partnership with US giants such as ExxonMobil, Chevron and Marathon Oil. Critics also point out that although a clause forbidding Poland to resell excess gas to third countries was removed, there would be no gas available for sale most of the time.

# Geothermal hot spot found in West Virginia

Energy Business Daily, *28.10.2010*

**Researchers have uncovered the largest geothermal hot spot in the eastern United States. According to a unique collaboration between Google and academic geologists, West Virginia sits atop several hot patches of Earth, some as warm as about 400 degrees.**

**In 2004, researchers at Southern Methodist University in Dallas and elsewhere created a geothermal map of North America, which charted the potential for geothermal energy. Two years ago Google.org, the philanthropic arm of the search engine giant, hired the SMU scientists to update the map.**

The group analyzed oil and gas firms' temperature data that no one had mapped. Those data were collected via single thermometer readings on the end of drilling equipment, but the readings were artificially low because of water used to cool and wash the equipment. So the SMU team corrected the readings according to the rock type that was being drilled. Then the researchers estimated the temperatures of adjacent rock layers according to their geologic properties.

The work revealed surprising results for West Virginia, a state that had only four data points in the 2004 map. The Google-funded effort added measurements from more than 1,450 wells in the state. The warm spots were found at depths of about two to five miles. By comparison, geothermal hot spots in Nevada reach about 400 degrees at about 1.25 miles below the surface, and steam produced from them runs turbines to create electricity. Iceland, meanwhile, has 400-degree temperatures just below the surface and uses warm water to heat buildings and showers throughout Reykjavik and elsewhere.

The finding was a surprise to the scientists. "Nobody expected West Virginia to show up as a hot spot," says SMU's Maria Richards, a geothermal expert and geographer. Experts are already weighing how the state might exploit the geothermal energy. Electricity is extremely cheap in West Virginia due to its abundant coal, so geothermal energy probably can't compete for business from utilities there. But West Virginia's state geologist Michael Hohn says the state's extensive network of power lines makes it a good candidate for exporting electricity produced by geothermal power to states such as Maryland, Virginia and Pennsylvania.

Earlier in the day Miller also held talks with Minister of Economy and Energy Traicho Traikov, during which the minister was expected to make a new attempt to cut gas prices and sign a direct gas supply contract with Gazprom. The minister however said the topic was not on the agenda of the meeting.

# Announcements & Reports

### ► OPEC World Oil Outlook (2010)

**Source** : Organization of the Petroleum Exporting Countries
**Weblink** : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/WOO_2010.pdf

### ► Announcement on Licence Application for LNG Terminal in Aliaga, Izmir

**Source** : Energy Market Regulatory Authority
**Weblink** : http://www.epdk.org.tr/duyuru/dogalgaz/lng/LNG_Terminal_DepolamaBasvuru.doc

### ► Domestic Resource Definition Chart

**Source** : Energy Market Regulatory Authority
**Weblink** : http://www.epdk.org.tr/duyuru/dogalgaz/acil/yurticiKaynakSaptama/yurticiKaynakSaptama2.html

### ► Draft Resolution on CNG & LNG

**Source** : Energy Market Regulatory Authority
**Weblink** : http://www.epdk.org.tr/duyuru/dogalgaz/taslak/11cng_lng_son_KararTaslagi.doc

# Upcoming Events

### ► OGT 2010

*15th Turkmenistan International Oil & Gas Conference*

**Date** : 17 – 19 November 2010
**Place** : Ashgabat – Turkmenistan
**Website** : http://www.summittradeevents.com/ourevents.php

### ► Basra Oil & Gas

*International Oil & Gas Conference – Exhibition*

**Date** : 25 – 28 November 2010
**Place** : Basra – Iraq
**Website** : www.basraoilgas.com

## ► CEVI Energy School (in Turkey)

**Date** : 7 – 11 February 2011
**Place** : Istanbul – Turkey
**Website** : - - - - -

## ► TUROGE 2011 (in Turkey)

*10th Turkish International Oil & Gas Conference & Showcase*

**Date** : 16 – 17 March 2011
**Place** : Ankara – Turkey
**Website** : http://www.turoge.com/

## ► International Oil & Gas Law (in Turkey)

**Date** : 21 – 25 March 2011
**Place** : Istanbul – Turkey
**Website** : www.rmmlf.org

## ► GIOGIE 2011

*10th Georgian International Oil, Gas, Energy and Infrastructure Conference*

**Date** : 29 – 30 March 2011
**Place** : Tblisi – Georgia
**Website** : http://www.giogie.com/2011/

## ► Atyrau Oil & Gas 2011

*10th North Caspian Regional Atyrau Oil, Gas and Infrastructure Exhibition*

**Date** : 5 – 7 April 2011
**Place** : Atyrau – Kazakhstan
**Website** : http://www.atyrauoilgas.com/2011/

## ► TGC 2011

*2nd Turkmenistan Gas Congress*

**Date** : 13 – 14 April 2011
**Place** : Avaza – Turkmenistan
**Website** : http://www.summittradeevents.com/ourevents.php

## ► Oil & Gas Siberia 2011

*7th International Specialized Exhibition of Equipment & Technologies for Extraction, Processing and Transportation of Energy Resources*

**Date** : 27 – 29 April 2011
**Place** : Novosibirsk – Russia
**Website** : http://petroleum.sibfair.ru/eng/

## ► OGU 2011

*15th Uzbekistan International Oil & Gas Exhibition & Conference*

**Date** : 17 – 19 May 2011
**Place** : Tashkent – Uzbekistan
**Website** : http://www.oguzbekistan.com/2011/

## ► SEA 5 2011

*Algerian Energy Week*

**Date** : 21 – 25 May 2011
**Place** : Oran – Algeria
**Website** : http://www.sea5-algeria.com/

## ► Caspian Oil & Gas 2011

*18th Caspian International Oil & Gas Exhibition & Conference Incorporating Refining & Petrochemicals*

**Date** : 7 – 10 June 2011
**Place** : Baku – Azerbaijan
**Website** : http://www.caspianoil-gas.com/2011/

## ► MIOGE 2011

*11th Moscow International Oil & Gas Exhibition*

**Date** : 21 – 24 June 2011
**Place** : Moscow – Russia
**Website** : http://www.mioge.com/2011/