Oil & Gas Bulletin

► *17.12.2010*

Competition Board says MMEKA or Aksa must give up grid

Habertürk (Bloomberg), *16.12.2010*

Turkey's Competition Board said Is Kaya-MMEKA, which placed the highest bid for two electricity grids in August, and Aksa Elektrik, which won rights to one grid in northwest Turkey, may buy just two of the assets because of ties between the companies' owners.

MMEKA's partners include businessman Mehmet Kazanci, who should be considered as 'in the same economic enterprise' as Aksa Elektrik, which is owned by his family's Kazanci Holding, the board said on its website today. Kazanci said he will seek to 'correct' the regulator's decision in a televised interview with Bloomberg HT news.

Is Kaya-MMEKA won rights to Istanbul's Bogazici grid, Turkey's biggest with 3.8 million subscribers, and the Gediz power network in the western Izmir region. Aksa Elektrik won an auction in August for a power grid covering the northwestern Thrace region. "Should Is Kaya-MMEKA and/or Aksa Elektrik take over all three of the Bogazici, Gediz and Trakya regions, it will lead to significant reduction in competition in the related markets by creating dominant positions for Kazanci Holding," the board said in the statement. "There will be no problem adhering to competition laws should they take only two grids." Meanwhile the board approved MMEKA's purchase of 80 percent of BaskentGaz, which is a grid supplying natural gas to 1.2 million customers in the capital Ankara.

Calik Holding reaches deal with Rosneft to sell Russian oil

Today's Zaman, *17.12.2010*

Turkish Calik Holding has reached an agreement with Russian oil giant Rosneft to sell Russian oil entering Turkey through the Samsun-Ceyhan Pipeline Project to third countries in the Mediterranean.

The framework agreement was signed in Istanbul on Thursday by Ahmet Calik, the chairman of Calik Holding, and Eduard Khudainatov, president of Rosneft. Turkish Energy and Natural Resources Minister Taner Yildiz and Russian Deputy Prime Minister Igor Sechin also participated in the signing ceremony.

Turkish fuel prices top in Europe

Hürriyet Daily News, *12.12.2010*

Turkey's 'championship' in fuel oil and diesel taxes has been verified by official data, as a study by the Finance Ministry shows the country ranks at the top of 28 European countries.

As the price of 97 octane fuel oil climbed to nearly 4 Turkish Liras per liter, November data compiled by Anatolia news agency from a Finance Ministry booklet showed the special consumption tax, or SCT, and value added tax, or VAT, levied on fuel and diesel have reached massive proportions. As of Nov. 22, a liter of fuel sold for 1.9 euros, of which 1.2 euros were taxes. SCT and VAT constitute 66.8 percent of the sales price, the highest rate among 28 European countries.

Turkey is followed by Greece, which sells fuel for 1.5 euros per liter, of which 1 euro is tax. In Greece, taxes make up 63.9 percent of the sales price. For the tax burden on fuel, the two neighbors are followed by the U.K., the Netherlands, Sweden, Germany, Belgium, Finland and France. The tax on fuel in these countries ranges from 61.1 percent to 63.9 percent of the sales price. In Central and Eastern Europe, the situation is a bit better. In Romania, fuel sells for around 1 euro per liter; taxes account for 51.1 percent of this price. Taxes in Bulgaria and Latvia are at 50.5 percent and 50.3 percent, respectively.

Turkey ranks among the top in diesel prices also, just barely 'losing' the championship title to the U.K., which sells a liter of diesel for 1.4 euros. About 0.9 euros of this price is taxes, which comprise 62.4 percent of the sales price. In Turkey, a liter of diesel sells for 1.5 euros, of which 0.9 euros is taxes. Thus, 56.5 percent of the sales price goes to the Treasury as tax revenue.

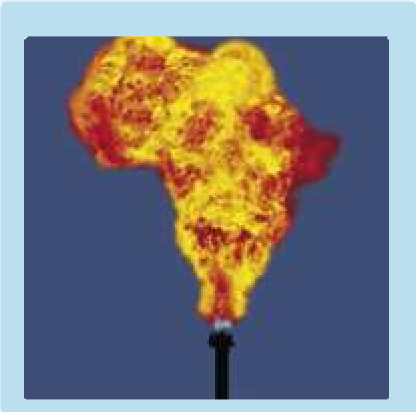
In other European countries, diesel sells for between 1 euro and 1.3 euros, while taxes account for between 43.4 percent and 55.7 percent. According to the Finance Ministry, the sales price of a liter of 95 octane unleaded fuel rose 35 percent between Jan. 1, 2009, and Oct. 9. In the same period, the price for a liter of diesel rose 30 percent.

A group of protesters met in Istanbul's Taksim Gezi Park on Sunday to protest the rise in fuel prices. Speaking on behalf of consumer organizations, Sitki Yilmaz, president of the Federation of Consumer Associations, or TUDEF, said the recent price hikes have brought consumers 'to the brink of revolt'.

"We are using the highest-taxed fuel in the world," Yilmaz said. "We will not remain silent against price hikes. If the necessary action against these hikes is not taken by the government, we will bury those who are responsible at the ballot box."

Turkey to buy oil from Nigeria and Ghana through barter scheme

Today's Zaman, *16.12.2010*



Turkey will be purchasing oil from at least two African countries through a barter scheme arrangement, State Minister for foreign trade Zafer Caglayan has announced following a four-day visit to three African countries.

Caglayan, who had talks in Nigeria, Ghana and Equatorial Guinea during his visit to Africa, proposed a barter scheme to his Nigerian and Ghanaian counterparts. Officials in these countries have said they would look positively on such a deal, where Turkey will purchase oil from both countries and pay for it by investing in tourism, energy, health and other infrastructure.

The government has plans to realize similar schemes in other countries in Africa. Caglayan's meeting with Ghanaian Vice President John Dramani Mahama marks the first official visit from Turkey at a ministerial level to this country in 10 years. Caglayan, speaking about his visit to Ghana along with a group of about 100 businessmen, said Mahama had praised Turkey due to its economic success at a time when most European countries are struggling amidst a crisis.

Mahama also said his government was closely monitoring the democratic and political developments in Turkey, expressing his government's desire to make Ghana a good example of a democratic country in Africa. Mahama also said direct flights between the two countries would contribute significantly to relations, adding that joint projects by businessmen of the two countries would offer great opportunities. Mahama said during the visit: "We don't want Ghana to be an oil-dependant country in the future. We are using petroleum as a resource to invest in and develop other sectors. We have very beautiful beaches. We can make use of this."

State Minister Caglayan said Turkey wanted to contribute to the development of Ghana and support its commercial growth, noting that Turkish contractors were extremely interested in the construction sector. The minister also attended the Ghana-Turkey Business Forum during his visit. In a speech he made there, Caglayan said Turkey and Ghana had set their common trade volume goal at $1 billion. He also said the demand in Ghana for housing was about 1 million residential units, adding that Turkish businessmen want to enter this sector.

Opet aims to boost sales 5 pct in 2011

Hürriyet Daily News (Bloomberg), *14.12.2010*

Opet, a Turkish fuel retailer part-owned by refiner Tüpras, aims to increase sales by 5 percent to 10.5 billion Turkish Liras ($7 billion) next year, Chairman Fikret Oztürk said. The country's third-biggest fuel company by market share aims to raise its share to 18 percent in 2011 from 17.1 percent expected this year, he said in a news conference late Monday.

Petrol sales in Turkey rose 19 percent to 35 billion liras in the first half of this year, according to the Petroleum Industry Association. Economic growth exceeded 10 percent in the period, matching China as the highest among the group of 20 industrialized countries.

Opet spent $250 million renewing distributor contracts under the market regulator's ruling that cut the period for the renewals to five years from 15 years from September, Oztürk said. The move will expand market share by 1 percentage point and add annual sales of 170,000 to 180,000 cubic meters, he said. Oztürk family holds 50 percent of Opet, while Tüpras, owned by Koc Holding, controls 40 percent and the remaining 10 percent belongs to Koc Holding units. Opet's owners do not plan an initial public offering, Oztürk said.

SOCAR & TURCAS hires manager for refinery construction

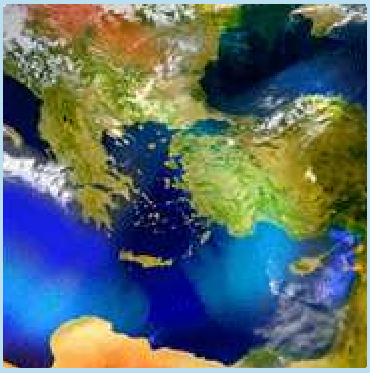
Oil & Gas Journal, *14.12.2010*

SOCAR and TURCAS has awarded Fluor Corp. a project management consultancy for the Aegean Refinery to be built in Aliaga, Turkey. The planned refinery will be integrated into the Petkim petrochemicals complex on the Aegean coast.

Fluor will act as PMC and will assist in selecting and managing the engineering, procurement, and construction contractor and provide overall project and construction management. Project work is under way, Fluor said, with site preparation and engineering, procurement, and construction work estimated to be in mid-2011 and construction start-up sometime in first-quarter 2012.

Cyprus and Israel define sea border for energy search

Rigzone (Dow Jones Newswires), *17.12.2010*



Cyprus and Israel signed an agreement Friday that defines their sea border and allows the neighbors to forge ahead in the search for energy sources in the eastern Mediterranean.

The agreement, which delineates an exclusive economic zone between the two countries, was signed in Nicosia by Cypriot Foreign Minister Marcos Kyprianou and Israeli Minister of National Infrastructure Uzi Landau. This is seen as another step in Cyprus's search for undersea oil and gas deposits. The island has already signed similar agreements with Egypt and Lebanon.

"In light of the recent discovery of a wealth of natural resources in the Mediterranean Sea, the delimitation of Israel's borders will play an important role in securing Israel's vital economic interests," said the Israeli embassy in Nicosia. Cyprus has signed delineation agreements with Egypt and Lebanon, which have agreed to mutually exploit hydrocarbon deposits that criss-cross their boundaries. But the deal with Lebanon has yet to be ratified by the Lebanese parliament. Despite delays, Cyprus says it will soon launch a second licensing round after the exploration procedure was launched three years ago. Texas-based U.S. firm Noble Energy Inc. has been granted a license to search for oil in one of 11 designated blocks inside Cyprus's exclusive economic zone off the south coast.

Imports up on China-Kazakh pipeline

Upstream Online, *17.12.2010*

China's oil imports via the China-Kazakhstan pipeline were expected to increase by almost 30% from a year earlier to 200,000 barrels per day this year. Last year, the pipeline shipped in 154,000 bpd to China, according to a report by the China Petroleum Daily. It carried 132,460 bpd in 2008, 103,456 bpd in 2007 and 38,093 bpd in 2006.

The 2800 kilometre pipeline, started operation in July 2006, was expected to complete the second phase of construction in 2012, which would help double its transportation capacity to 400,000 bpd by 2013. CNPC operates most of its domestic businesses via listed PetroChina.

Electricity deal signed between Turkey and Georgia protracted for another two years

Today's Zaman, *13.12.2010*

Energy & Natural Resources Minister Taner Yildiz said that an electricity agreement signed between Turkey and Georgia in 2005 regarding electricty exchange would expire today. "The protocol in question is protracted for another two years," Yildiz said who signed the agreement with Georgian Energy Minister Alexander Khetaguri in Ankara.

Referring to Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum pipelines, Yildiz said cooperation between Turkey and Georgia should continue on the pipelines. "This cooperation is maintained also in electricity," he added.

Yildiz said this cooperation enabled Turkey to supply electricity to Georgia in winter and Georgia to meet needs of Turkey in other months. Yildiz said Turkey was eager to establish a primary and secondary common pool in natural gas, oil and electricity. "The agreement we signed is a part of this pool," he said.

Georgian Energy Minister Khetaguri said Turkey and Georgia have been carrying out a good cooperation for five years and would continue to do so. Khetaguri said Turkey was a common strategic partner of Georgia, noting the two countries particularly have cooperation on energy. Georgian minister cited Baku-Tbilisi-Ceyhan Pipeline Project and Baku-Tbilisi-Erzurum Natural Gas Pipeline Projects to this.

Khetaguri said there had been serious electricity problem in Georgia in 2004, and underlined the importance of the agreement for them. He said Georgia particulary took advantage of this agreement when Russia stopped giving Georgia natural gas in January 2006. Khetaguri said new agreements could be on the agenda after some new pipelines are constructed.

CPC to nearly double capacity

Oil & Gas Journal (Christopher Smith), *15.12.2010*

The shareholders and governing bodies of the Caspian Pipeline Consortium have unanimously approved a $5.4 billion expansion of the pipeline. The capacity of the 900-mile pipeline, which transports oil from Western Kazakhstan to a dedicated terminal in the Black Sea, will increase to 1.4 million b/d from its current capacity of 730,000 b/d.

Chevron Corp. describes the expansion as a critical step toward enabling expanded development of Tengiz oil field, one of the world's largest with estimated recoverable reserves of 6-9 billion bbl. CPC will carry Tengiz crude oil and also transport oil from other Kazakh and Russian fields.

CPC will implement the expansion in three phases with capacity increasing between 2012 and 2015. The expansion includes refurbishment of the existing 5 pump stations, addition of 10 pumping stations, replacement of a 55-mile section of the line, 6 new storage tanks, and the addition of a third offshore mooring point at the Black Sea terminal, 6 miles north of the Port of Novorossiysk. The three largest CPC shareholders, Transneft, KazMunaiGaz, and Chevron, will provide project management services and are in the final stages negotiating construction contracts with awards expected first-quarter 2011. The 1.2 million b/d Baku-Tbilisi-Ceyhan pipeline, though used primarily to transport Azeri production, also has agreements to carry oil from Tengiz. SOCAR announced plans to begin a major expansion of its oil export terminal at Kulevi on Georgia's Black Sea coastline in April, doubling capacity to 20 million tonnes/year possibly by yearend 2011, at least in part to transport Tengiz crude.

Ukraine lines up Azeri supplies

Upstream Online, *17.12.2010*

Ukraine and Azerbaijan are likely to sign deals this year to boost supplies of Azeri oil and LNG to Ukraine, Azeri Energy Minister Natig Aliyev was quoted as saying today.

"We are talking about an increase in oil supply to 39.5 million barrels per year and about shipping 5 billion to 7 billion cubic metres of LNG to the Ukrainian market," Reuters quoted Aliyev as saying an interview with Ukrainian official gazette Uryadovy Kurier. "The agreements have already been examined by the two governments and will be signed by the year-end with some amendments."

Ukraine, which gets gas and oil mostly from Russia, is looking to Azerbaijan as the source of alternative crude and gas. In the first 10 months of 2010 Ukraine imported about 7 million barrels of Azeri oil compared with 1.3 million barrels in 2009. Ukraine also plans to open its first liquefied natural gas terminal in the Black Sea region in 2015, with a capacity of 5 billion cubic metres, in a bid to reduce its dependence on Russian gas imports. The terminal's capacity would rise to 10 bcm per year in late 2016.

Ukraine imports about 60% of its domestic gas needs from Russia and has repeatedly said the gas price is too high for Ukrainian goods to compete on world markets. Ukrainian officials have said Azerbaijan seemed the best source for the gas. According to the government data, gas from Azerbaijan would travel a route of about 2,300 kilometres.

Flat revenues seen for Azeri oil fund

Upstream Online, *17.12.2010*

Azerbaijan expects only a 1% rise in its oil fund revenues in 2011 to 9.133 billion manats ($11.4 billion) from 9.032 billion manats estimated for 2010, the oil fund said today.

The oil fund adopted its budget for next year with spending projected at 6.886 billion manats and an oil price assumption of $60 per barrel, unchanged from 2010. The budget is to be approved by the country's President Ilham Aliyev. The fund holds revenues from oil contracts, oil and gas sales, transit fees and other revenues, and has been used to top up the state budget after declining energy prices hit revenues last year. The bulk of the fund is held in sovereign debt.

Its assets rose to more than $22 billion from $14.9 billion at the end of 2009. The oil fund's current assets are a major part of more than $25 billion in strategic reserves, along with central bank reserves and deposits. The government uses the fund's assets to finance social spending and infrastructure projects, including construction of irrigation systems, support for refugees and construction of the Baku-Tbilisi-Kars railway. The fund is considering whether to begin investing in publicly traded shares abroad as a part of a long-term strategy to diversify its assets, a fund official told Reuters earlier this year.

TAPI pipeline may be commissioned by 2016

Rigzone, *13.12.2010*

Construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline is expected to start in 2012 and the project is likely to be commissioned by 2016, a top Indian petroleum ministry official said.

The Asian Development Bank is the lead partner in the 1,680km pipeline project expected to involve an investment of $6-7 billion ('27,120-31,640 crore). The pipeline is expected to have a capacity of carrying 90 million standard cu. m per day (mscmd) of gas from Turkmenistan's Gunorta Yoloten-Osman fields. Of this, 38 mscmd is planned for India.

The pipeline, proposed in the early 1990s, has been delayed by political and economic issues. The main issue has been security because it passes through Afghanistan and Balochistan (Pakistan), both considered to be unstable areas where the project may face the risk of sabotage. India joined the project in April 2008. "The gas supply agreement has to be negotiated, and this would take several weeks. The broad thinking is there would be a consortium formed to implement the pipeline project and some discussions we have had so far; we have to even find a mechanism for identifying the consortium. So that will be the first step... I think the identification of a consultant to really formulate the process of a consortium that has to be done. Then the consortium format has to be finalized," petroleum secretary S. Sundareshan said on Thursday in New Delhi.

Mint had reported on 27 September about the four countries' decision to call bids from potential anchor investors to share the risks involved in the project. This consortium will be responsible for laying, owning and operating the pipeline. "Thereafter, the investment agreements have to be there. I expect all this will take a year or so. Maybe the construction on the pipeline will start two years from now. It will take four years to be commissioned. We are talking about gas flowing about six years from now," Sundareshan added.

The TAPI meeting was attended by India's petroleum minister Murli Deora, Turkmenistan's President Gurbanguly Berdimuhamedov, Pakistan's President Asif Ali Zardari and Afghanistan's President Hamid Karzai. The four countries signed the intergovernmental and the gas pipeline framework agreements. "There are issues that need to be addressed. We have to come to a decision regarding the price of gas, security of the pipeline, certainty of gas supply, transit fee, and setting up of the consortium. As a buyer, and being at the tail end of the project, we have concerns that relate to the realities that surround us," Deora cautioned in his speech on Saturday.

The other pipeline project India has been involved with has been delayed over price and transportation fees India would have to pay Pakistan. Talks on the 2,300km multi-billion-dollar Iran-Pakistan-India (IPI) pipeline started in 1995, but with India clinching the civilian nuclear agreement with the US, the process slowed. Iran and Pakistan decided to go ahead with the project without India, and have even extended a partnership offer to China. The last trilateral meeting on the IPI pipeline involving Iran, Pakistan and India was held in July 2007.

Axis shifts toward East in global energy mergers, Deloitte report says

Hürriyet Daily News, *13.12.2010*

The drive to secure global energy resources will likely make emerging markets the fastest-growing area for mergers and acquisitions, or M&A, in 2011, according to a recent Deloitte Energy Predictions 2011 report. M&A activity in the energy industry appears to be occurring in waves, with oil and gas companies from emerging markets leading the way, the report said.

"First there was the Chinese wave of M&A activity in Africa, Asia and now South America, as national oil companies from China moved aggressively to get a foothold in these resource-rich nations."

"The second wave, which has already begun, involves the next tier of national oil companies, which consists primarily of state-owned companies from Russia, South Korea, Brazil and Malaysia," the report said, adding these organizations were currently using aggressive bidding tactics to land their quarry, as in the case of Korea National Oil Corporation, which launched the country's first cross-border hostile takeover attempt to win control of U.K. oil group Dana Petroleum. The report also mentioned a third-wave, which was just beginning to take shape, will likely consist of state-owned companies from India and the Commonwealth of Independent States.

According to the Deloitte repot, tight worldwide spare capacity led to a peak in refining margins in 2007 while falling demand during the economic recession led to estimated global utilization rates of 80 percent, resulting in depressed refining margins only two years later. "Increased demand for refined products led to improved worldwide refining capacities during 2010. Utilization rates of U.S. refiners averaged 88 percent in the second quarter of 2010 from 80.3 percent in the first quarter 2010 and 84.3 percent in the second quarter of 2009," the report said.

Europe's oil refining sector faces a challenging recovery from the cyclical lows of 2009 given the persistently weak demand for oil products in Europe and the Organization for Economic Co-operation Development, or OECD, countries, the report said, adding that during 2009, five new refineries were brought online, all in the Middle East and Asia. "Accordingly, refining capacity in Asia increased by more than one million barrels per day [bbl/d] in 2009 while it increased by roughly 393,000 bbl/d in North America, and by about 200,000 bbl/d in the Middle East," it said, noting that according to one industry commentator, between 2011 and 2015, an additional 2.75 million bbl/d of refining capacity would be added in Asia.

When real costs are taken into account, nuclear is often more expensive than fossil fuels, the Deloitte report said. "Nuclear energy takes a long time to produce. The process of permitting, environmental impact studies and the length of time from planning to design and construction of the nuclear infrastructure typically lasts no less than several decades," it said.

The report further said nuclear waste is still considered to be more controversial than fossil-fuel emissions, often requiring large underground storage facilities. “Despite these obvious hurdles, perhaps the most important challenge for the industry is the shortage of nuclear talent within the industry.” Over the last three decades there has been very little progress in bringing new nuclear plants online, the report said, adding that this lack of project activity had had a profound impact on the number of people entering the nuclear field. “A nuclear energy renaissance is shaping up around the world in some unlikely regions, perhaps none more than in emerging [areas] that include the Middle East and China,” it said.

TransAtlantic finding ‘enormous’ upside potential in Turkey, elsewhere

Oil & Gas Financial Journal (Don Stowers), *01.12.2010*

Malone Mitchell developed Riata Energy into a hugely successful oil and gas company before selling controlling interest in the company in 2006. The company was subsequently renamed SandRidge Energy. After stepping down from SandRidge, he founded Mitchell Group, a privately held oil and gas company that includes Riata Management and Longfellow Energy. Mitchell also serves as chairman of TransAtlantic Petroleum Ltd., which has assets in Turkey, Romania and Morocco.

OGFJ Editor Don Stowers recently caught up with Mitchell to discuss his plans for TransAtlantic. CEO Matt McCann also sat in on the conversation.

Through the years, you have implemented a vertically-integrated strategy with your E&P companies by acquiring oilfield service companies and equipment. How does Viking International, TransAtlantic’s service arm, complement your international exploration efforts?

To start, a lot of E&P companies shy away from vertical integration. Many operators find it too difficult to manage or don’t believe the returns justify the investment. At TransAtlantic Petroleum, however, Viking International and our vertical integration strategy are critical. The strategy delivers strong returns and is core to our operations. Much of our success in this arena stems from Turkey’s limited access to key equipment, rigs and other services. In fact, only two oil service companies in Turkey are able to drill below 8,000 feet. The vast majority of wells have never been exposed to fracture stimulation equipment. And the costs for many of these services are prohibitively expensive. Upon learning this, we quickly assessed the situation. We studied the issues, and in December 2008 we began purchasing rigs and equipment to deploy and service our operations overseas.

Almost immediately, we started to see positive results. On the E&P side, we saw a significant reduction in finding and development costs. On the rig side, we have strong demand for our own accounts and are starting to see demand for third party opportunities. And, on the equipment leasing-side, we gained access to equipment that very few companies in Turkey, Romania, or Morocco have. We've even received tremendous support from agencies within the Turkish government.

TransAtlantic Petroleum has E&P operations and holds interests in 12.6 million gross acres split between Turkey, Romania, and Morocco. However, your core focus and investment lie in Turkey. What potential does Turkey offer TransAtlantic, its shareholders and potential investors?

The upside potential in Turkey is enormous. Modern 3D seismic, re-entry into shallow wells, fracture stimulation possibilities, and the near-term potential for horizontal drilling all provide opportunities to significantly increase production, grow reserves, and generate cash-flow. In fact, Don, the majority of the wells that have been drilled in Turkey have never even been exposed to fracture stimulation. And unlike other operators that don't have access to the equipment required to fracture stimulate these wells, TransAtlantic Petroleum does. Our fracture stimulation equipment just arrived in Turkey this past October. While it is true that the majority of our efforts remain with conventional and re-entry projects, we have near-term plans to explore for unconventional natural gas in the Thrace Basin. We will also continue to seek strategic acquisitions that add to our footprint and drilling inventory in Turkey.

The Thrace Basin in Turkey is the country's largest producing gas province providing opportunities for both conventional and unconventional gas exploration. Tell us a little about your recently announced acquisitions and how they add to your growth efforts.

Acquisitions are a key growth component at TransAtlantic Petroleum. Just last month, we announced the potential acquisition of Thrace Basin Natural Gas for $100.0 million in cash and 18.5 million of our common shares. Upon closing, the acquisition would add 600,000 net onshore acres and 25.0 MMcf/d to our current Thrace Basin natural gas production of 10.0 MMcf/d. We would acquire 35% of the acreage and production for the stock. Private investors would acquire 65% of the production and acreage for the cash. In addition, our company will acquire 100% of TBNG's oil field service equipment and five additional rigs.

In October, we closed on our Zorlu acquisition in which we purchased between 50% to 100% working interests on 18 exploration licenses and one production lease from Zorlu Petrogas and Amity Oil and Gas. In total, our company received nearly 1.0 million net acres in the Thrace basin and 730,000 gross and net acres in Central Turkey. To put it simply, our recent acquisitions have really done three things for our company. One, we have been able to add producing assets to our portfolio. Second, valuable rigs and service equipment have been acquired to assist us in our drilling, completion and 3D seismic efforts in Turkey. Last, the acquisitions have increased our acreage footprint opening up large, multi-year drilling inventories across our vast acreage in Turkey.

Tell us about your exploration joint venture with TPAO, the Turkish National Oil Company. Will you be evaluating and developing unconventional fields?

Yes. The partnership with TPAO will focus on unconventional projects in two onshore blocks - 3791 and 3165 where we will re-enter four old TPAO wells, as well as begin drilling four new wells on the two blocks. These wells will target tight sand and shale formations that do not produce under normal conditions. Our access to oilfield services equipment, combined with the partnerships' joint exploration expertise, will allow us to exploit and develop additional natural gas production that will be used in Turkey. TransAtlantic has a 30% interest in the Thrace Basin and a 40% interest in southeastern Turkey.

In October 2010, we successfully pumped the first modern single fracture stimulation with TPAO on the Kepirtepe-1 vertical well on License 3791 in the Thrace Basin and recorded IP rates of 4.0 MMcfe/d with a small water cut. We expect to complete the vertical well by year-end and will continue to test additional old wells with non-developed gas flows in the area.

Are you working on any other partnerships or joint ventures?

Yes. We have several large tertiary basins where we own 100% where we are now seeking partners. In these plays we prefer to hold closer to a 50% working interest. That approach worked very well for us and our partners in West Texas.

What is it like working in Turkey? Does the government want to help companies develop their natural resources or do they put up roadblocks?

In my view, the Turkish government gets bad press in the West. We have found them very pro-development and progressive. Some of the laws and procedures are different than we have in the US, but it just takes a little time to learn them. We have found access to the energy minister and other government officials to be very easy, and those folks are really interested in changing a situation where they are only producing 3% to 5% of their energy needs.

Local natural gas prices are nearly $8.00 per Mcf. What will you do with the gas produced in the Thrace Basin, which is closer to European markets? Will you export some of it, or is it all for domestic consumption in Turkey?

MATT MCCANN: Turkey imports more than 95% of its gas consumption – more than 3 bcf per day. So any gas produced in the Thrace Basin is going to be used domestically. Several large gas pipelines that come in from Bulgaria run right through our acreage and continue to Istanbul and elsewhere in Turkey. However, we're free to market the gas anywhere we like. Turkey is in the process of privatizing its LDCs (local distribution companies). The main gas grid is government owned, but it's open access. And it's got, by US standards, very low transportation rates. You have a very dynamic bid process, and you can actually take your gas out of the country if you wanted to, but since there is such a large demand inside the country, we don't really see this as a factor.

The arrival of the company's fracture stimulation equipment has the potential to unlock significant unconventional as well as horizontal drilling targets in the Thrace Basin. How does owning your own service equipment benefit your unconventional operations?

It's absolutely essential. As mentioned previously, efficient access to oilfield services in Turkey is difficult. Many of the services simply don't exist, or if they do, they are prohibitively expensive. We are using our own oilfield services equipment to complement our E&P initiatives. We are re-entering wells that have lain dormant for decades. We're fracture stimulating existing wells to enhance production. And we're using our 3D seismic services to identify basins that are conducive to hydrocarbon accumulation. Our seismic equipment not only helps us to identify new and potential prospects, but it also helps our E&P division to drive down costs and operate more efficiently. We have utilized 3D seismic in nearly all of our field prospects in Turkey, Romania, and Morocco. Our company has shown its ability to acquire seismic very quickly and efficiently. A few months ago, we shot almost 100 km2 in nearly three months at our exploration prospect in the Malatya Basin, Turkey.

Your company also has oil development operations in Southeast Turkey. Can you tell us a little about the oil potential in Turkey and how TransAtlantic is growing its oil assets?

The majority of the southeastern area is predominantly oil, whereas the majority in the Thrace Basin, which is on the north and west side of the country, is mainly gas. We have active seismic crews and active rigs running in both areas. We also have quite a bit of acreage scattered out through a number of other basins that are much more under-explored and where there has not been significant past production.

The exploitation techniques we're using are driving production rates and leading to increased rates of return. For example, we recently performed an acid job on one of our Arpatepe wells in Southeast Turkey. The first acidized well was producing at 30 bo/d before our re-entry. After completing the acid pumping job, the Arpatepe well came online at 500 bo/d. To date, the well is producing about 300 bo/d. Again, 3D is playing an important role in field development as we are 85% complete with a 270 km2 3D seismic shoot covering the Arpatepe Field in the Paleozoic trend where we are targeting the Bedinan sandstone. The Selmo Oil Field, to the northwest of the Paleozoic trend, provides locations where we can perform acidizing jobs as well as grow our operations with the drill bit. We recently added a second drilling rig with which we hope to drill 16 wells by year-end 2010. Our Selmo Oil Field is currently producing more than 2,000 bo/d from 35 wells.

In addition to unconventional opportunities in the Thrace Basin, TransAtlantic is exploring the Dadas Shale in Southeast Turkey. Please provide us an update on what you are seeing in the area and what potential may lie in the Dadas Shale.

The Dadas shale is an exciting shale oil play in Southeast Turkey that covers an area about the size of the Barnett Shale in Texas. It is Silurian age and the equivalent of the Woodford or Marcellus here in the states. It sits on top of the Bedinan sandstone that we have been producing oil from on our Paleozoic trend acreage. Surrounded by our producing Arpatepe oil assets, the area looks prone to formations that could be very conducive to fracture stimulation jobs. Recent core samples taken from wells in the area show the Dadas is very rich organic shale which we plan to test with our Goksu-1 well. This prospect creates an additional catalyst for gas and oil production potential that our modern fracture stimulation equipment can potentially unlock.

In addition to your prospects in Turkey, can you describe what you're doing currently in Romania and Morocco?

In Romania, we - along with Sterling Resources - have one of the more prospective shale blocks. We've got 1.4 million contiguous acres in the Silurian Shale, which is like the Woodford Shale in the US. There's a lot of opportunity. People talk a lot about European shale prospects, but I can tell you that without the frac equipment and without horizontal drilling equipment, all it's going to be is talk. We've actually built the equipment and hired people, so we are farther along than most. It's kind of early – we've just started pumping our first fracs - but there are shales and tight sands. Everything we have here in the States, you have over there. Our Viking Drilling group is bringing in rigs that are capable of drilling horizontal wells, and this will begin in December. We intend to pad-develop a lot of these fields, and there are a number of reservoirs that appear to be good horizontal candidates.

Will you be doing horizontal drilling in Turkey as well?

Really in all three countries Turkey, Romania, and Morocco. We've not had much success in Morocco until just recently, and we still don't know enough about how significant that is or isn't. We still have to determine our long-term plans there. But Romania has a world-class petroleum system and the Romanians have been producing oil and creating new technologies for extracting oil for a long time. We like our prospects there.

Can you talk a little about the impact of well stimulation?

The Thrace Basin has been the focus of our early stimulation. There you have a number of main horizons that exist in the basin where you start encountering gas as shallow as 1,000 feet and go all the way down through 18,000 feet. It's not unusual to have as much as 5,000 feet of apparent pay. There are giant rich shales and sand sequences. Our efforts to date are to understand how to pump the right stimulations, get the fluid right, and understand pad sizes and geometry. This year we're going in and generally pumping single-stage jobs in each of the main formations. We're evaluating how those wells do and gaining an understanding what's going on with the belief that by next year we'll be pumping 6 to 10 to 15 fracs back to back at these same wells, very similar to what we are doing in the States. You have to understand that many of these structures only have one or two wells that were drilled as long as 50 or 60 years ago by Texaco or Huffco. So you know where the gas is. You know what your downhole pressure is. You know what your gas quality is. And you know what your unstimulated flow rates are. We just have to go to where the gas has already been found and figure out how you take a well that's capable of making 200,000 or 600,000 or 900,000 unstimulated and get the right frac recipe and the right frac jobs to take that up to much bigger levels. As obvious as this is to all of us, if you go somewhere where this technology has not been applied, it opens up tremendous opportunities for you.

Are there any final comments you would like to make?

Our team will diligently continue to implement our key corporate strategy which is to implement the old lessons we have collectively learned in the past and apply those to our expansion efforts with TransAtlantic in Turkey, Morocco, and Romania. Investors should remain steadfast in evaluating the company's ability to capitalize and execute on its drilling programs, acquisition opportunities and growing our service business. Tremendous oil and natural gas upside potential lies in Turkey, and TransAtlantic is focused on conventionally and unconventionally exploiting those resources.

Announcements & Reports

► *Competition Board Resolution on Electricity & Gas Privatization Tenders*

Source : Competition Authority
Weblink : http://www.rekabet.gov.tr/index.php?Sayfa=sayfahtml&Id=1482

► *Application for Underground Natural Gas Storage Facility*

Source : Energy Market Regulatory Authority
Weblink : www.epdk.gov.tr/duyuru/dogalgaz/acil/depolama/Toren-20101214.doc

► *Minimum Capital Amounts to be Applied to Natural Gas Market in 2011*

Source : Energy Market Regulatory Authority
Weblink : www.epdk.gov.tr/lisans/dogalgaz/asgarisermaye/2011/2011.html

► *OPEC Monthly Oil Market Report (Dec 2010)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_December_2010.pdf

Upcoming Events

► *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/