Oil & Gas Bulletin

► *11.02.2011*

PETFORM

TransAtlantic exercises option to acquire Thrace Basin assets

Rigzone, *10.02.2011*

TransAtlantic Petroleum announced that TransAtlantic Worldwide, a wholly owned subsidiary of TransAtlantic Petroleum Ltd., has exercised the option under the previously announced November 8, 2010 Option Agreement to acquire Thrace Basin Natural Gas Turkiye Corporation (TBNG) and Pinnacle Turkey (PTI).

Total consideration for the acquisition will be $100.0 million in cash and the issuance of 18.5 million shares of TransAtlantic Petroleum Ltd. common stock. The effective date of the acquisition will be October 1, 2010.

TBNG and PTI currently produce an aggregate of approximately 25.0 million cubic feet of natural gas per day in the Thrace Basin region of northwestern Turkey and hold interests in approximately 600,000 net onshore acres and 360,000 net offshore acres in the Thrace Basin and approximately 305,000 net onshore acres in the Gaziantep region of southeastern Turkey.

BOTAS owed $13.1 billion

Bloomberg, *10.02.2011*

Turkish pipeline company BOTAS, the country's main gas importer, has 20.9 billion liras ($13.1 billion) in unpaid debts from state power producers and gas distributors, Hürriyet newspaper reported.

State-run power producer Elektrik Uretim A.S., or EUAS, had the biggest single debt, of 17.9 billion liras, the newspaper reported, citing information Energy Minister Taner Yildiz gave to a committee in the parliament.

Shahristani says Maliki misquoted on Kurdish oil deals

Today's Zaman (Reuters), *08.02.2011*

Iraqi Prime Minister Nouri al-Maliki was misquoted as saying the central government would honor Kurdish production-sharing oil contracts, Deputy Prime Minister Hussain al-Shahristani said.

"All the contracts we (the central government) have signed were service contracts and we expect that all these (Kurdish) production-sharing contracts should be amended to be service contracts in order to be approved" by the Baghdad government, Shahristani told. The weekend report by AFP seemed to catch senior Iraqi oil officials by surprise.

"In fact this was a misunderstanding and misquoting by the AFP of what the prime minister said," Shahristani said. "It did not actually represent the position of the prime minister and the Iraqi government towards this issue." Exports from the Kurdish region were stopped following a prolonged dispute between Iraqi Kurdish administration and the Arab-led government in Baghdad over the legality of contracts awarded by the Kurds to foreign companies.

"The oil ministry accepted these contracts because the nature of the extraction in Kurdish region is different from Basra," Maliki was quoted as saying in the interview on Saturday, referring to Iraq's oil-rich southern province. "There is a need for bigger efforts there while in Basra it (oil) is closer to the surface. It's difficult to have service contracts in Kurdish region but it's normal to have them in southern Iraq," he added. Shahristani said the Kurdish contracts had not yet been reviewed by the central government. Shares of DNO pared their gains but were still up by more than 3 percent on the day by midday.

Kurdish exports from two fields -Taq Taq and Tawke- flowed briefly in 2009 but were halted when the Iraqi government refused to pay the oil companies working the fields, including Norway's DNO and Turkey's Genel Enerji. Around 40 companies have invested in Northern Iraq, but revenues have been curtailed by their inability to sell oil for export because Baghdad has deemed the contracts they signed unconstitutional.

Last week, crude oil started to flow from the Kurdish region's Tawke field at about 10,500 barrels per day after the two sides said they had reached a deal. Under the deal, the Iraqi oil ministry has agreed with its Kurdish counterpart to pay the exploration costs and expenses to the foreign firms working in the northern Kurdish region but the central government will not pay foreign companies their profits.

NuStar Energy acquires majority stake in Turkish products terminals

Oil & Gas Journal (Cristopher Smith), *10.02.2011*

NuStar Energy LP has closed on a joint venture with Turkish companies S-Oil and Aves giving NuStar majority ownership and operational control of two petroleum terminals in Turkey. NuStar will acquire a 75% ownership stake in the joint venture for about $54 million.

The two terminals, now wholly owned by the JV, are in Mersin, Turkey. One of the terminals, previously owned by S-Oil, has 606,000 bbl storage capacity in 20 tanks, primarily for gas oil and distillates. A newer terminal previously owned by Aves began operations in August and has 740,000 bbl storage capacity in 24 tanks, mostly for oil products.

The JV plans to expand the combined storage capacity of the terminals by roughly 930,000 bbl by yearend. Both terminals are connected via pipeline to the new SAVKA offshore platform about 3 miles offshore in the Mediterranean Sea. The platform can simultaneously offload product from two Aframax-size (80,000 dwt) vessels. Both terminals receive product via the platform and discharge via truck rack to the regional market or via the platform for export. The joint venture is evaluating additional terminal construction projects in different parts of Turkey. NuStar has also been active in expanding liquids transportation in Texas' Eagle Ford shale

Blasts rock Iran gas pipes

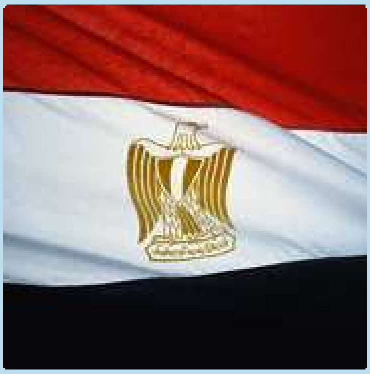
Upstream Online, *11.02.2011*

Three Iranian gas pipelines reportedly were rocked by simultaneous explosions earlier today. The blasts occurred at 5:50 a.m. local time in Salafchegan, near the holy Shi'ite city of Qom in Iran's central Qom province. Qom itself was shaken by the blasts and the red glow from explosions was seen in the south western sky above the city.

However, student news agency ISNA reported there was one blast on cross-country gas pipelines and there were no casualties, but the cause of the incident was under investigation. ISNA quoted local officials as saying that there was no halt in the gas flow in the network.

Blast rocks gas terminal in Egypt’s Sinai

Hürriyet Daily News (AP), *06.02.2011*



An explosion rocked a gas terminal in Egypt’s northern Sinai Peninsula on Saturday, setting off a massive fire that was contained by shutting off the flow of gas to neighboring Jordan and Israel, officials and witnesses said.

Egypt’s natural gas company said the fire was caused by a gas leak. However, a local security official said an explosive device was detonated inside the terminal, and the regional governor, Abdel Wahab Mabrouk, said he suspected sabotage. The blast and fire at the gas terminal in the Sinai town of El-Arish did not cause casualties.

The explosion sent a pillar of flames leaping into the sky, but was a safe distance from the nearest homes, said Mabrouk. The terminal is part of a pipeline system that transports gas from Egypt’s Port Said on the Mediterranean Sea to Israel, Syria and Jordan. The head of Egypt’s natural gas company, Magdy Toufik, said in a statement that the fire broke out in the terminal “as a result of a small amount of gas leaking.” However, a senior security official said an explosive device was detonated in the terminal. Mabrouk said the fire was brought under control by mid-morning, after valves controlling the flow of gas were closed.

Israeli Prime Minister Benjamin Netanyahu’s office said that it’s not clear whether damage was caused to the pipeline leading to Israel. “But as a security precaution, Israel temporarily stopped, by its own initiative, the transfer of gas as procedure dictates,” the statement said.

The blast also halted the gas supply to Jordan, which depends on Egyptian gas to generate 80 percent of its electricity. Jordan’s National Electric Power Company is resorting to heavy fuel and diesel to keep national power plants running, said the company’s director-general, Ghalib Maabrah. He said Jordan has heavy fuel and diesel reserves to generate electricity for three weeks, adding that the shift will cost Jordan $4.2 million a day.

Egyptian authorities expect gas to remain shut off for a week, until repairs are completed. Egypt has potential natural gas reserves of 62 trillion cubic feet (1.7 trillion cubic meters), the 18th largest in the world. It began providing Israel with natural gas in February 2008 under a deal by which it will sell Israel 60 billion cubic feet (1.7 billion cubic meters) a year for 15 years.

EU faces prospect of ‘black swan’ shutdown of Suez Canal

EurActiv, *09.02.2011*

The Egyptian crisis entered a new and potentially critical phase as thousands of Suez Canal service workers began an indefinite strike two weeks after protests against the Mubarak regime began.Some reports say that between 5-7% of Europe’s oil consumption transits the waterway daily. If it is cut off, the effect on prices and supplies could be felt quickly.

Egypt’s oldest daily newspaper Al Ahram yesterday reported that 6,000 workers in Suez, Port Said and Ismailia had begun an indefinite strike and sit-in in protest against poor wages and deteriorating health and working conditions.

Bloomberg news agency quoted Mohamed Motair, director of companies at the Suez Canal Authority, as saying that the workers were not involved in operations, although they belonged to several related service companies. “This doesn’t have anything to do with Suez Canal traffic and the canal is operating normally,” Motair said. But the news could alarm markets and European policymakers alike, and will likely be welcomed by pro-democracy activists in Cairo’s Tahrir Square.

Stephen Schork, an oil market analyst whose influential newsletter can reportedly move the price of oil, said that a shutdown of the Suez would be a ‘black swan’ event. “What makes this so dangerous is that OPEC does not control [Suez] and it can steady [prices] by putting barrels onto the market,” he told EurActiv. “It assuaged the market a week ago when oil in Europe was trading above $100 a barrel. So this takes a card away from OPEC to help quell any upwards move on price now.”

Roughly four million barrels of oil pass through Egypt’s Suez Canal by tanker and pipeline traffic every day. 8% of all the world’s seaborne trade and 2.6% of global production passes through the Canal, which at its narrowest is only 1,000 feet wide. Rosemary Hollis, ex-director of the Royal Institute of International Affairs and current professor of Middle East Studies at City University, London, stressed that the Egyptian demonstrators had so far tried to keep their revolt an internal affair. “I’m not clear what it is that they would hope to achieve by a strike,” she told. But she added that a shutdown could occur “if they thought that the only thing keeping Mubarak in power was the US and that they could hurt US interests and grab the world's attention by making a point like that”.

A week ago, a leading member of Egypt’s Muslim Brotherhood, Muhammad Ghannem, reportedly told Al Alam newspaper that the Suez Canal should be closed immediately. The Brotherhood is the biggest and best-organised of Egypt’s opposition parties but, although it says it is committed to pluralism and democracy, its Islamist agenda frightens many in the West. Maya Kocijancic, a spokesperson for the EU’s foreign policy chief, Catherine Ashton, told that the High Representative for Foreign Affairs was hoping to visit Egypt after a trip to Tunisia next week.

WikiLeaks cables: Saudi Arabia cannot pump enough oil to keep a lid on prices

The Guardian, *08.02.2011*

US diplomat convinced by Saudi expert that reserves of world's biggest oil exporter have been overstated by nearly 40%. The US fears that Saudi Arabia, the world's largest crude oil exporter, may not have enough reserves to prevent oil prices escalating, confidential cables from its embassy in Riyadh show.

The cables, released by WikiLeaks, urge Washington to take seriously a warning from a senior Saudi government oil executive that the kingdom's crude oil reserves may have been overstated by as much as 300bn barrels – nearly 40%.

The revelation comes as the oil price has soared in recent weeks to more than $100 a barrel on global demand and tensions in the Middle East. Many analysts expect that the Saudis and their OPEC cartel partners would pump more oil if rising prices threatened to choke off demand. However, Sadad al-Husseini, a geologist and former head of exploration at the Saudi oil monopoly Aramco, met the US consul general in Riyadh in November 2007 and told the US diplomat that Aramco's 12.5m barrel-a-day capacity needed to keep a lid on prices could not be reached. According to the cables, which date between 2007- 09, Husseini said Saudi Arabia might reach an output of 12m barrels a day in 10 years but before then possibly as early as 2012 global oil production would have hit its highest point. This crunch point is known as 'peak oil'.

Husseini said that at that point Aramco would not be able to stop the rise of global oil prices because the Saudi energy industry had overstated its recoverable reserves to spur foreign investment. He argued that Aramco had badly underestimated the time needed to bring new oil on tap. One cable said: "According to al-Husseini, the crux of the issue is twofold. First, it is possible that Saudi reserves are not as bountiful as sometimes described, and the timeline for their production not as unrestrained as Aramco and energy optimists would like to portray."

It went on: "In a presentation, Abdallah al-Saif, current Aramco senior vice-president for exploration, reported that Aramco has 716bn barrels of total reserves, of which 51% are recoverable, and that in 20 years Aramco will have 900bn barrels of reserves. Al-Husseini disagrees with this analysis, believing Aramco's reserves are overstated by as much as 300bn barrels. In his view once 50% of original proven reserves has been reached … a steady output in decline will ensue and no amount of effort will be able to stop it. He believes that what will result is a plateau in total output that will last approximately 15 years followed by decreasing output."

The US consul then told Washington: "While al-Husseini fundamentally contradicts the Aramco company line, he is no doomsday theorist. His pedigree, experience and outlook demand that his predictions be thoughtfully considered." Seven months later, the US embassy in Riyadh went further in two more cables. "Our mission now questions how much the Saudis can now substantively influence the crude markets over the long term. Clearly they can drive prices up, but we question whether they any longer have the power to drive prices down for a prolonged period."

A fourth cable, in October 2009, claimed that escalating electricity demand by Saudi Arabia may further constrain Saudi oil exports. "Demand [for electricity] is expected to grow 10% a year over the next decade as a result of population and economic growth. As a result it will need to double its generation capacity to 68,000MW in 2018," it said. It also reported major project delays and accidents as "evidence that the Saudi Aramco has to run harder to stay in place – to replace the decline in existing production." While fears of premature 'peak oil' and Saudi production problems had been expressed before, no US official has come close to saying this in public.

In the last two years, other senior energy analysts have backed Husseini. Fatih Birol, chief economist to the International Energy Agency, told the Guardian last year that conventional crude output could plateau in 2020, a development that was "not good news" for a world still heavily dependent on petroleum. Jeremy Leggett, convenor of the UK Industry Taskforce on Peak Oil and Energy Security, said: "We are asleep at the wheel here: choosing to ignore a threat to the global economy that is quite as bad as the credit crunch, quite possibly worse."

Medgaz pipeline set for start in Algeria

Upstream Online, *09.02.2011*

The start up of the Algerian side of the Medgaz pipeline, exporting natural gas to Spain, is 'imminent', an Algerian official was quoted as saying today, after a delay of more than a year.

Dow Jones reported that Mohamed Tayeb Cherif, a regional manager at the pipeline transport unit of Sonatrach, as saying "the pipeline is currently on standby. Its start-up is imminent". He said all technical tests have been carried out ahead of putting of the gas pipeline into operation. A Spanish spokesman said the pipeline is ready to start operations in coming weeks but declined to provide additional details.

The project has been continuously postponed since late 2009 amid technical problems and a global gas glut. Medgaz is operated by a consortium comprising Algerian state oil company Sonatrach, Spanish companies Endesa, Cepsa, Iberdrola and France's GDF Suez. The pipeline has an annual capacity of 8 bcm, likely more than Spain needs in additional gas supplies, given the current decline in demand following the economic crisis.

EU energy summit grapples with fossil fuel habit

EurActiv, *09.02.2011*

EU leaders agreed to merge and strengthen energy networks at their first ever energy summit on 4 February. European Commission President José Manuel Barroso told EU leaders that Europe should rein in its annual €310 billion spending equivalent to 2.5% of GDP on oil and gas imports. "Major efforts are needed to modernise and expand Europe's energy infrastructure," a summit accord said.

At the heart of the summit declaration was a realisation that industry is not delivering some critical energy infrastructure and that taxpayers will soon have to step in.

The summit accord acknowledged that further green growth would require a high-tech 'smart' power grid -estimated to cost about €200 billion- to carry wind power from the north and solar power from the Mediterranean to central cities such as Paris and Prague. As well as building such computer-assisted grids, the European Commission was tasked with developing standards for charging electric cars, growing sustainable biofuels and financing an energy grid overhaul.

Energy Commissioner Günther Oettinger is now expected to respond before June with a plan for 'project bonds' to finance the most crucial gas and power links. Energy security has been a hot issue in the EU since imports of Russian gas via Ukraine were cut during three weeks of freezing weather in January 2009. Leaders agreed that funding should be found for strategically useful gas links that industry has ignored in its quest for profits, such as a link across the Pyrenees to carry Algerian gas northwards to Spain.

Oettinger was successful in strengthening his mandate for negotiating with foreign energy suppliers such as Azerbaijan. France negotiated wording in the declaration to promote its nuclear industry, and Poland did likewise to promote shale gas exploration. But leaders resoundingly failed to confront the fact that they are on track to fall halfway short of a target to boost energy efficiency by 20% by 2020. "This is a mistake," said Friends of the Earth Europe campaigner Brook Riley. "The cheapest, cleanest and most secure energy is that which a country doesn't need."

Oil prices to put bigger burden on advanced economies

Hürriyet Daily News, *10.02.2011*

The global economic recovery will fuel ever greater demand for oil this year, with higher fuel prices expected to add a 15 percent burden on advanced economies, the International Energy Agency (IEA) warned.

"Under current assumptions for global GDP, oil price and oil demand, the global oil burden could rise to 4.7 percent in 2011, getting close to levels that have coincided in the past with a marked economic slowdown," the Agency said. "Indeed, the combination of higher prices with a fragile economic recovery, emerging inflationary pressures and instability in the Middle East is not a healthy one."

The IEA, the energy policy and monitoring arm of the 34-member OECD, estimated the global oil burden at 4.1 percent in 2010, knocking 0.8 percent of GDP in the OECD countries. Based on oil at $90 a barrel it estimated the oil burden would rise by 15 percent to 4.7 percent this year, near the 5 percent level it estimates is likely to trigger recession.

The price for Brent crude has rocketed over $100 a barrel for the first time since September 2008 as unrest in Egypt fuelled concerns of possible disruption to transit through the Suez Canal. The IEA warned last month that sustained oil prices of $100 a barrel pose a real risk to the world economy. Oil demand is still expected to grow in 2011 despite the pace of the global economic recovery tapering off, the IEA said. After taking into account the latest economic forecasts from the International Monetary Fund, the IEA said global oil product demand should reach 89.3 million barrels per day, or mbd, an increase of 1.5 mbd year-on-year. It estimated global oil demand rose by 2.8 mbd to 87.8 mbd in 2010.

PetroChina to invest $5.43 billion in Canada gas

Hürriyet Daily News (AFP), *10.02.2011*

Chinese oil giant PetroChina will pay 5.4 billion Canadian dollars ($5.43 billion) for a 50 percent stake in a shale gas project developed in Canada by Encana, North America's top gas producer.

The deal is the latest investment by China's top oil producer in Canada as the energy-guzzling nation scours the world for natural resources needed to fuel its fast-growing economy. Under the deal, PetroChina and Encana would jointly develop the Cutbank Ridge fields in British Columbia and Alberta, a 256,975-hectare site with daily production of 255 million cubic feet of natural gas equivalent (7.22 million cubic meters).

Encana said the fields, in which PetroChina will have a 50-percent interest if the deal goes through, have proved reserves of about one trillion cubic feet of natural gas equivalent. Encana chief executive Randy Eresman called the agreement a 'major milestone' in the Canadian company's developing relationship with PetroChina. He said the investment would allow Cutbank Ridge to be developed at an accelerated pace.

"This transaction is an important step forward in the plan that we announced last spring - to accelerate recognition of the value inherent in our vast natural gas resource portfolio," Eresman said. "This agreement provides further evidence of the tremendous value that our teams have created in our Cutbank Ridge key resource play, just one of the many large resource plays we have." The deal has to be approved by Canadian and Chinese regulatory authorities, and aspects of the agreement still have to be negotiated. PetroChina said the joint venture provided "a platform for entering the major market in North America."

Canada last year rejected a $39 billion takeover of Potash Corp. by Anglo-Australian miner BHP Billiton on grounds that the Canadian company was of strategic interest. But that was a hostile takeover, and as a joint venture, the Encana deal with PetroChina may be less controversial. Encana specializes in the exploitation of unconventional gas deposits in Canada and the United States. PetroChina, owned by the China National Petroleum Corp., has made major investments in Canadian natural resources before, having taken a $1.7 billion stake in 2009 in two projects to exploit oil sands with the Canadian company Athabasca Oil Sands.

Uzbekistan eyes $850m in oil shale investment by 2015

Rigzone, *09.02.2011*

The Uzbek government plans to attract US$850 million in investment for oil shale processing projects in the country between 2011 – 2015. Uzbekistan is developing two projects to extract manufacturable products from oil shale at the Sangruntau deposit in Navoi region.

These projects were approved by Uzbek President Islam Karimov in December 2010 as part of the priorities set for Uzbekistan's industrial development in 2011-2015. In particular, during 2012-2013 the Uzbekneftegaz national holding company plans to establish a facility worth $600 million to process oil shale into petroleum products.

The designed capacity of the new facility will be one million tons of liquid hydrocarbons. The project is being developed in collaboration with the Japan Oil, Gas & Metals National Corp (JOGMEC), Russia's Atomenergoproekt Institute and several Korean companies. In 2013-2015 the government also plans to implement a $250 million project to extract metals from oil shale at the Sangruntau deposit. In June 2010, Japan's JGC and Technopian signed a memorandum with the Uzbek government to implement this project. The project will be financed through funds allocated by the Uzbek side and foreign loans. Oil shale reserves in Uzbekistan are estimated at 47 billion tons.

BP offer for TNK-BP

Upstream Online, *11.02.2011*

BP has extended an offer to its Russian joint venture TNK-BP to join its proposed partnership with Rosneft, TNK-BP's deputy chief executive Maxim Barsky was reported as saying today. "The company is reviewing the offer and we will present it to the board of directors on 18 February," Barsky said. He also added that he hoped that differences between BP and Russian shareholders in TNK-BP would soon be resolved.

BP declined to comment on Barsky's remarks. "We haven't heard about these proposals and we don't know what they are about," a Rosneft spokesman said.

Announcements & Reports

► *MENR Blue Book (2010)*

Source : Ministry of Energy and Natural Resources
Weblink : http://www.enerji.gov.tr/yayinlar_raporlar/Mavi_Kitap_2010.pdf

► *BOTAS Strategic Plan (2010 – 2014)*

Source : BOTAS
Weblink : http://www.botas.gov.tr/icerik/docs/StratejikPlanTR.pdf

► *OPEC Monthly Oil Market Report (Feb 2011)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_February_2011.pdf

► *OPEC Bulletin (Feb 2011)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OB01_022011.pdf

► *Mongolia: In-depth Energy Efficiency Review (2011)*

Source : Energy Charter
Weblink : http://www.encharter.org/fileadmin/user_upload/Publications/Mongolia_EE_2011_ENG.pdf

Upcoming Events

► *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/

► International Electricity Summit *(in Turkey)*

Date : 14 – 16 September 2011
Place : Ankara – Turkey
Website : http://www.energy-congress.com/