

Turkey and Azerbaijan seen signing TANAP agreement next week

Reuters, 20.06.2012



Turkey and Azerbaijan are expected to sign an inter-governmental agreement next week on the Trans-Anatolian natural gas pipeline project (TANAP), planned to carry Azeri natural gas across Turkey to Europe, Turkish officials told.

The project, which will pipe 16 billion cubic meters (bcm) of gas from Azerbaijan's Shah Deniz II field, is seen costing between \$5 billion and \$7 billion and construction is expected to start at the end of 2013 or in early 2014. "The work has entered its final stage. The inter-governmental agreement is expected to be signed in Istanbul next week," a senior Turkish official told.

Another official said the signing ceremony could be held on June 26 with the attendance of Prime Minister Tayyip Erdogan and Azeri President Ilham Aliyev, but may be delayed by a few days. Turkey has a 20 percent stake in TANAP, while Azerbaijan's state oil company SOCAR holds 80 percent. In March, a Turkish Energy Ministry official said Turkey may raise its 20 percent stake in the project. Under the project, some 10 bcm of gas is planned to be shipped to Europe, while Turkey will get the remaining 6 bcm.

Exxon and Total bid for drilling in Black Sea

Hürriyet Daily News (AFP), 22.06.2012



U.S. oil giant ExxonMobil, France's Total and British Melrose Resources have filed bids for deep-water gas drilling in the Black Sea, Bulgaria's Economy and Energy Minister Delyan Dobrev said.

The three companies filed preliminary bids and must now submit binding offers by July 4, Dobrev told an energy forum in Sofia. The ministry will then choose a winner by the end of July, he said. The tender is for the Khan Asparuh 1-21 block, which spans 15,000 square kilometers off Bulgaria's Black Sea coast near the border with Romania.



“The hopes for finding substantial amounts of gas are very high,” Dobrev said. Between 40 and 80 billion cubic meters of gas have already been found in Romanian waters just 15 kilometers north of the Bulgarian field, he added. “Such quantities could cover Bulgaria’s gas needs for the next 15-20 years,” Dobrev said.

Bulgarian energy experts have long known the block’s gas potential but the depth at which the deposits lay about 5,000 meters under the seabed has raised many technical issues and questions about feasibility. Bulgaria recently set out to diversify its gas sources by seeking to link up to alternative delivery routes as well as to develop some local production. The small Balkan country is almost totally dependent on Russian gas deliveries via Ukraine for its annual domestic consumption of about 3.0 million cubic meters of gas.

Heritage studies Turkish pipeline option

Upstream Online, 21.06.2012



London-listed Heritage Oil has commissioned a feasibility study on building a 320-kilometre gas export pipeline from its Miran Field in Northern Iraq to the Turkish border. The Jersey-registered explorer said that it was eyeing the Turkish market because “gas demand is increasing significantly and average gas commodity prices are attractive”.

Heritage Oil said front end engineering and design studies were underway on conceptual development, gas marketing and strategy for the field, which the explorer plans to develop in phases.

Early production slated for next year is to see output of between 80 and 180 million standard cubic feet of gas for the local market as well as the production of between 10,000 and 15,000 barrels per day of condensate per day. Full field development would see an integrated oil, gas and condensate development exporting gas production to Turkey from as soon as 2015.

Heritage Oil said it was already in discussions with the KRG, gas buyers and contractors regarding both early and full field development, including potential Turkish exports. Erbil and Turkey are each seen as favoring dealing with one another rather than Baghdad, which hotly disputes contracts awarded by KRG and regards Ankara as a hostile neighbor.

Operationally, the explorer said it would soon spud a third oil appraisal well at Miran West after last month’s successful test results at Miran West-3, which flowed at up to 22 million standard cubic feet per day. The latest probe, Miran West-4, is to appraise the potential of oil in the Upper Cretaceous interval, with an estimated target depth of about 1550 meters. The Miran East-1 exploration well spudded in March the Cretaceous and Jurassic reservoir intervals, meanwhile, remains on course to reach target depth of around 4000 meters in July.

Erbil and Baghdad in war of words on oil deals

Hürriyet Daily News, 20.06.2012



Iraqi Prime Minister Nouri al-Maliki warned yesterday of a possible war over oil fields after ExxonMobil and the Regional Government (KRG) signed an exploration deal. The KRG however issued an immediate rebuttal, saying it expected more oil majors to follow Exxon in the next few months in striking deals in the region.

“Al-Maliki views these deals as representing a very dangerous initiative that may lead to the outbreak of wars or the breakup of the unity of Iraq,” said the prime minister’s spokesman, Ali Mussawi.

ExxonMobil has signed an oil exploration deal with the Northern Iraq covering six areas, including two that are said to be outside the region and claimed by both Baghdad and the administration. The central government says all oil contracts must go through Baghdad and regards any that do not as illegal. “Al-Maliki is prepared to go to the highest levels for the sake of preserving national wealth and the necessary transparency in investing the wealth of the Iraqis, especially oil,” Mussawi said. The premier “sent a message to American President Barak Obama last week urging him to intervene to prevent ExxonMobil from going in this direction.” Exxon and KRG inked the exploration deal on Oct. 18, 2011. Baghdad has since said the deal is frozen, which the government has denied.

“The market is very buoyant in region. We have a lot of majors circling around looking at new production-sharing contracts and certainly mergers and acquisitions,” KRG’s Natural Resources Minister Ashti Hawrami told an energy conference in London. French major Total is looking to secure a package of exploration blocks in the region, and Norway’s Statoil is also looking closely at KRG exploration blocks, industry sources have said. “So in the next few months, we expect to see another two or three major companies coming and working in Northern Iraq,” Hawrami said.

KRG leader Masoud Barzani has been locked in a standoff with Baghdad for months, one of a series of intertwined political crises which have escalated into calls for al-Maliki to be removed from power. The Northern Iraq refused to hand over fugitive Vice President Tariq al-Hashemi to Baghdad for trial after he fled to the region in December 2011 before permitting him to leave on a regional tour that took him to Qatar, Saudi Arabia and Turkey.

Iraq to hold new energy licensing auction 2012-13

Rigzone (Dow Jones), 18.06.2012



Iraq is planning to hold a fifth licensing auction for exploration blocks by the end of this year or at the beginning of 2013 after its last round failed to attract many companies, a top energy advisor to the Iraqi prime minister said Monday.

Thamir Ghadhban said the Iraqi oil ministry is expected to improve the contracting terms for the new bidding round. Only three exploration blocks were awarded out of 12 offered last month to international oil firms. Many of the companies particularly the majors didn't take part in that bidding round because of the Iraqi oil ministry's tough terms.

"The ministry will sweeten the terms for the new bidding round as it has learned the lesson from the previous bidding round," Mr. Ghadhban told reporters on the sidelines of an Iraqi energy event held by the CWC Group in London. In the previous licensing auction held in Baghdad May 30 and 31, the ministry offered service contracts for 12 exploration blocks, which means winning companies will be paid a flat fee for their services rather than being given a share in the resources. Companies thought that determining a fee per a barrel for an exploration block is rather unrealistic before any discovery is made.

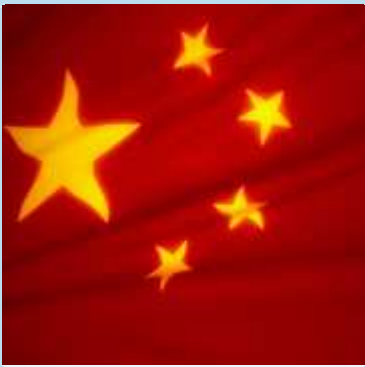
International companies would also prefer production-sharing contracts for exploration blocks rather than service contracts. "For example, instead of determining the fee before the discovery, it can be discussed and agreed upon after the company makes a hydrocarbon discovery," Mr. Ghadhban said. Such a development if it happens could address only a small part of the companies' expectations, analysts said.

Besides the tough remuneration fee in the last bidding round, some bidders were put off by a new clause to the model contract that forbids oil companies from signing contracts with the semiautonomous region in Northern Iraq, where petroleum is also plentiful. U.S. energy giant Exxon Mobil Corp. was barred from taking part in the fourth bidding round as punishment for signing deals with the KRG. Mr. Ghadhban made no mention if the new bidding round would exclude that clause.

Iraq's Oil Minister Abdul Kareem Luaiby said last month, immediately after the recent bidding round concluded that Iraq would auction some 10 to 15 blocks. He said there are around 60 exploration blocks in Iraq including offshore. He gave no further details.

Energy is the priority in Turkey - China ties

Hürriyet Daily News (AA), 20.06.2012



Turkish – Chinese relations are developing in a multi-dimensional fashion and energy is the most important item in the relationship, Turkish Ambassador to Beijing Murat Salim Esenli has said.

China has great experience in nuclear energy, Ambassador Esenli told. “China is about to become a potential partner with Turkey in nuclear energy,” he said. Touching on a planned storage facility for natural gas beneath Turkey’s Lake Tuz, Ambassador Esenli said Turkey and China had entered a strategic phase for creating a reserve.

Turkey and China have signed an agreement for Lake Tuz storage facility, and the project is worth \$536 million, Esenli underlined. Another important energy project with China is related to the thermal power plant to be erected in the southern province of Adana, he added. The plant will have a capacity of 600 megawatts and is worth \$1.2 billion, Esenli said.

Terror risk for Turkish energy goals

Hürriyet Daily News, 20.06.2012



The Caspian region is of growing importance for global oil supplies, with Turkey aiming to become an international energy hub, according to a study by the RAND Corporation think tank.

However, to achieve that ambition, Turkey needs to improve protection of its pipelines and energy infrastructure, which have been the target of repeated attacks by the outlawed Kurdistan Workers’ Party (PKK), said Andrew Weiss, who authored a volume of the study. The report, which was conducted for the U.S. Air Force, discussed the energy needs of American ships and jets.

Renewable fuels for U.S. military ships and jets are likely to remain ‘far more expensive’ than petroleum products absent a technological breakthrough, the study said. While the U.S. Department of Defense is a huge consumer of fuel at about 340,000 barrels per day, that figure is a tiny fraction of the 87 million barrels per day of global demand, too small to influence price significantly, it said.

Statoil: Natural gas to be fuel of the future

Rigzone, 21.06.2012



Natural gas will be a 'fuel of the future', according to the latest edition of Statoil's Energy Perspectives report the firm's annual outlook for global economic and energy markets.

Energy Perspectives 2012 estimates that global energy demand is set to increase by more than 40 percent between now and 2040. And it suggests that energy demand for fossil fuels will account for the majority of the increase, although nuclear and renewable energy is expected to grow at a faster rate.

"Our assessment suggests that global growth will continue at an average of 2.8 percent per year over the coming three decades. This is close to the average of the previous 30 years, even though we expect a gradual slowdown in growth towards 2040," said Statoil chief economist Klaus Mohn in a statement.

While global oil demand is expected to reach a plateau by 2030, a key prediction of the report is that natural gas will take over and become a "fuel of the future". "Global gas demand is projected to increase by 60 percent by 2040. Positive drivers include significant new available supply at moderate costs and environmental policies," said Statoil's chief analyst Eirik Wærness.

Statoil expects that natural gas will serve as an important and cost-efficient means to meet the challenge of global warming due to it being the cleanest fossil fuel. This positive view of natural gas growth echoes BP's findings in its own Statistical Review of World Energy, 2012.

Commenting on BP's Statistical Review last week, BP chief economist Christof Rühl said: "Natural gas has produced some of the biggest changes in global energy markets over the last few years. There is, first, the rapid increase in trade, especially of LNG, that has connected hitherto segmented regions in an increasingly flexible manner. And second, the development of unconventional resources in the US, which has everyone wondering where gas may next turn into a relatively abundant resource." However Statoil's report estimates that, in aggregate, the fossil fuel share of the global energy mix to drop from 81 percent in 2010 to 73 percent by 2040.

ExxonMobil ends shale gas exploration in Poland

Yahoo! Finance (AP), 18.06.2012



ExxonMobil said it is ending its exploration for shale gas in Poland after finding insufficient amounts of gas in two exploratory wells in the country's east. The move is the latest blow for Polish hopes to find massive shale gas reserves that would help ease the country's dependence on Russian energy sources.

An ExxonMobil statement made available Monday to The Associated Press said it was ending its search because "there have been no demonstrated sustained commercial hydrocarbon flow rates." The company said nothing about the future of the six licenses it has in Poland.

Economy Minister Waldemar Pawlak said he received the decision "with understanding, because ExxonMobil has big interests being pursued in Russia." He said the U.S. company should either give up its licenses, or sell them to another firm. ExxonMobil acquired six licenses in central and eastern Poland in 2009 and 2010, on the spur of great success companies had in shale gas exploration in the U.S., in comparable geological conditions.

Pawlak noted that other major companies continue their exploration for unconventional gas, including another U.S. firm, Chevron, and Poland's gas and oil giant, PGNiG. Some two dozen global energy companies are searching for shale gas across Poland. The country's energy hopes were also hit this year when a geological study estimated recoverable reserves at no more than some 768 billion cubic meters, much less than originally hoped.

Announcements & Reports

► *Energy Perspectives - Long Term Macro and Market Outlook (Jun 2012)*

Source : Statoil

Weblink : <http://www.statoil.com/en/NewsAndMedia/News/2012/Downloads/Energy%20Perspectives%202012.pdf>

► *OPEC Oil Market Report (Jun 2012)*

Source : Organization of the Petroleum Exporting Countries

Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_June_2012.pdf



Upcoming Events

► *Training: Introduction to Upstream Offshore Oil & Gas*

Date : 26 – 27 June 2012
Place : Dexter House – London
Website : <http://www.ibcenergy.com/FKA2279UPWL>

► *10th Russian Petroleum & Gas Congress*

Date : 26 – 28 June 2012
Place : Moscow – Russia
Website : <http://www.russianpetroleumcongress.com>

► *Latin America Oil & Gas Conference*

Date : 27 – 29 June 2012
Place : Miami – USA
Website : <http://www.cwclatamoilandgas.com>

► *World Heavy Oil Congress*

Date : 10 – 13 September 2012
Place : Aberdeen - Scotland
Website : <http://www.worldheavyoilcongress.com/>

► *Iraq Future Energy – 2012 (in Turkey)*

Date : 24 – 26 September 2012
Place : Istanbul – Turkey
Website : <http://www.theenergyexchange.co.uk/iraq-2012-future-energy/s13/a255/>

► *International Pipeline Exposition*

Date : 25 – 27 September 2012
Place : Alberta - Canada
Website : <http://internationalpipelineexposition.com/>

► *KIOGE 2012 - Kazakhstan International Oil, Gas & Energy Exhibition & Conference*

Date : 2 – 5 October 2012
Place : Almaty – Kazakhstan
Website : <http://www.kioge.com>



► *Gastech 2012*

Date : 8 – 11 October 2012
Place : London – UK
Website : <http://www.gastech.co.uk/>

► *Offshore Drilling Conference 2012*

Date : 30 – 31 October 2012
Place : Stavanger – Norway
Website : <http://www.informaglobalevents.com/FKA2293UPWL?>

► *International Sustainable Energy Congress*

Date : 31 October – 1 November 2012
Place : Alberta - Canada
Website : <http://sustainableenergycongress.com/>

► *European Autumn Gas Conference*

Date : 13 – 15 November 2012
Place : Paris - France
Website : <http://www.theeagc.com/>