Oil & Gas Bulletin

► *14.09.2012*

Turkey pays TL 2.9 bln for unused gas over 3 years

Today's Zaman, *11.09.2012*

The failure to import natural gas fixed by the 'take-or-pay' condition amid falling demand has cost Turkey TL 2.9 billion over the past three years, data from the Ministry of Energy and Natural Resources sources show.

A take-or-pay condition that requires the state-owned Turkish Pipeline Corporation (BOTAS) to import predetermined amounts of natural gas from its three major providers, Azerbaijan, Iran and Russia, puts the country in a difficult situation. Ankara has to pay suppliers a specified amount of money irrespective of whether it needs that amount of natural gas.

Turkey has to buy 10 billion cubic meters per year from Iran according to a gas deal signed in August 1996 and valid for 25 years. A similar situation exists for the supply of natural gas from Russia. Turkey has to buy at least 75 percent of the gas as defined in the contract annually.

Turkey needs to buy the amount of gas it has failed to receive from Russia until 2015, and the deadline for Azeri gas is 2014. Iran offers Turkey the right to receive the unused gas for a year in the following five years. Observers point to a critical problem: diminishing demand and lack of storage capacity. To make things worse, natural gas pipelines lack enough technical infrastructure to enable Ankara to receive the unused gas, particularly in winter.

To mitigate the loss in natural gas imports, BOTAS has refrained from making huge hikes in order to boost natural gas consumption at home. With the negative impact of the ongoing global economic crisis, however, natural gas consumption in Turkey has contracted significantly as is the case in the EU. Of the TL 2.9 billion paid for unused gas, the largest share went to Russia at TL 1.4 billion, while Tehran received TL 1.3 billion and Baku TL 186 million. BOTAS has similar take or pay deals with Algeria and Nigeria, which ship liquefied natural gas (LNG) to Turkish ports.

Natural gas remains a critical lifeline for Turkish industrial sectors as it accounts for 47 percent of Turkey's electricity generation, according to data from the Ministry of Energy and Natural Resources, a larger share than other major resources. The average share of natural gas in global electricity production stands at 18.3 percent.

Turkey to start oil exploration alone in Eastern Mediterranean

Today’s Zaman (Reuters), *14.09.2012*

Turkey will start drilling for oil alone next year the Eastern Mediterranean near Cyprus and Syria after regional tensions put potential partners off applying for joint exploration licenses, Turkish officials have said.

International oil companies had shown interest in partnering with the state-run Turkish Petroleum Company (TPAO) to explore the İskenderun-Mersin region, tucked in a corner of the eastern Mediterranean near the island of Cyprus and the Syrian shore. But with the 18-month-old Syrian crisis and Turkey's decades-old dispute over Cyprus showing little sign of abating, none of the 11 firms which showed initial interest ended up applying for a license, Turkish energy officials said.

“Companies are concerned about stability in the region. Because of this they did not enter into the process that TPAO started. However, when the region calms down, the same interest will be shown again,” one of the officials told Reuters. “TPAO will start exploration in 2013. TPAO plans two separate drills in the (Iskenderun) Gulf,” he said, speaking on condition of anonymity.

Turkey is locked in a row with Greek Cyprus over who has the right to tap hydrocarbon deposits in the eastern Mediterranean. Surveys suggest more than 100 trillion cubic feet (tcf) of reserves could lie untapped throughout the region, a potential that has sparked investor interest but also revived decades-old boundary disputes. Turkey, which shares long land borders with Syria, Iraq and Iran, has also been thrust to the forefront of renewed Middle East tensions and has seen conflicts in neighboring countries spill into its own territory.

Over the past three years, there have been significant discoveries made in the Eastern Mediterranean basin. Greek Cyprus reported a natural gas discovery in December and neighboring Israel has reported two major finds offshore in the sea separating both countries. But Turkey has challenged Greek Cypriot attempts to discover offshore reserves, while Lebanon is in dispute with Israel over the Jewish state’s discoveries. Adding to tensions, Turkey, the only country to recognize Turkish Cyprus, started onshore oil and gas explorations on the breakaway state in April.

Turkish officials said in March 11 firms had showed interest in exploring in the Iskenderun-Mersin region: Chevron, Total, Petrobras, Statoil, ConocoPhillips, OMV, RWE, Perenco, Genel Energy, BG and Kuwait Foreign Petroleum Exploration Co., or Kufpec. Last November, TPAO signed an accord with Shell for hydrocarbon exploration and production further west in the Mediterranean off the coast of Antalya and shale gas exploration near the southeastern city of Diyarbakır.

Ankara’s gas grid put on block sale for privatization

Hürriyet Daily News (AA), *14.09.2012*

Turkey’s Privatization Administration (OIB) placed an ad on its website for the block sale of the 100 percent public stake in BaskentGaz, Ankara’s natural gas grid, which has seen multiple privatization failures.

The bidding deadline is Dec. 17, the ad said, adding that the bid security for the tender is $50 million. The document regarding the conditions of contract can be purchased from the OIB for 20,000 Turkish Liras. Joint ventures, natural persons and legal persons are allowed to bid. The bids will be submitted via sealed envelopes and the tender will be realized through negotiations and bargaining.

An auction may be held if the tender commission deems it necessary. The central government owns 80 percent of the company, while the rest is owned by the Ankara Municipality. Separate tenders were opened for each of the share blocks, all of which have failed to be finalized. An omnibus bill that went into effect in July paved the way to put both the share blocks to tender to privatize Ankara’s gas grid.

The first tender was opened in March 2008 by the Ankara Municipality. The highest bid, $1.6 billion, was given by Global Yatirim Energaz, followed by Elektromed. Both companies failed to meet the sale obligations, resulting in the cancelation of the tender. Then the OIB decided to sell 80 percent of the grid. MMEKA, a joint venture of businessmen Mehmet Emin Karamehmet and Mehmet Kazanci, lodged the highest bid with $1.2 billion for 80 percent of the grid in a tender in 2010. But the sale failed again, this time due to disputes that arose between the partners of MMEKA.

BaskentGaz, which is the second-largest gas company in Turkey, recorded 46.6 million liras of profit and sold 2.3 billion cubic meters of gas last year. The gas distribution license of the company is valid until 2037. It has more than 1.3 million subscribers.

Energy ties top agenda of Turkish PM's Azerbaijan visit

News Az, *12.09.2012*

Bilateral economic relations between Ankara and Baku particularly the natural gas trade are likely to top the agenda of Prime Minister Recep Tayyip Erdogan's talks with Azerbaijani officials during his two-day visit to the Turkic country.

Gabala will be the first stop on Erdogan's visit, as the city will be hosting a meeting of the High-Level Strategic Cooperation Council, which will be co-chaired by Erdogan and Azeri President Ilham Aliyev. Erdogan will also visit the city of Shaki.

Decisions made during last year's meeting of the High-Level Strategic Cooperation Council held in the Aegean city of Izmir and the progress made so far by the working groups established during that meeting will be reviewed in Gabala, Anatolia news agency reported yesterday, citing anonymous sources. Measures aimed at increasing the trade volume between the two countries will also be discussed.

A deal signed between the two capitals in June to build the $7 bn Trans-Anatolian natural gas pipeline (TANAP), which will carry Caspian gas to Turkey's west, is also among the most important agenda items during Erdogan's visit, Anatolia also said. The visit comes only one week after top ranking representatives from Turkey, Turkmenistan, Azerbaijan and the European Union met in Ashgabat to discuss adding Turkmenistan, reportedly the holder of world's fourth largest natural gas reserves, to the TANAP project in a bid to meet the rising demand in both Turkey and Europe.

The plan foresees the construction of a Trans-Caspian pipeline, which is not particularly favored by other nations with coasts on the Caspian Sea. Turkey and Europe attach great importance to the TANAP project, as part of their efforts to diversify their gas imports mainly from Russia. The EU and Moscow are currently at odds over a new EU probe into Russia's Gazprom.

SOCAR to open petrol stations in Turkey

News Az, *11.09.2012*

SOCAR is negotiating the acquisition of BP's retail network in Turkey. After careful study of retail fuel market in Turkey, The State Oil Company of Azerbaijan (SOCAR) plans to create a network of petrol stations across the country.

According to Turkish media, SOCAR is negotiating the acquisition of BP's retail network in Turkey. However, it is possible that SOCAR will develop a network of filling stations in Turkey independently. SOCAR considers Turkey as a platform to enter other markets. SOCAR may soon enter the retail fuel market of the Balkan countries, and the Mediterranean.

It was reported earlier that SOCAR is planning to conclude a deal with BP to buy 599 petrol stations in Turkey. In case the deal comes true, SOCAR will get a share of 9.8% in the Turkish retail market, which will make it the fourth-largest owner of gas stations in the country.

Northern Iraq oil trade with Turkey rising, more to come

Reuters, *09.09.2012*

The Kurdish Regional Government (KRG) is taking its first steps towards gaining independence from Baghdad in the sale of its oil and gas with a convoy of trucks taking the condensate liquid fuel bi-products of a remote gas field directly into Turkey.

At least 15 trucks a day are loading up with high quality condensate at Khor Mor's gas plant and then trundling down a bumpy road to start the two-day journey to Mersin on the Turkish Mediterranean. In return, Turkey is trucking back small quantities of diesel fuel and kerosene to use in the autonomous region's power plants.

"It's a very simple but symbolic start to direct oil trade between the KRG and Turkey - and there will be more to come," said an official familiar with the barter-type operation between private companies. "Neither side is thinking about stopping."

But Baghdad wants them to. It believes Iraq's central government has the sole right to export oil and gas produced throughout Iraq and says deliveries by truck from Northern Iraq across the border into Turkey are illegal.

Ankara is meanwhile encouraging the swap, which kicked off with five tankers in July. And Turkish Energy Minister Taner Yildiz says the volume could gradually build up to 200 trucks a day - roughly 40,000 barrels per day (bpd). Industry sources say the KRG is now supplying only Khor Mor condensate, but crude oil from other fields will also be exported. "Turkey believes that Kurdistan's export of oil and gas does not run contrary to Iraq's constitution," said the official, who asked not to be named. "And Turkey is a logical exit route for the Regional Government," he added.

KRG's oil can be shipped to world markets through a Baghdad-controlled pipeline from Kirkuk to the Turkish port of Ceyhan. But this has been a stop-start process over the years due to a long-running feud between Baghdad and Arbil, KRG's seat of government, over oil and land rights.

The KRG halted exports in April in a dispute over payments from Baghdad to companies working in the region. It restarted them in August, but warned it would cut shipments by mid-September if there was no progress on payments. For now about 120,000 barrels a day of the KRG oil is being exported through the Iraq-Turkey pipeline and the KRG's energy minister Ashti Hawrami says the region's oilfields could ship up to 200,000 bpd. The central government exports roughly 2.4 million bpd, with much of that coming from Iraq's southern oilfields. At around 3,000 bpd, the condensate flow from Khor Mor field to Turkey is a mere trickle. But if it's sold on the world market from Mersin, this very valuable product could fetch over $100 a barrel, say oil market sources.

Khor Mor - developed by the UAE's Crescent Petroleum and Dana Gas, alongside Austria's OMV and MOL of Hungary - supplies gas for power stations in the Kurdistan region, produces liquefied petroleum gas (LPG) and pumps out up to 17,000 bpd of condensates. Arbil is also routing some of the condensate volume to Khurmala, where it is exported through the central government's Iraq-Turkey pipeline system, industry sources say. Technicians at Khor Mor declined to comment on the final destination of the condensate because KRG's Ministry of Natural Resources is in charge of the marketing effort.

The KRG began its crude-for-products trade with Turkey in order to help plug a product shortfall it says was created by Baghdad. It receives only 15,000 bpd of fuel from southern Iraq, far below its 140,000 bpd allocation, according to the regional government. But Turkey's delivery has been slower than hoped, with the first products crossing the border at the end of last month, say industry sources. The process got bogged down in bureaucracy. Ankara has increasingly courted Northern Iraq as its relations with the Shi'ite-led central government in Baghdad have soured. Turkey is a major investment and trading partner for Iraq, especially for the KRG.

With open support from Ankara, the KRG has plans to begin exporting its oil along a new 1 million bpd pipeline to the Turkish border by August 2013. Production from the region is expected to rise towards the 1 million mark by then. "The Regional Government needs the infrastructure - they can't have trucks bumper-to-bumper on the roads," says an oil industry source in Arbil.

Baghdad to pay foreign oil companies in KRG

Rigzone (Dow Jones), *14.09.2012*

The Iraqi central government has agreed to pay foreign companies working in Northern Iraq 1 trillion Iraqi dinars ($850 million) for costs incurred to produce and export crude oil from the region as part of an agreement clinched with the Kurdish Regional Government, or KRG, in northern Iraq Thursday, the KRG's ministry of natural resources said in a statement Friday.

Under the agreement, the KRG will continue oil exports from the region at 140,000 barrels a day for the rest of September, to be increased to 200,000 barrels a day for October, November and December, the ministry said.

The Iraqi federal government in Baghdad and the country's autonomous region agreed Thursday to resolve issues relating to oil payments to foreign contracting companies producing crude oil in the region and that the Kurds will continue their oil exports, the country's deputy prime minister for economic affairs said. The agreement resolves only part of a broader impasse between Baghdad and Arbil about the control of oil resources and territory.

The KRG suspended crude oil exports of nearly 100,000 barrels a day in April, protesting that Baghdad was delaying payment of $1.5 billion it gathered in revenue from those exports. It restarted them, however, Aug. 7, in what it said was a "goodwill gesture," but said flows would halt if no payments were forthcoming by Aug. 31. It later extended its deadline to Sept. 15.

The KRG last year received payments totaling $514 million to cover producing firms' past costs, but stopped supplying oil for exports in April this year, citing a $1.5 billion backlog owed by Baghdad. The central government said earlier this year that it was preparing to pay another $560 million this year to foreign oil companies in the region, but it was waiting for the KRG to send documents to support the costs.

US and Turkey join hands for Iraq energy dispute

Hürriyet Daily News, *08.09.2012*

Ankara and Washington join hands for addressing ways to approach Iraq's simmering internal row over energy issues, urging dialogue with rival governments. Turkish and U.S. officials have shared concerns over an ongoing dispute between Baghdad and the Regional Government over the latter's oil deals with foreign companies, agreeing that the dispute should be resolved through "dialogue and in line with the Iraqi Constitution."

Tensions have also been running high between the governments in Ankara and Baghdad over Turkey's decision to buy crude oil from the Regional Government, a move that the Iraqi central government claims is 'illegal.'

"Turkish and U.S. officials have maintained that the dispute should be resolved through dialogue between the central government and the regional government. The Turkish and U.S. sides are also singing the same tune that this resolution should also be in line with the related articles of the Iraqi Constitution," the same sources, speaking on condition of anonymity, told.

The issue was discussed during meetings of U.S. Ambassador Carlos Pascual, the State Department's special envoy and coordinator for international energy affairs, with senior Turkish officials which took place on Sept. 6-7. At the Foreign Ministry, the U.S. delegation was received by the undersecretary, Ambassador Feridun Sinirlioglu. "Heeding Turkey's geo-strategic position in regards to energy issue, Pascual held consultations in Ankara," the Turkish diplomat briefly said.

The internal dispute between Baghdad and Arbil was among the highlights of Pascual's talks with Energy Minister Taner Yildiz which took place in Istanbul on Sept. 6, as well as his talks with Foreign Ministry officials which took place in Ankara. Baghdad and Arbil are at odds over the Regional Government's refusal to seek approval from Baghdad for oil contracts it has awarded to foreign firms. Turkey's recent move in directly purchasing crude oil from northern Iraq was declared illegal by Baghdad which has already threatened Western oil companies with a ban from the country's rich southern oil fields in the event they continue direct trade with the Regional Government. ExxonMobil has been eliminated from a tender for new oil fields in the south.

Turkish officials use careful wording while addressing the dispute in Iraq, describing it as a domestic problem of its neighbor. However, it cannot avoid taking risks to meet its growing energy needs. The official growth target, more than 4 percent for 2012, is widening the gap even further. According to a written statement released by the U.S. Embassy in Ankara, efforts to promote Southern Corridor gas exports from the Caspian Sea to Europe were also on the agenda of the U.S. delegation's visit.

Kurdish venture boasts massive flows from Atrush-2

Upstream Online, *14.09.2012*

The joint venture company operating the Atrush-2 well in the Kurdish region of Iraq has reported a combined flow rate of 42,212 barrels of oil per day during drillstem testing.

General Exploration Partners (GEP), which is 66.5%-owned by US-based independent Aspect Holdings and 33.5%-owned by Canada's ShaMaran, carried out extensive testing on the exploration and appraisal well, which was spudded in May and drilled to a total depth of 1750 metres. Three drillstem tests were conducted on the new Barsarin-Sargelu-Alan-Mus reservoir, which hit oil 97 metres deeper than that encountered by the nearby Atrush-1 discovery well.

The tests yielded a combined rate of 42,212 Bpd of oil using an electrical submersible pump and none had recorded measurable amounts of formation water, co-venturer ShaMaran stated. Separate drillstem tests were also carried out in the Butmah and Adaiyah formations, which were also found to be oil-bearing.

ShaMaran said the highly fractured upper part of Butmah had flowed up to 1450 barrels of fluid per day (under nitrogen lift), while a reservoir within the Jurassic Adaiyah anhydrite had flowed up to 650 Bpd of 11-degree API dry oil. ShaMaran chief executive Pradeep Kabra said in a statement that he looked forward to appraising and developing the discovery.

"The results from the Atrush-2 well demonstrated the excellent production capability of the BSAM reservoir and the discovery of additional resource potential of the Butmah and Adaiyah," he said. GEP has presented a Notice of Discovery to the Ministry of Natural Resources of the Kurdish Regional Government for the Adaiyah and Butmah reservoirs, ShaMaran stated.

Meanwhile in the eastern portion of the Atrush Block, the joint venture has completed a second phase of 3D seismic acquisition and expects to soon be awarded a tender for the lease of an extended well test facility. The Atrush-1 well is planned to be recompleted and connected to the facility with first oil expected early next year. GEP operates the Atrush Block with an 80% interest while a subsidiary of Marathon Oil holds the remaining 20% stake in the block.

Iraq freezes licenses of Turkish businesses

Hürriyet Daily News, *13.09.2012*

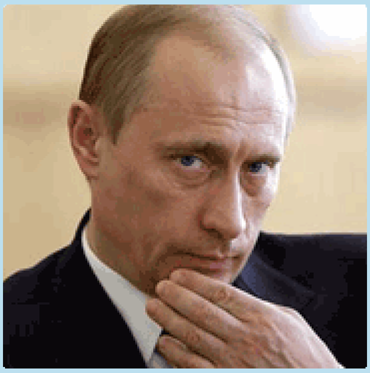
The operating licenses of Turkish companies active in Iraq have been halted, Iraq's Ministry of Trade said. The licenses have been put aside until further notice while "inspections are conducted and arrangements made," the ministry said in a written statement.

It was not immediately clear whether the decision would affect Turkish companies doing business in the north of Iraq, controlled by the Regional Government. Turkish companies are particularly active in Northern Iraq, which has become a significant trade partner with Turkey.

The decision came as Iraq's fugitive Vice President Tariq al-Hashemi, who is currently residing in Turkey, defied the verdict of an Iraqi court that sentenced him to death in absentia, on charges that he had run death squads in Iraq. The Turkish government has refused to extradite al-Hashemi, increasing the political tension between the two countries.

Putin signs decree hindering EU's Gazprom probe

Hürriyet Daily News (AP), *11.09.2012*



Russian President Vladimir Putin has signed a decree that could hinder an EU probe into gas company Gazprom's activities in Europe.

The European Commission last week launched a probe to find out whether Gazprom blocked competition in gas markets in Central and Eastern Europe. State-owned Gazprom has been under pressure for its pricing for some time. Seven days after the EU started the investigation, Putin signed a decree on Tuesday, barring strategic Russian enterprises from disclosing information to foreign regulators, changing contracts and selling property abroad without government permission.

The law also specifies that these companies will need permission to change the pricing of their foreign contracts. Under the law, Gazprom will not be able to cooperate fully and timely with regulators and investigators abroad. Gazprom could not immediately comment.

Is Turkey's shale taking off?

Natural Gas Europe, *10.09.2012*

Shale in Turkey has become something of a talking point in recent months, and ExxonMobil's reported interest back in March sparked a flurry of industry talk about whether or not Turkey could be a new shale giant.

Of course in the shale industry every burst of enthusiasm is met with an equal wave of cynicism. There has been speculation that Turkey's shale prospects were over-inflated or that the country would never have adequate technical skills in place to take full advantage of its resources. But over the past few weeks and months it has become clear that Turkish shale is not just a flash in the pan.

Although Exxon's interest made the most headlines, the real story is the smaller firms. They are making serious progress on tapping Turkey's lucrative shale basins, and stand poised to enter the big league if and when Turkish shale takes off. For instance on 16 August Anatolia Energy spudded its first exploratory well at the Dadas Shale, the most promising formation in south-eastern Turkey. The drilling was carried out by Anatolia's equal partner in their joint venture, Çalık Enerji, on their Antep License, a 422-thousand acre field around Gaziantep near the Syrian border. Antep is estimated to contain about 159 million barrels of unrisked reserves, mostly shale oil. Anatolia also holds licenses at Besni, Sinan, and Bismil, all in southeastern Turkey, bringing its total unconventional asset base to 206.1 million barrels of oil equivalent (conventional reserves are estimated at 233.2 million barrels).

Anatolia is not the only company looking to strike it big in Turkish unconventional plays. TransAtlantic Petroleum, one of the pioneering juniors in Turkey, has been focused on the Dadas Shale for some time alongside the Thrace Basin in the northwest, as VP Chad Potter told Natural Gas Europe back in July. Valeura Energy, another Canadian firm, is also dividing its operations between Thrace and the southeast. In the big leagues, Shell is also exploring around Diyarbakır in the southeast.

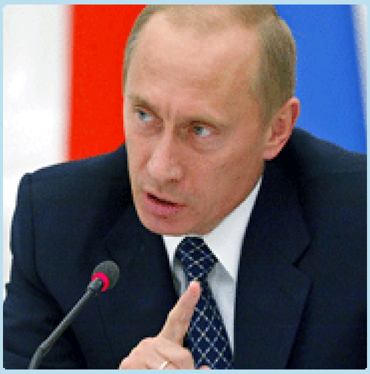
The Dadas Shale is beginning to be seen as one of the most promising shale deposits in the wider region, and some – including Anatolia Energy – describe it as a 'super source rock' for most of the oil deposits across the wider Middle East. Turkey's TPAO suggests it could contain 110 billion barrels of original oil in place, much of which is oil shale. The Thrace Basin is also believed to contain substantial resources, as is the Sivas Basin in central Anatolia.

With such promising deposits, and with no history of large-scale onshore exploration, it's no wonder that minnows and majors alike are clamoring to start exploring Turkey's unconventional plays. The country's open regulatory environment and welcoming government are added attractions. So initial skepticism over the size of Turkish shale is giving way to more practical concerns: over drilling infrastructure and, perhaps, over security.

Drilling rigs, particularly the specialized rigs needed for extracting shale oil and gas, are in fairly short supply in Turkey. Some companies, such as TransAtlantic, have got around the issue by buying up service providers and taking over their rigs. TransAtlantic has also brought in specialized fracking equipment and engineers from the US, where the company earned its spurs. At the moment the number of companies is still small enough to provide a bit of flexibility on rig availability, says an industry source, but a rush of new entrants would limit available capacity in the short term.

Nord Stream second leg to be launched on Oct. 8

Ria Novosti, *11.09.2012*



The second leg of the Nord Stream pipeline that is meant to deliver Russian natural gas to Europe while bypassing the existing transit countries will be launched on October 8, President Vladimir Putin said.

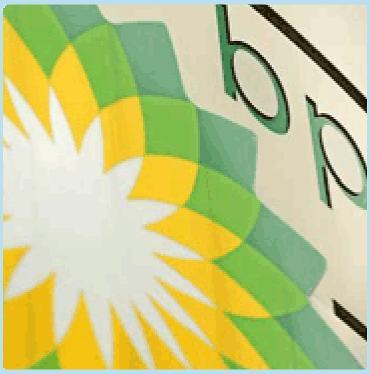
Russian gas giant Gazprom announced the completion of the welding of the last joint on the pipeline's second leg on August 29. The first leg of the pipeline, which connects Russia and Germany, was launched in November 2011 and runs along the Baltic Sea bed. It has an annual capacity of 27.5 billion cubic meters of gas.

Putin, who will celebrate his 60th birthday the day before the launch, also said he expects Gazprom and the European Commission to resolve their conflict as soon as possible. Last week the European Commission launched a probe into three suspected violations of anti-monopoly regulations by Russia's gas giant in Central and Eastern Europe, which could affect Gazprom's $60 billion gas export business in Europe.

"I would like the European Commission to clarify all the issues that remain unclear as soon as possible, so that we could continue working together," the president said. Gazprom could face a fine of up to ten percent of its annual revenue - about ten billion euro - if the suspected violations are proved. Gazprom's Spokesman Sergei Kuprianov said earlier that the probe was an effort by the EC to pressure Russia into lowering gas prices.

BP in $7 billion asset sale talks with Plains Exploration

Today's Zaman, *10.09.2012*



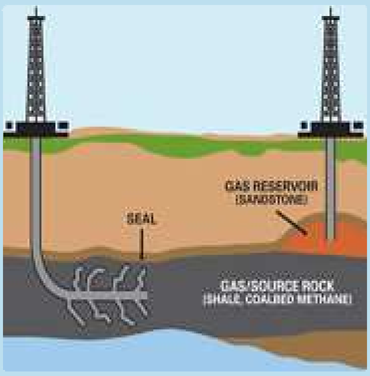
BP is in talks to sell some of its Gulf of Mexico oil fields to Plains Exploration & Production Co for roughly $7 billion, a person familiar with the matter said, as the U.K. oil firm looks to raise money to pay for damages from the 2010 oil spill.

The amount BP will have to pay in damages for the Deepwater Horizon oil spill America's worst ever is still in dispute. But last month the US Justice Department accused the company of gross negligence and willful misconduct over the spill, a position that could lead to nearly $21 billion in civil damages if a federal judge agrees.

BP said in May that it was looking to sell a number of mature fields in the Gulf of Mexico, including its positions in the Marlin, Horn Mountain, Holstein, Ram Powell, and Diana Hoover fields. A deal would be transformational for Houston-based independent oil explorer and producer, Plains, which had a market capitalization of $5.2 billion. The company already has assets in the Gulf, as well as in California, Texas, Louisiana, and the Gulf of Mexico. Like many other independent US oil and gas companies, Plains has been working to build up its oil assets, as the price for US natural gas has been in a prolonged slump.

French gov't open to explore shale gas extraction

Rigzone (Dow Jones), *12.09.2012*



The French government is open to explore shale gas extraction, French daily le Figaro reports Wednesday. The government could announce at its energy conference the creation of an ad-hoc commission to consider an experiment in shale gas extraction. No one at the environment and energy ministry was immediately available to comment.

Shale gas is extracted through hydraulic fracturing, or fracking, a method involving the injection of water, chemicals and sand into the rocks at a high pressure to release the gas. The method has been banned in France since last year after an intense public campaign by environmentalists.

Ukraine invites EU, Russia to co-manage its pipelines

EurActiv, *11.09.2012*

British Ukrainian Prime Minister Mykola Azarov has called for establishing an international consortium consisting of Ukraine, Russia and the European Union to modernize and manage the Ukrainian natural gas transport system.

Azarov said in comments published in a German daily last weekend that the Ukrainian government had proposed transferring control of the gas transport system to a trilateral consortium. He writes that such an arrangement would "ensure its transparent and fair administration and be engaged in its modernization, which will cost €4.5 billion."

The amount looks huge for Ukraine, which finds it difficult to secure international financing. An IMF mission that worked in Kyiv in March 2011 could not recommend to the IMF executive board that it approve a new tranche for Ukraine. The IMF had expected Ukraine to approve pension reform and phase out its policy of subsidizing gas for households. Azarov added that gas disputes between Ukraine and Russia in recent years show that the two countries need to establish a gas transportation consortium. A pricing dispute between Moscow and Kyiv in the winter of 2008-2009 left large parts of Europe in the cold and scrambling to find supplies.

Asked to comment on the proposed consortium, Marlene Holzner, spokesperson to Energy Commissioner Günther Oettinger, said that the idea "has been around for some years", but no specific proposals had been presented. "The EU has consistently emphasized that it is up to Ukraine to decide how to manage its gas transmission system and should Ukraine and other parties be willing to move in the direction of a consortium, including the EU gas industry, the European Commission is ready to play a facilitating role, provided that the application of EU and international law, including as enshrined in the Energy Community Treaty, is guaranteed," she said. Holzner added that the EU executive continues to offer a trilateral dialogue on energy, notably on the transmission system, with Ukraine and Russia

Azarov's proposal appeared to convey the message that instead of building such a costly project such as South Stream, the main aim of which is to bring Russian gas to Western Europe by skirting Ukraine, Moscow should cooperate with Kyiv. A consortium backing the Gazprom-led South Stream pipeline is reportedly expecting to make a final investment decision within months. But the European Commission says this may be premature, as no one has seen feasibility studies or environmental impact assessments on South Stream. "The recent extreme cold has demonstrated that neither Nord Stream nor South Stream has or can have reliable gas storage facilities, the reserves of which could be used in periods of low temperatures. Ukraine has such storage facilities," he said in the Frankfurter Allgemeine Zeitung, widely quoted by Ukrainian news organizations.

Azarov said, after modernization, the capacity of Ukraine's gas transport system would grow by about 30%. Ukraine, which depends heavily on gas imports from Russia, has long wanted to revise a 2009 deal with Moscow which it argues set an exorbitant price for the fuel. Under the controversial 2009 deal under the former Prime Minister Yulia Tymoshenko, Kyiv is paying $425 (€340) per thousand cubic meters. Ukraine sees a fairer price at $250 (€200).

In order to get a discount, Moscow has made it clear that Ukraine must either let Russian energy giant Gazprom take over its pipelines - which carry Russian gas to Europe - or join a Russia-led Customs Union, a post-Soviet trade bloc. Kyiv sees its pipelines as a strategic asset and has long sought a free trade deal with the European Union. It has so far refused both trade-offs. However, the high price of gas is a heavy burden on the state budget and the economy, and is one of the main headaches for President Viktor Yanukovich's government as it prepares for a parliamentary election on 28 October.

Petrobras brings Chinook on stream

Upstream Online, *14.09.2012*

Brazilian oil giant Petrobras said it has started production at the ultra-deep water Chinook oil and gas field in the Gulf of Mexico. The Chinook-4 production well was drilled and completed in lower tertiary reservoirs at a depth of about 8000 meters.

The well has been connected to the floating production, storage and off take vessel BW Pioneer, which lies in 2500 meters of water about 250 kilometers off the coast of Louisiana. The FPSO has the capacity to produce 80,000 barrels of oil and 500,000 cubic meters of gas per day, as well as store 500,000 barrels of oil.

Oil is transported to land on shuttle tankers and gas through pipelines. BW Pioneer has been producing since February, when it achieved first oil from Petrobras' wholly-owned Cascade field in the Gulf of Mexico. The Chinook field is 66.67% owned by Petrobras in partnership with Total Exploration Production USA, which holds the remaining 33.33% stake.

Russia to Moldova: Choose cheap gas or EU integration

EurActiv, *13.09.2012*

Russia told Moldova to choose between low-priced gas from Russia and its pledge to adopt European energy liberalization measures opposed by Moscow.

"First of all, we propose that Moldova denounce the protocol on entering the Europe energy community agreement. This is a precondition for us to discuss the issue of gas price cuts and the relief of debt, which at the moment amounts to $4.1 billion," Russian Energy Minister Alexander Novak said. Moldova joined the EU-sponsored Energy Community, in 2009, together with Ukraine.

The Energy Community, established in 2005, is designed to integrate the energy market of southeastern Europe with the European Union. Novak spoke before Russian President Vladimir Putin met Moldavian Prime Minister Vlad Filat in the Russian resort of Sochi. Novak made no reference to the 20 billion cubic meters (bcm) of gas transiting each year through Moldova to Europe, which imports about 150 bcm from Russia annually. But an ultimatum issued to a transit country is likely to raise alarm in Europe.

Supplies to Europe via Moldova were briefly interrupted in January 2006 in a pricing dispute - a minor disruption compared with the loss of European gas supplies that resulted from later pricing conflicts with neighboring Ukraine, which handles a much larger volume. Last year, Moldova - a former Soviet republic of 3.5 million people - paid $1 billion for 3.1 bcm of Russian gas, far less than European customers. Novak said that the country is asking for a 30% discount in current talks. Moldova has in the past accumulated obligations on gas supplied to the ethnic Russian enclave of Transdniestr, which receives heavy support from Moscow. Putin suggested Russia could help the struggling economy, heavily dependent on agricultural exports, with investment cash from companies such as gas export monopoly Gazprom and a bigger market for Moldova's wine.

Gazprom already owns half of Moldova's gas transit pipelines, which carry Russian gas to the Baltic states. Relations between Russia and the European Union took a downturn earlier this month when the European Commission launched a probe into Gazprom's pricing and supply practices in Europe. The EU has said Gazprom is suspected of abusing its dominant market position in key markets, imposing unfair prices on consumers in its oil-linked long term contracts and hindering the free flow of gas. The Kremlin has thrown its weight behind Gazprom, and issued a decree which could effectively block European regulators from obtaining necessary information from the company during the probe.

Argentina's YPF and Chevron sign shale exploration MOU

Rigzone (Dow Jones), *14.09.2012*

Argentina's top oil and gas producer, state-run YPF SA, and Chevron Corp. have signed a memorandum of understanding to explore for unconventional energy in the South American nation.

The news, unveiled by YPF in a statement Friday, comes as YPF Chief Executive Miguel Galuccio seeks funding and international partners to carry out an ambitious exploration and production plan over the next five years. But immediately after the statement's release, the Spanish oil company Repsol SA said it will try to prevent Chevron and YPF from working together.

Argentina's government expropriated YPF from Repsol earlier this year and it has not publicly offered to compensate the Spanish company for the loss of its unit. Repsol is seeking up to $10 billion in compensation. "Repsol will take legal action against this agreement. We do not plan to let third parties benefit from illegally confiscated assets. Our legal teams are already studying the agreement," Repsol Spokesman Kristian Rix said in an emailed statement. YPF declined to comment on Repsol's plans.

The memorandum between YPF and Chevron cites plans "to explore unconventional hydrocarbon development opportunities in Vaca Muerta...," YPF said in the statement. The statement did not include additional details of specific plans. Vaca Muerta, located in the province of Neuquen, is thought to be home to massive shale oil and shale gas resources.

Argentina ranks third in the world, behind China and the U.S., in potentially recoverable shale-gas reserves, with 774 trillion cubic feet, according to a study last year by the U.S. Energy Information Administration. Since Argentina's government expropriated YPF, Mr. Galuccio has been pushing hard to find the partners and money necessary to exploit those resources and boost overall production.

"With partners as important as Chevron...I'm sure that this is just the first step in a relationship that will be long and important," Mr. Galuccio said in the statement. Ali Moshiri, Chevron's president of Latin America and Africa, was similarly upbeat, according to the statement. "We are satisfied to be accompanying YPF in this new process and the whole [energy] sector will benefit from it," Mr. Moshiri said. Chevron Media Advisor James Craig said the two companies have been collaborating together since the early 1990s.

YPF needs to raise fresh cash to fund a multi-billion-dollar investment plan between 2013 and 2017 that aims to reverse years of falling output and reserves. In a recent presentation, Mr. Galuccio said YPF can invest $24.7 billion from its own pocket through 2017, with investment rising to $40.4 billion if the company is successful in inking joint ventures and obtaining outside financing.

Mr. Galuccio also recently met with executives from Russia's Gazprom to gauge support for joint ventures in Argentina. Mr. Galuccio has acknowledged that some investors won't be interested in partnering with the company because of the way YPF was expropriated from Repsol. But he has also voiced confidence that investor interest will rise once YPF is able to start showing concrete results from its exploration and production program.

Announcements & Reports

► *OPEC Monthly Oil Market Report (Sep 2012)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_September_2012.pdf

► *EIA Short Term Energy Outlook*

Source : US Energy Information Administration
Weblink : http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf

Upcoming Events

► *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/

Supported by PETFORM

► *CIS Oil and Gas Transportation* *(in Turkey)*

Date : 26 – 28 September 2012
Place : Istanbul – Turkey
Website : http://www.powerindustry-events.com/Turkey

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► KIOGE 2012

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?

Supported by PETFORM

► CIS Oil & Gas Transportation 2012 *(in Turkey)*

Date : 30 October – 1 November 2012
Place : Istanbul – Turkey
Website : http://www.theenergyexchange.co.uk/cistrans

CIS OIL AND GAS TRANSPORTATION
14th Annual Meeting

► 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/

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► Black Sea Energy and Economic Summit 2012 *(in Turkey)*

Date : 15 – 16 November 2012
Place : Istanbul – Turkey
Website : http://www.atlanticcouncilsummit.org/

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