Oil & Gas Bulletin

► 04.01.2013

TPAO gets hands on Polarcus vessel

Upstream Online, *02.01.2013*

Norwegian seismic contractor Polarcus has wrapped up the sale of one of its vessels to Turkish state-owned energy company TPAO under a collaboration deal worth a total of $213 million.

TPAO is set to take delivery of the acquired eight-streamer 3D seismic vessel Polarcus Samur around the turn of the month after the pair finalised the agreement for sale and reflagging of the unit. As well as disposing of the vessel, Polarcus will provide seismic data acquisition, data processing, and crewing and management services over a three-year period under the earlier announced pact.

The deal reflects increasing interest among Mediterranean countries in shooting seismic with a view to exploration in their offshore waters, spurred by major gas discoveries off Cyprus and Israel, as they seek to exploit untapped hydrocarbon resources to offset the economic impact of Europe's sovereign debt crisis. Petroleum Geo-Services recently kicked off a 2D survey off Greece ahead of a planned licensing round in 2014, and Turkey is now apparently also looking to jump on the bandwagon in the prospective eastern Mediterranean.

Erdogan: TANAP will make Turkey leader in energy security

Natural Gas Europe, *02.01.2013*

The Trans-Anatolian Pipeline will enhance Turkey's position as a leader of energy security in Europe, Turkish Prime Minister Recep Tayyip Erdogan has said.

Agencies reported Erdogan declaring that the TANAP agreement signed last year would be a big boost for Turkey's strategic importance. Turkish interests have a 20% shareholding in the project, with the majority share held by SOCAR, Azerbaijan's state oil and gas company. "By signing the document on implementation of TANAP, Azerbaijan and Turkey (turned into major players) in the world energy market," Erdogan said.

TAQA enters exclusive talks for major Turkish power development

TAQA, *03.01.2013*

The Republic of Turkey and the United Arab Emirates today signed an Intergovernmental Agreement for the development of power plants and associated mines in the Afsin – Elbistan region of Turkey.

The agreement marks the start of exclusive negotiations between Abu Dhabi National Energy Company PJSC (TAQA), Turkey's Electricity Generation Co. Inc. (EUAS) and the Turkish government for the project with a combined power generation capacity of up to 7,000 MW. TAQA and EUAS have been selected as the government-related entities responsible for implementing the project.

The two companies have signed a Memorandum of Understanding for the establishment of a project company in which TAQA and any future partners would retain the majority shareholding. In accordance with the Intergovernmental Agreement, the project company will acquire, modernize and expand the existing 1,400 MW Plant B and develop several new power plants and associated mines in sectors C, D, E and G of the Afsin - Elbistan region in southern Turkey. Preparatory work on Plant B and the feasibility study for the planned 1,440 MW Plant C and associated mine development will start immediately.

Mohamed bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates, said: "This agreement further strengthens the bond between Turkey and the UAE, adding an important commercial dimension to this strategic relationship." The Intergovernmental Agreement follows the signing of a joint declaration between the Emirate of Abu Dhabi and the Government of the Republic of Turkey on October 9, 2012 and meetings held between General Sheikh Mohamed bin Zayed Al Nahyan Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, Abdullah Gul, the President of the Republic of Turkey, and Recep Tayyip Erdogan, the Prime Minister of the Republic of Turkey in February 2012.

The Agreement was signed by Taner Yildiz, Minister of Energy and Natural Resources of Turkey and Mohamed bin Dhaen Al Hamli. The event was held in the presence of Abdulla Saif Al Nuaimi, Director General of Abu Dhabi Water and Electricity Authority (ADWEA) and Vice-Chairman of TAQA; and Khaled Al Mu'alla, Ambassador of the United Arab Emirates to the Republic of Turkey. Hamad Al-Hurr Al-Suwaidi said: "We are delighted to be part of this historic partnership which will achieve progress for both our nations. At TAQA, part of our strategy is to take our global expertise from Abu Dhabi to the world. As an emerging market with a positive outlook, Turkey is perfectly aligned with TAQA's growth strategy. The country is creating the right conditions to attract foreign direct investment to develop its indigenous energy resources."

Carl Sheldon, Chief Executive Officer of TAQA, said: “As a full-scale energy company, TAQA offers Turkey a durable partner to develop this strategic project enhancing Turkey’s energy security. This agreement paves the way for TAQA to enter an emerging merchant market for power, demonstrating TAQA’s increasing maturity as a developer and operator of assets through the energy value chain.”

The development of Turkey’s indigenous lignite resources is a priority because it enables the nation to reduce its dependence on imported natural gas. Lignite’s role in power generation is set to expand alongside rapid growth expected in electricity demand. Approximately 40 % of Turkey’s lignite is located in the Afsin – Elbistan basin. The negotiations will lead to the signing of a Host Government Agreement in the second quarter of 2013, establishing more detailed terms.

Sabanci Energy may consider acquisitions

Hürriyet Daily News, *04.01.2013*

Sabanci Holding will set its eye on acquisitions in the energy market if it fails to win the privatization tenders for AYEDAS and Toroslar EDAS.

“There are options for expanding the retail market network other than distribution networks,” Sabanci Energy Group president Selahattin Hakman told. “If we fail to win any regions we may mobilize our forces in that way … we may get new production and distribution acquisition opportunities.” Sabanci Group owns a 50 percent share in EnerjiSA, whose other 50 percent was sold to German E.ON by Australian Verbund last month.

“As EnerjiSA, our priorities together might be new and transferred contracts, LNG exports and natural gas imports,” Hakman said. He said they had missed taking part in previous competitions worth six billion cubic meters of natural gas, so natural gas imports were an important target for Sabanci Group, as well as LNG exports. Hakman also said state-run BOTAS’s its market share should be reduced to below 50 percent in order for the private sector, whose market share is only around 25 percent.

BP faces Shah Deniz ‘budget hike’

Upstream Online, *02.01.2013*

BP and its partners in the Shah Deniz project are reportedly facing a cost increase of as much as $5 billion to develop the second phase of the Caspian Sea gas field off Azerbaijan.

Phase two of the scheme is now estimated to cost between $28 billion and $30 billion, compared with the original budget of $25 billion, Socar, Rovnaq Abdullayev said. A final investment decision on the second phase of Shah Deniz is due to be made at the end of this year by the BP-led operating consortium comprising heavyweights Lukoil, Total and Statoil, as well as SOCAR, TPAO and Naftiran Intertrade.

The partners have already approved spending of $6 billion on construction of platforms and infrastructure next year, according to the SOCAR chief. Shah Deniz is seen by European Union countries as a key source of future gas supplies to cut dependence on gas from Russia, which currently supplies about 25% of the continent’s demand for the fuel.

Abdullayev said first gas from Shah Deniz is due to flow to the EU by the end of 2017 or early 2018. However, the sovereign debt crisis in Europe has hit energy demand, sinking gas prices and therefore hitting the potential profitability of gas projects, especially those such as Shah Deniz based on pipeline exports to the continent. Earlier this year, Gazprom was forced to put on hold the Shtokman gas project in the Barents Sea off Russia due to concerns over commerciality after Norwegian partner Statoil decided to hand back its stake in the scheme.

Turkey’s top refiner to double its capacity

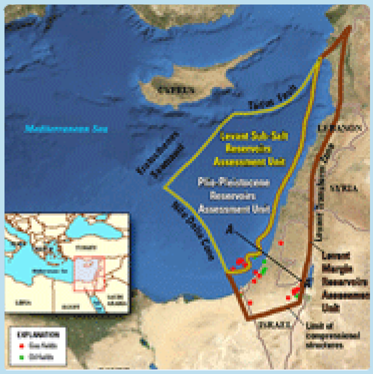
Hürriyet Daily News, *02.01.2013*

Turkish Petroleum Refineries (Tüpras) is set to nearly double its capacity with an ongoing $2.5 billion fuel oil conversion investment in the northwestern Turkish province of Kocaeli, according to the company’s vice chairman.

After the project is completed in November 2014, the investment will expand the capacity of the facility from 7.5 million tons to 14.3 million tons and will provide employment for 10,000 people, Yilmaz Bayraktar said “With the upgrade project, fuel oil and other base products that are produced in surplus in Turkey and the region will be converted into the finished products that our country requires,” he said.

AGR reports large gas finds offshore Israel

Natural Gas Europe, *03.01.2013*



Norway-based operator AGR has reported "significant signs of hydrocarbons" were found offshore Israel at its Aphrodite-2 exploration well in the Ishai license.

The preliminary tests clearly indicated the existence of natural gas at the well however project partner Israel Opportunity Energy Resources stated licensees would not carry out production tests. According to Israeli business daily Globes, Israel Opportunity CEO Eyal Shuker said while the company is pleased with the find, it is necessary to wait for the external assessor's report that is due in two months' time, in order to confirm the size of the discovery.

"A gas discovery at the Ishai license, which borders the Cypriot Aphrodite structure, is important for us, and when we receive the external assessor's report about the well, we intend to review the remaining stages. The ultimate goal is to bring Israeli gas to Israel and the Israeli people for domestic use and exports," said Shuker to Globes. The well was drilled to a depth of 5,652 meters including a water depth of 1,107 meters and encountered a 15 meters of gas-bearing layer in lower Miocene sands. License partners are AGR (5%), Israel Opportunity Energy Resources (10%), Nammax (42.5%), Frendum Investments (33.5%) and Daden Investment (9%).

Azerbaijan's gas export to hit 40 bcm

Today.Az, *02.01.2013*

By 2025 Azerbaijan's gas export potential will reach 40 billion cubic meters, head of SOCAR (State Oil Company of Azerbaijan) Rovnag Abdullayev said on Sunday at the event on results of the year.

"By 2020, the figure will be 25 billion cubic meters," Abdullayev said. This statement is confirmed by discovery of new fields, such as Umid and Absheron. Gas and condensate from Umid field is already being supplied to the overall network, and exploitation of Absheron field is likely to begin in 2020.

In 2020, Azerbaijan expects to increase gas production to 54 billion cubic meters. In 2012, gas production in the country hit 27.9 billion cubic meters, and last year, the country produced 25.7 billion cubic meters of gas.

Russian crude production in 2012 rises 1.3% to 10.4 million b/d

Platts, *02.01.2013*

Russia's crude oil production hit a record high of 518 million mt (10.4 million b/d) in 2012; preliminary data released Wednesday by the energy ministry's Central Dispatching Unit showed, as the country cemented its position as the world's biggest oil producer.

Crude output was up 1.3% year on year, the data as reported by AFP showed, and represents a new post-Soviet era high. It is the third consecutive year that Russian crude production has exceeded 10 million b/d, and keeps it ahead of Saudi Arabia as the world's biggest oil producer.

The growth in oil output over the course of 2012 reflected an upward trend throughout the year, which saw production top 10 million b/d every month. The increase, as in 2010 and 2011, came mainly from the continued ramp-up of output at fields such as Rosneft's Vankor field in East Siberia and TNK-BP's Uvat project in West Siberia. The rate of increase seen in Russia's crude production had been expected to slow as the effect of the startup of several major new fields gradually diminished, though producers in East Siberia continue to ramp up output.

Producers such as Lukoil have also managed to successfully halt the decline in oil production from more mature regions such as West Siberia. Russia's energy minister Alexander Novak said in October the country's oil production this year was expected to total 3.76 billion barrels, or an average of 10.3 million b/d. Analysts at Renaissance Capital expect production to now flatten out and do not anticipate major production growth again until significant new fields come online in 2015.

While Russian oil production continues its slow rise, natural gas output slipped in 2012. It was down by 2.3% to 655 billion cubic meters, the CDU data as reported by AFP showed. Demand for Russian gas in its main European markets slumped last year, and Russia was unable to make up for the shortfall in the domestic market or through exports elsewhere. Russia is still largely dependent on Europe for its more lucrative gas exports. In 2011, Russia's gas output hit 670.5 Bcm, 3.1% up 2010. In 2010, Russia produced 650.3 Bcm of gas, up 11.5% from 2009's level.

Analysts see 2013 Brent price around $110/b, WTI price not clear

Platts, *31.12.2012*

While analysts are generally in consensus in forecasting Brent crude to average around $110/b in 2013, the surge in North American production and question marks on the timing of new infrastructure has made for a highly divergent set of predictions for WTI.

In their most recent price forecast, analysts at Goldman Sachs said Brent had averaged $110/b over the past 18 months. "Brent crude oil prices have been caught in an increasingly narrow range, where they are high enough to motivate supply, but not so high as to undermine the global economic recovery," they said.

"On net, we see Brent crude oil prices continuing to trade in the recent range over the next year." "However, given the relatively low level of effective OPEC spare capacity and the ongoing tensions between Iran and the West over Iran's nuclear program, we still see the risk to oil prices as skewed to the upside," they added. This view was shared by analysts at Morgan Stanley who also forecast a 2013 Brent price of $110/b. "We continue to believe that prices will trade in a range, with upside limited by a likely demand response and downside limited by a supply response," Morgan Stanley said. "Though oil prices are likely to remain muted into 1H13, we believe that risks are skewed to the upside, with little room for error."

Among the major concerns for Morgan Stanley were geopolitical tensions and supply outages, with prices otherwise expected to trade in ranges and demand responses likely to limit any significant or sustained price surge. While geopolitical tensions were generally considered the biggest threat to higher oil prices given the muted global economic growth anticipated for the coming year, Bank of America Merrill Lynch said any easing in tensions would likely also result in lower prices. "Notwithstanding a weak macro in 2013, we remain positive on energy," said BofAML analysts, who also forecast Brent at $110/b for next year. "The biggest swing factor for Brent could be the return or further loss of Iran's idled oil output."

Saxo Bank analyst Ole Hansen said he expected 2013 to play out similarly to 2012, with dominant forces driving prices in either direction through the year, with $111/b to be the pivot. "Brent Crude oil has, despite times of elevated uncertainty, been trading within a relative stable trading range during the last couple of years, especially compared with previous years where extreme peaks and troughs appeared," Hansen said. "Looking ahead to 2013, we believe that this range trading will continue, as Brent Crude is currently sandwiched between several equal important factors, the combined sum of which should keep the price boxed in between $90 and $125 during the next couple of years."

While $110/b appeared the mean 2013 forecast for Brent, there were outliers, with Commerzbank at $121/b and Barclays at $125/b among the more bullish. “After two years in the current holding pattern for prices, it seems clear that any significant shift in the dynamics of flat prices requires either a significant change in the fundamentals of oil balances, or some significant geopolitical upheaval,” Barclays analysts said. Barclays added that while fundamental balances, OPEC strategy, market psychology and macroeconomic discontinuities all looked unlikely to provide a catalyst to push crude oil prices out its current holding pattern, geopolitical risk was another matter entirely. “While there are other likely areas of interest for the oil market in 2013, in our view the main nexus for the transmission into oil prices is likely to be the Middle East, with the spiraling situations in Syria and Iraq layered in on top of the core issue of Iran’s external relations,” Barclays said. But analysts at Commerzbank said the current market state may have been misread. “We believe that the market is too optimistic for the supply prospects and too pessimistic for the demand prospects,” Commerzbank said. “The market is thus likely to tighten over the course of the year... In the coming year, the current equilibrium of influencing factors should be resolved in the favor of the price-supporting factors. It is questionable whether supply will be surprisingly positive again next year.”

Among the price supporting factors defined by Commerzbank were supply risks from Iran, the Middle East and the North Sea, as well as the ultra-loose monetary policies of central banks. Analysts with VTB Capital, however, argue that price-depressing factors are more likely to dominate oil markets next year, setting their price forecast for Brent at a bearish $95/b. “We believe that visible inventory levels confirm our view that the market is in oversupply as they have rebuilt sharply since the start of the year, albeit somewhat patchily by region and by oil type,” VTB Capital said. “OECD crude inventory has risen from the bottom of the five-year range at the start of the year towards the top of it in October... unless the significant oversupply to the market is cut, then the oil price is likely to give way at some point, and more likely sooner than later in our view.” VTB also said some of the premium currently in the market this year related to the threat of an Israeli attack on Iran would also drop off further into the New Year.

Despite the relative consensus on the factors affecting Brent in 2013, if not necessarily the direction these will lead prices, for WTI uncertainty over changes currently taking place in the North American oil sector meant a spread of forecasts ranging from $81.40/b to $115.00/b and a Brent premium from anywhere between $7.50/b and $20/b. “For WTI, surging shale oil output combined with infrastructure and export constraints could isolate North American crude markets,” BofAML said. “Of particular concern is that oil output growth in the US is now exceeding previous growth rates experienced in dry natural gas. Thus, the saturation point for the US crude oil market could come faster than the market expects despite the large gap in imports.”

Indeed, such has been the growth in North American production, climbing to 19-year highs this year, that even when new transport capacity comes on-stream in 2013 it may not be enough to meet the increased supplies. “While the Brent crude oil market has continued to tighten, WTI prices have traded at an increasing discount to Brent as the barrels at Cushing await the development of excess capacity to transport them to the US Gulf Coast,” Goldman Sachs said. “We continue to expect that this spare capacity will be created when the Seaway pipeline ramps up from its current capacity of 150,000 b/d to its full capacity of 400,000 b/d in early 2013.” This, Goldman said, has not been helped by delays to BP’s Whiting refinery conversion. “Assuming the Whiting crude unit is delayed by three months, this would leave around eight million barrels of crude stocks in Cushing that would otherwise have been consumed by the Whiting refinery, all else equal,” Goldman said.

Transocean agrees to pay $1.4bn oil spill fine

BBC, *03.01.2013*

Transocean has agreed to a settlement with the US government. The Swiss-based company will pay $400m (£248m) in criminal penalties and a $1bn civil fine after pleading guilty to violating the Clean Water Act.

The rig, which was leased by BP, exploded on 20 April 2010, killing 11 workers. The oil spill damaged the Gulf of Mexico coast causing one of the biggest environmental disasters in US history. "Transocean's rig crew accepted the direction of BP well site leaders to proceed in the face of clear danger signs at a tragic cost to many of them," said assistant attorney general Lanny Breuer.

In November, BP agreed a settlement with the US government worth $4.5bn, including a $1.26bn criminal fine. It has spent $14bn on cleaning up the oil spill and compensating local people. A report from the US Chemical Safety Board in July 2012 criticized both BP and Transocean for having inadequate safety rules. The two companies disagreed about who was in charge of interpreting a negative pressure test that could have warned workers of the problems.

Transocean's agreement with the Department of Justice still has to be approved by a federal judge. As part of the settlement, the company has to make a series of improvements to the safety and emergency responses on its rigs. "This resolution of criminal allegations and civil claims against Transocean brings us one significant step closer to justice for the human, environmental and economic devastation wrought by the Deepwater Horizon disaster," said US Attorney General Eric Holder. The $1.4bn will mainly be spent on environmental projects, and research and training to prevent future spills.

In a statement, Transocean said: "These important agreements, which the company believes to be in the best interest of its shareholders and employees, remove much of the uncertainty associated with the accident."

The company plans to pay the fines over the next five years. Its shares rose 6.4% in New York, while BP shares trading in New York rose 1.7%. Analysts at Barclays said that the settlement was considerably less than they had been expecting Transocean to have to pay. They noted that Halliburton was now the only one of the contractors that had not yet settled with the Department of Justice. BP still faces a trial in New Orleans, which is due to begin on 25 February, which could lead to it paying civil damages of $21bn if it is found guilty of gross negligence.

Shell says Kulluk drill ship is put ‘upright and stable’

Hürriyet Daily News, *03.01.2013*

An oil rig that ran aground in Alaska on New Year’s Eve in “near hurricane” conditions dragged two vessels trying to control it more than 16 kilometers toward a wave-battered rocky shore before the crews cut it loose to save themselves.

The stricken Kulluk oil rig is owned by Royal Dutch/Shell and is a vital part of its controversial Arctic oil drilling program, which has encountered several problems. The 28,000-ton, saucer-shaped rig was pushed toward the shore by waves up to 11 meters and winds up to 100 kilometers per hour, dragging its main towing vessel the Aiviq and a tug, the Alert, behind it.

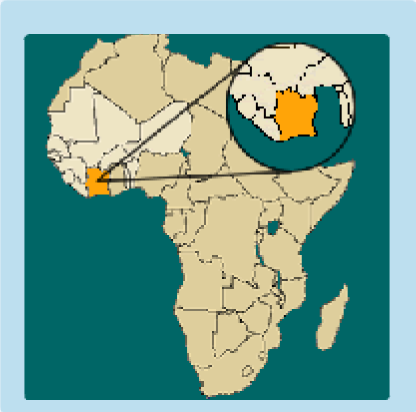
“We are talking about near hurricane-strength conditions,” said Darci Sinclair of the Kulluk Tow Incident Unified Command, set up by the U.S. Coast Guard and the companies involved. The unified command said the Kulluk was now “upright and stable” on Sitkalidak Island in the Gulf of Alaska. Salvage experts spent three hours aboard it Wednesday for a structural assessment to be used by Netherlands-based Smit Salvage. They saw no sign that the fuel tanks had been breached. It was still too early to give a recovery timeline, said a Coast Guard official, ahead of a more detailed update on Thursday.

Smit had worked on the Selendang Ayu, a ship that broke in half and spilled fuel and soybeans after grounding in bad weather off Unalaska Island in December 2004. Smit also worked on the Costa Concordia, which grounded off Italy last year. More than 600 people are involved in the Kulluk response. “It is important that the American public and our elected officials understand the dangerous and difficult challenges being faced by the response crews,” Rear Admiral Thomas Ostebo, commander of the Coast Guard in Alaska, said in the statement.

The 30-year-old Kulluk is operated by Noble Corp and was refitted by Shell for its summer 2012 drilling expedition in the Beaufort Sea off northern Alaska. Shell spent $4.5 billion preparing for extraction activities there and in the Chukchi Sea further east, but has yet to complete a single well.

Ivory Coast aims to boost oil output

Upstream Online, *03.01.2013*



Ivory Coast hopes to raise its oil output to around 200,000 barrels per day in five years from 32,000 bpd now thanks to recent discoveries and ongoing exploratory drilling, a top oil official said according to a report.

Oil exploration off Africa's west coast has risen sharply since Ivory Coast's neighbour Ghana discovered a large field in 2007 and brought it into production in record time in late 2010, Reuters reported. Oil company Vanco Cote d'Ivoire announced in December it had found light oil on Ivory Coast's offshore block CI-401, six months after UK-based Tullow Oil said it struck light oil on block CI-103.

"With these discoveries and the projected investments, Ivory Coast will be able to realise its target of raising output from around 32,000 barrels per day now to around 200,000 bpd in the five years ahead," Ibrahima Diaby, head of hydrocarbons at the Ministry of Mines, Petroleum and Energy told the news wire in an interview. He said Vanco and Tullow were planning further drilling on their discoveries in 2013 and 2014 to clarify reserves.

Oil output has fallen nearly in half in Ivory Coast due to technical problems and low levels of investment during a decade of political turmoil that culminated in a 2011 civil war. But Diaby said that Ivory Coast had signed 14 new production sharing contracts since the end of the war and had seen a boom in exploration activity by international oil firms, including France's Total, and US-based Anadarko.

He said the government had also signed three exclusive exploitation deals for natural gas fields in 2012, including two with Ivory Coast-based Foxtrot and one with Rialto. He said natural gas production in the country could rise to 250 million cubic feet per day from 170 mmcfd currently. Diaby said Ivory Coast remained in talks with Ghana over their shared land and sea border. Both sides have played down the talks, saying there was no evidence rights to a key oil find were at stake.

The world's top cocoa grower, Ivory Coast is seeking to diversify its economy, in part by boosting its energy and mining sectors. Diaby said some 800 billion CFA francs ($1.6 billion) worth of investments were planned in the energy sector, with funds coming from state firm Petroci as well as partners in Europe and the United States. He gave no details.

Announcements & Reports

► GDPA Presentation – E&P Sector Activities (2012)

Source : General Directorate of Petroleum Affairs
Weblink : http://www.pigm.gov.tr/pdf/pigm_arama_uretim_sektoru_faaliyetleri_2012_brifingi.pdf

Upcoming Events

► 6th Annual Gas Transport & Storage Forum 2013

Date : 28 – 29 January 2013
Place : Berlin – Germany
Website : http://www.gtsevent.com/?mc=EL

► 3rd European Unconventional Gas Summit

Date : 29 January – 1 February 2013
Place : Vienna – Austria
Website : http://www.theenergyexchange.co.uk/european-unconventional-gas-summit-3rd-annual-meeting/s13/a274/

Supported by PETFORM

► Tight and Shale Gas Summit 2013 (in Turkey)

Date : 27 – 28 February 2013
Place : Istanbul – Turkey
Website : http://www.wplgroup.com/aci/conferences/eu-eug2.asp

► 6th Annual Unconventional Gas Conference

Date : 6 – 7 March 2013
Place : London – UK
Website : http://www.smi-online.co.uk/energy/uk/unconventional-gas

► 6th International Petroleum Technology Conference

Date : 26 – 28 March 2013
Place : Beijing – China
Website : http://www.iptcnet.org/2013/

Supported by PETFORM

► All Energy Turkey (in Turkey)

Date : 11 – 12 September 2013
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr