Oil & Gas Bulletin

► *08.03.2013*

Iran and Turkey to sign new gas deal

Oil & Gas Eurasia, *05.03.2013*

Iran is expected to sign a new agreement with Turkey to increase the volume of natural gas exports to its north-western neighbor by 5 million cubic meters (mcm) per day.

The new deal is likely to be inked on the sidelines of the ministerial meeting of the Economic Cooperation Organization (ECO), scheduled to begin in Tehran. Following the agreement, Iran's natural gas exports to Turkey will reach 30-35 mcm per day. In December 2012, Turkish Energy Minister Taner Yildiz said his country will continue buying natural gas from Iran despite financial sanctions imposed by the West.

NATO's oil pipeline to be opened for civilian use

Today's Zaman (Ismail Altunsoy), *04.03.2013*

The NATO oil pipeline in Turkey, which has so far been used solely for NATO purposes, will opened for civilian use, according to a source in the Ministry of Energy and Natural Resources who prefers to remain unnamed.

The goal of expanding the use of the pipeline is to deal a harsh blow against oil smuggling. The legal procedures and amendments to regulations concerning limits on the pipeline's use are expected to be completed soon. The pipeline is roughly 3,000 kilometers long. The ministry source told that at present only 20 percent of its capacity has been utilized.

The pipeline passes through several provinces in Turkey's central, eastern and western regions, as well as provinces in Marmara. Additional use of the pipeline will considerably decrease the need for oil tanker trucks to use roads to transport oil and it is also expected to cause some TL 100 million in lost in revenue for oil smugglers, according to the source. Taner Mutlu, head of the Energy Market Regulatory Authority (EPDK)'s Petroleum Department, brought attention to the issue during an event last week, saying the institution is looking to open the NATO pipeline for civilian use.

Nabucco and TANAP sign cooperation deal

Today's Zaman, *26.02.2013*

A cooperation deal signed between the Nabucco and Trans-Anatolian Pipeline gives European energy security a boost, an executive said from Vienna. Nabucco Gas Pipeline International GmbH said it signed a memorandum of understanding with the TANAP project to "cooperate in a manner that will support the development of their respective projects."

Nabucco West and TANAP are two natural gas pipelines included in the so-called Southern Corridor of European transit networks. Europe hails the program as a way to break the Russian grip on the regional energy sector.

Reinhard Mitschek said coordinating the two projects would help push the Southern Corridor further along the road to implementation. "This MOU cements the relationship between two integral parts of the southern gas corridor, bringing us one step closer to achieving our joint goal of diversifying Europe's gas supplies," he said in a statement.

Enel in talks to acquire stake in TAP gas pipeline

Reuters, *06.03.2013*

Italy's biggest power utility Enel is still in talks to acquire a stake in the Trans-Adriatic Pipeline (TAP) project that aims to pump Azeri gas to Europe, a source familiar with the process said on Wednesday.

"Talks are ongoing," the source, who declined to be named told Reuters on the sidelines of an energy conference in Sofia. Last October, Enel's chief executive Fulvio Conti said the company was keen on taking a stake in TAP. The source did not elaborate on the size of the stake in discussion. Last year an industry source close to TAP said Enel was interested in taking a 10-20 percent stake.

TAP's External Affairs Director Michael Hoffmann declined to comment, but said the pipeline remains open to new shareholders.

TPJD: Turkey's shale gas reserves enough for 40 years

Hürriyet Daily News, *06.03.2013*

Turkey's estimated shale gas reserve is 1.8 trillion cubic meters and could satisfy 40 years of natural gas consumption with an annual production of 45 billion cubic meters, according to the Turkish Association of Petroleum Geologists (TPJD).

"Turkey has considerable shale gas potential, particularly in the regions of Thrace and the Southeast," said TPJD President Ismail Bahtiyar. Turkey's natural gas consumption is around 45 bcm a year, he said, noting that the estimated shale gas reserve would satisfy Turkey's natural gas consumption for the next four decades.

"These figures are for only the Thrace and Southeast Regions. We think there are also shale gas reserves in East Anatolia, Ankara, the Toros Mountains in the south and the Black Sea region," he said. Shale gas does not constitute an alternative to natural gas, it actually has the qualities of natural gas, he said, though as the traditional drilling of wells costs between $2 and $3 million, shale gas production is a higher-cost process. In spite of this, it will lower oil and natural gas prices, he stressed, adding that the Oil Law in Turkey protected risk-profit balances in favor of investors.

Bahtiyar noted that natural gas consumption prices decreased in the United States due to their shale gas production that intensified in the last years in parallel with increases in their natural gas demand. He also noted that Turkey's natural gas consumption price was four to five times more than the U.S. Meanwhile, Turkey paid $60.1 billion for energy last year with an 11 percent increase from a year earlier, according to figures of state-run statistic body TUIK. The figures show that a quarter of Turkey's $237 billion in total imports last year consisted of energy imports and the IMF forecasts it will surpass $70 billion by 2017.

Hayward to chair CompactGTL

Upstream Online, *07.03.2013*

Genel Energy chief Tony Hayward is to become non-executive chairman of UK-based gas-to-liquids outfit CompactGTL. Hayward said that CompactGTL was uniquely positioned to improve negative industry perceptions of the technique with its "game-changing, economically viable solution to the global problem of gas flaring".

"With international oil prices set to stay high but regional and local gas prices heading in the opposite direction, this is a very good time to be pursuing this technology, which has the potential to add significant value to operations through monetizing oilfield gas," Hayward said.

The company's modular plant and floating production systems aim to capture flared gas at the oilfield and convert it locally to generate marketable liquids economically and to eliminate flaring. The first such project has been operating for Petrobras since 2010 with Total also on board among other clients, according to CompactGTL.

Bulgaria scraps oil pipeline with Russia and Greece

Oil & Gas Eurasia, *25.02.2013*

Bulgarian Parliament has voted to scrap a 1 billion euros ($1.3 billion) pipeline deal to carry Russian oil to Greece due to costs and public concern about a possible environmental impact.

In a 115-25 vote, legislators backed the government's withdrawal from the project because it cannot be executed under the financial conditions of the 2007 agreement. The 175-mile (282-kilometer) pipeline was scheduled to ship annually 35 million tons of Russian oil through Bulgaria to Alexandroupolis in northeastern Greece, bypassing Turkey's congested Bosporus Straits.

Hopes for Greek offshore natural gas reserves

Platts, *26.02.2013*

Greece's government awarded Norway-based Petroleum Geo-Services (PGS), during winter 2012-2013, a contract to conduct far-range offshore research for hydrocarbon reserves, based on previous indications for substantial amounts of oil and gas found mostly in the western and southern regions of the country.

Recently concluded research by PGS's vessel M/V Nordic Explorer, which cost around $40 million, bore preliminary optimistic results. The total number of seismic research in terms of seismic lines laid for exploration reached 12,500 km of sea surface and was conducted throughout a period of four months, covering a sea region of around 200,000 km2.

The Greek Ministry of Energy, stated around "Positive results to be expected," whilst PGS relayed that all went according to plan and a series of analyses will be conducted until September 2012 in PGS's offices in Houston and London in order to make exact estimations. Originally the Nordic Explorer was to lay in the sea surface around 8,000 km of seismic research lines, but certain indicators and interest from energy companies increased that number by 50 percent. Moreover, Greek media discussed, based on information by governmental officials, interest from Total SA, ExxonMobil, in addition to preliminary interest from Shell.

A more intriguing approach is made by Greek geologists, particularly from Professor Antonis Foskolos, who in the past cooperated with the Geological Survey of Canada and Dr. Elias Konofagos, a hydrocarbons expert and the Greek Prime Minister's energy advisor. They concluded via thorough investigation, based on indicators from the U.S. Geological Survey (USGS) and French Beicip, that the sea region south and east of the Island of Crete could potentially have up to 120 trillion cubic feet of natural gas, half of which is located in Greece's exclusive economic zone.

It should be noted that in the summer of 2011, J. Robinson of PGS at a conference in Athens discussed a region of great potential, which is geologically connected with the Levantine basin in Cyprus and Israel, where large discoveries have been made. Greek scientists go one step further and point out that the gas reserves could also be found in the southern part of the Island of Zakynthos in western Greece and by forming an arch they spread up to the Latakia port of Syria. Konofagos recently stated that his research findings were used in a Deutsche Bank investors report, which noted the chance of finding the specified gas amounts stands at 50 percent and that PGS has found that Greece's probable reserves are in very deep water, which calls for considerable investments and use of technology.

Reuters recently reported that Greece's potential natural gas reserves may be worth up to $600 billion with today's prices and also added that total gas volumes in the eastern Mediterranean sea are estimated at over 10 trillion cubic meters, according to USGS estimates, which is enough to meet Europe's gas demand for more than 15 years (area excludes south of Crete). Overall, there is indeed indication that something is beneath the surface as far as natural gas reserves in the wider eastern Mediterranean region. Nevertheless it will take some time before more definite data is available, so as to be able to calculate the amounts involved and associated costs.

BP says its Azeri oil output down 7 percent in 2012

Oil & Gas Eurasia, *05.03.2013*

BP's output at Azerbaijan's Azeri-Chirag-Guneshli (ACG) fields was down 7 percent in 2012, it said, showing a faster fall than that of total Azeri production in a trend that has drawn criticism from the country's president. But the British oil major's output rose from the Shah Deniz gas field, the country's biggest.

BP said in a news release that oil output at ACG was 32.9 million ton in 2012, down from 35.4 million ton in 2011. Falling oil production at the ACG oilfields has raised concerns in the ex-Soviet republic and prompted President Ilham Aliyev to accuse BP of making "false promises".

Officials at BP and state energy company SOCAR say the geology of the country's main oilfields has fallen short of original expectations and they have cited maintenance and higher safety standards at BP after the Macondo oil spill in the Gulf of Mexico as reasons behind the falls of the past 18 months. Extending a drop that began in 2011, Azerbaijan's oil and condensate production fell 5.3 percent to 42.98 million ton in 2012 from 45.40 million in 2011.

BP said on Friday it exported 282.9 million barrels of oil from the ACG in 2012, down from 291.5 million barrels in 2011. Its export via the Baku-Tbilisi-Ceyhan pipeline declined to 246 million barrels last year from 257.3 million barrels in 2011. During 2012, the ACG consortium led by BP spent about $725 million in operating expenditure and $2.5 billion in capital expenditure.

In 2013, BP plans about $758 million in operating expenditure while capital spending should be roughly unchanged. In contrast, natural gas output at the Shah Deniz gas field, also operated by BP, rose in 2012 to 7.73 billion cubic meters (bcm) from 6.67 bcm in 2011. It also produced 2.0 million ton of condensate at Shah Deniz, up from 1.8 million ton produced in 2011.

Ukraine interested in Azerbaijani gas

Oil&Gas Eurasia, *04.03.2013*

Ukraine is interested in Azerbaijan's gas from Shah Deniz gas field, Ukrainian President Viktor Yanukovych was quoted by Ukrinform as saying.

"We are discussing the issue of possible involvement of Ukraine in the construction of the pipeline, which runs from Azerbaijan's Shah Deniz gas field through Georgia and Turkey. And we are interested in this pipeline to reach our underground storage in western Ukraine, at the border with Europe," he said. Yanukovych also said that Europe should be interested in transportation of gas through the pipeline "Urengoy-Uzhgorod-Pomary."

According to Yanukovich, if Ukraine finds additional gas supply routes, the market model will be thrown into action. Shah Deniz gas field is the largest natural gas field in Azerbaijan situated in the South Caspian Sea, off the coast of Azerbaijan, approximately 70 kilometers (43 mi) southeast of Baku, at a depth of 600 meters (2,000 ft).The field covers approximately 860 square kilometers (330 sq mi). The Shah Deniz gas and condensate field was discovered in 1999. It is to bring gas into Europe without having to traverse countries like Russia or Iran, deemed to be politically unreliable by some. The Shah Deniz field is operated by BP which has a share of 25.5%. Other partners include Statoil (25.5%), SOCAR (10%), Total S.A. (10%), LukAgip, a joint company of Eni and Lukoil (10%), NIOC (10%), and TPAO (9%).

Russia and Ukraine signal no deal over gas price

Today's Zaman (Reuters), *05.03.2013*

Russian President Vladimir Putin and Ukrainian leader Viktor Yanukovich ended talks on March 4 without any sign of a breakthrough to end a standoff over the price of gas to Kiev.

Ukraine wants to pay less for gas from Russia because it says a 2009 deal set an exorbitant price. Moscow has sought concessions in return, such as Ukraine joining a post-Soviet trade bloc led by Moscow and giving up control of its pipeline network. The two presidents' negotiations outside Moscow ended without any statement, and Putin's spokesman declined to say whether talks would continue.

Chavez death brings uncertainty, hope to oil patch

Today's Zaman, *06.03.2013*

Venezuela's oil production is poised to reverse a dramatic decline that has seen exports fall by nearly half during Hugo Chavez's time as president.

Following Chavez's death, Venezuela, which is a member of OPEC and sits on the world's second-largest oil reserves, faces near-term political uncertainty that could bring further turmoil to its oil industry. And even under the best circumstances it would take years to increase production and exports, analysts say. But any new government would have a powerful economic incentive to make that a top priority.

Exports fell from 3 million barrels per day in 2000 to 1.7 million barrels per day in 2011. Chavez relied heavily on the country's oil income to fund social programs, but reinvested relatively little of it to exploit new oil fields and replace depleted ones. There has been no indication from the country's national oil company, Petroleos de Venezuela, S.A., or PDVSA, whether it will invite more foreign investment or increase its own investment in new production. But Chavez held such sway over the company's direction that his death means the direction could change dramatically. "Without his charisma and force of character, it is not at all clear how his successors will maintain the system he created," said Daniel Yergin, author of a Pulitzer Prize winning book on global energy politics.

The discontent in Venezuela that grew with the decline of oil prices in the late 1990s helped Chavez get elected. The high oil prices that followed helped him consolidate power by allowing him to fund programs popular with Venezuelans and making allies in the region by offering cut-rate oil deals, according to Yergin. But his refusal to reinvest in the industry, along with a strike at PDVSA in 2002 that sapped the company of some of its best talent, led to deep decay in the country's most important industry. Chavez nationalized some oil and gas assets owned by international oil companies, such as Exxon Mobil, in order to make PDVSA the majority stakeholder in all Venezuelan projects. That prompted Exxon and others to abandon work in the country, further reducing the country's access to oil and gas technology and expertise.

Citgo, the company's US division, operates refineries in Texas, Louisiana and Illinois, and sells fuel through thousands of gas stations. Citgo has been used by Chavez to distribute discounted heating oil to poor American families in a high-profile program aimed at criticizing Washington's approach to the poor. The world oil market's response to Chavez's death was muted oil rose slightly in electronic trading in New York to $91.05 per barrel. That's 8 times the price of a barrel when Chavez took office 14 years ago.

Analysts say Venezuelan production will likely fall further in the short term because PDVSA executives may lack clear instructions from a government in transition about how to proceed. But Venezuelan oil supply has been declining for so long and oil markets are well supplied that traders are not concerned that further erosion in Venezuelan supply will disrupt markets. That could change, however, if instability erupts as new leaders jostle for power and new elections are held, according to Sarah Ladislaw, co-director of the Energy and National Security Program at the Center for International and Strategic Studies.

Venezuela's refineries are so weak that the country is forced to import enormous amounts of fuel from the US and elsewhere even as it exports crude. Those imports are especially costly because the government heavily subsidizes gasoline. Venezuelans pay only a few cents per gallon for gasoline, and the subsidies cost the government $25 billion per year, according to Jason Bordoff, Director of the Center on Global Energy Policy at Columbia University. An increase in oil production and exports could be a boon for the country.

RWE to sell production arm

Natural Gas Europe, *05.03.2013*

RWE has announced that it plans to withdraw from oil and gas exploration. As a result, the company plans to sell its exploration arm RWE Dea.

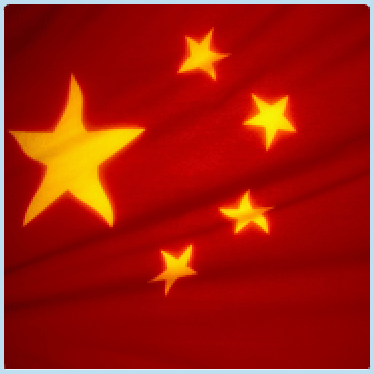
In a statement on its website, the company confirmed that it would be selling the RWE Dea in one transaction. Decreasing debt largely motivated the decision to sell the asset; the market continues to be trying for the company though it said in the same statement that it had a good financial year in 2012, with both EBITDA and operating results up 10% to €9.3 billion and €6.4 billion respectively.

"It would take considerable pressure off future capital expenditure and therefore make an essential contribution to improving RWE's financial headroom." The company also said that the decision was in line with its overall "strategic repositioning", which will also see the company close its nuclear power plants by 2022 in line with government requirements. Germany announced that it would withdraw completely from the use of nuclear power following the Fukushima nuclear disaster in 2011. RWE has already seen its Biblis nuclear power plant closed as a result of the decision.

RWE said that it expects its operating results to decline "significantly" after 2013 in the face of the changing energy scene in Europe. "We are a company that has to work hard for its future," CEO Peter Terium said, "and we will face the challenges created by the transformation of the German energy market." The utility is now currently assessing how best to go about disposing of RWE Dea and says it will announce any transaction details "in due course."

China overtakes U.S. as world's top oil importer

Oil & Gas Eurasia, *06.03.2013*



China has overtaken the US as the world's largest net importer of oil, in a generational shift that will shake up the geopolitics of natural resources.

US net oil imports dropped to 5.98m barrels a day in December, the lowest since February 1992, according to provisional figures from the US Energy Information Administration. In the same month, China's net oil imports surged to 6.12m b/d, according to Chinese customs. The US has been the world's largest net importer of oil since the mid-1970s, shaping Washington's foreign policy towards energy-rich countries such as Saudi Arabia, Iraq and Venezuela.

As China overtakes the US as the world's leading net oil importer, Beijing is likely to face pressure to take a larger role in patrolling the world's key shipping lanes. China has already taken a more assertive foreign oil policy in countries such as Sudan, Angola and Iraq, where state-owned Chinese companies have invested billions of dollars. "The US is taking strides towards energy independence," said Eric G Lee, a commodities analyst at Citigroup who first reported the shift. Although December figures are often volatile due to end-of-the-year tax reasons, analysts and traders say the shift will continue, affecting global oil trade routers and the geopolitics of energy. The figures include crude and refined petroleum products such as diesel and kerosene.

This year the US Navy will reduce the number of aircraft carriers it operates in the Strait of Hormuz, which connects the Gulf to international oil markets. US domestic oil production is booming on the back of the shale revolution, reducing the need for crude oil imports. In addition, US super-majors and refiners such as ExxonMobil and Phillips 66 are exporting record quantities of oil products to meet soaring demand for gasoline, diesel and kerosene in Latin America and Africa, lowering the country's net oil imports. US oil production surged last year by more than 800,000 b/d. The rise in domestic production has allowed the country to lessen its dependence on OPEC. But the reduction has been uneven, with Saudi Arabia, Kuwait and other Middle East countries suffering relatively little from reduced US demand compared to African producers such as Angola and Nigeria.

The shift between China and the US comes as the International Energy Agency, the western countries' oil watchdog, forecast that emerging countries would for the first time consume more oil than industrialized nations. The Paris-based IEA forecast that non-OECD countries will consume 44.9m b/d next quarter, compared with 44.7m b/d for the OECD nations. The US remains the world's largest net oil importer on an annual basis, but the margin over China has narrowed significantly over the last five years. The country's net foreign purchases of crude and refined products dropped to a 20-year low of 7.14m b/d in 2012, while Chinese net oil imports averaged 5.72m b/d.

Announcements & Reports

► Electricity in a Climate-Constrained World

Source : International Energy Agency
Weblink : http://www.iea.org/W/bookshop/add.aspx?id=445

Upcoming Events

► 6th International Petroleum Technology Conference

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

Supported by PETFORM

► TUROGE 2013 *(in Turkey)*

Date : 10 – 11 April 2013
Place : Ankara – Turkey
Website : http://www.turoge.com/2013/

► LNG17 – International Conference and Exhibition on Liquefied Natural Gas

Date : 16 – 19 April 2013
Place : Houston – USA
Website : http://conferencehound.com/conference/lng17-international-conference-and-exhibition-on-liquefied-natural-gas/53874

► Offshore Technology Conference

Date : 6 – 9 May 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/908

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► Tight and Shale Gas Summit 2013 *(in Turkey)*

Date : 15 – 16 May 2013
Place : Istanbul – Turkey
Website : http://www.wplgroup.com/aci/conferences/eu-eug2.asp

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► *12th Moscow International Oil & Gas Exhibition*

Date : 25 – 28 June 2013
Place : Moscow – Russia
Website : http://mioge.com/about/upstream.aspx

► *Oil and Gas Conference and Exhibition 2013*

Date : 3 – 6 September 2013
Place : Aberdeen – UK
Website : http://www.offshore-europe.co.uk/page.cfm/Link=1/t=m/goSection=1

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► *All Energy Turkey* ***(in Turkey)***

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

► *Texas Oilfield Expo*

Date : 6 – 7 March 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/906

► *21st Kazakhstan International Oil & Gas Exhibition and Conference*

Date : 1 – 4 October 2013
Place : Almaty – Kazakhstan
Website : http://www.kioge.com/2013/upstream2013.html

► *Deep Offshore Technology International Conference & Exhibition*

Date : 22 – 24 October 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/deep-offshore-technology.html

► *World Shale Gas Conference & Exhibition*

Date : 4 – 7 November 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition.html