Oil & Gas Bulletin

► *12.07.2013*

SOCAR, BP and Total to get TAP stakes

Hürriyet Daily News (Reuters), *11.07.2013*

Azeri state energy company SOCAR and British BP will get 20 percent each, while French Total will have a 10 percent stake in the Trans Adriatic Pipeline (TAP) project, SOCAR's president said yesterday.

Abdullayev said that the partners for the Shah Deniz development will coordinate and sign all agreements and contracts for the export of Azerbaijani gas to Europe by late 2013 which will enable them to take a final financial decision on the second stage of the Shah Deniz field development project by the end of this year. Alternative to TAP, Nabucco-West pipeline project is still possible.

Nabucco-West pipeline project, which is a proposed natural gas pipeline from the Turkish-Bulgarian border to Austria, will be carried out after TAP is completed, Abdullayev stated, which he said would be possible after 2020.

Kirkuk – Ceyhan pipe back online

Upstream Online, *11.07.2013*

Crude flows along Iraq's Kirkuk-Ceyhan pipeline were reported to have resumed on Thursday after a stoppage of nearly three weeks. Exports along the key route from Iraq's northern Kirkuk oilfields to the Turkish port were halted on 21 June due to a leak, resulting in one of the longest stoppages in recent years that led to a spike in crude values in the Mediterranean region.

A shipping source informed Reuters that exports were now back online. Flows through the pipeline, which has an official capacity of 1.6 million barrels per day, are interrupted due to technical problems or attacks by insurgent groups

Eni expects to drill for gas off Cyprus next year

Upstream Online, *11.07.2013*

Eni has reportedly decided to start exploration drilling for natural gas off Cyprus in the second half of 2014, in defiance of Turkey's decision to sever business ties with the Italian energy giant over the move.

The company plans to drill on one of three deep-water blocks in the prospective Levantine basin in which it gained 80% stakes under production sharing deals signed with the Nicosia government earlier this year, CEO Paulo Scaroni said. "We are focused on gas, and we believe it is gas, but it might very well be oil as well," he said after meeting senior Cypriot government officials and President Nicos Anastasiades.

The block on Eni's radar screen for exploration lies just to the north of Noble Energy's flagship Aphrodite find in Block 12 that is believed to hold between 5 trillion and 8 trillion cubic feet of gas, with the US independent currently carrying out appraisal work. Noble has previously found 17 Tcf at its Leviathan discovery off Israel in the same basin that is estimated by the US Geological Survey to hold 3.5 trillion cubic metres (124 trillion cubic feet) of recoverable gas. France's Total has also signed a production sharing contract for offshore exploration with the Cypriot government.

Greek Cyprus, which required an international financial bailout earlier this year, is keen to get revenue from gas flowing as soon as possible. However, its hydrocarbon resources remain the subject of a sovereignty dispute with Turkey, which controls the northern part of the Mediterranean island state. Earlier this year, Turkish Energy Minister Taner Yildiz said the country had decided to suspend Eni's projects in Turkey and would no longer work with the company due to its exploration deals with Greek Cyprus.

The impact of TAP's selection on Turkey

Natural Gas Europe, *09.07.2013*

The BP-led Shah Deniz consortium's decision to reject the Nabucco pipeline project from the fourth energy corridor initiative directly influenced Turkey's standing in the Eurasian energy game. With Nabucco defeated, Turkey lost its energy ties with the EU and the European Commission (EC), along with the symbol of its decisiveness towards suppliers' dominance in the natural gas market.

Instead, Turkey managed, via TAP and TANAP, to strengthen its relation with Azerbaijan as well as southern European countries where it would not risk competing with Russian gas supply.

On June 28, 2013, the BP-led Shah Deniz consortium, which holds the license for exploiting one of the world's most important gas reserves, rejected the offer of Nabucco, which was the flagship of the EC's southern energy corridor project (SECP) for increasing the EU-27's gas supply roads, currently dominated in northern Europe by Russia. As said Reinhard Mitschek, the managing director of Nabucco Gas Pipeline International GmbH, "Nabucco delivers freedom of choice to gas consumers."

The consortium's decision made the Trans-Adriatic Pipeline (TAP) the first energy road bring Caspian gas to Europe. As a joint initiative of Swiss Axpo (42.5%), Norwegian Statoil (42.5%) and German E.ON (15%), TAP would run from the Turkish border via Greece and Albania to Italy. The Trans-Anatolian gas pipeline (TANAP), jointly held by Azerbaijan's SOCAR (80%) and Turkey's BOTAS and TPAO (20%), would deliver gas to TAP. In next decade, Azeri gas will be exported to Turkey's border via TANAP and to Italy via TAP.

Form Turkey's perspective, the end of Nabucco had more political impact than economic impact. Even though at the beginning of the process Turkey tried to use Nabucco as leverage for negotiating EU accession (insisting, for example, on a right to buy, at preferential rates, 15% of the gas flowing through the proposed pipeline), eventually this restricted position gave way to an approach of full cooperation. Turkey willingly and decisively signed Nabucco's international agreements and ratified it promptly in its parliament. Turkey also considered Nabucco an opportunity to strengthen its relations with EU and to build new bridges. The EU's Nabucco negotiator said on 2009 "Nabucco is a demonstration project of Turkey's intent to join the EU."

This change in Ankara's approach to Nabucco occurred when authorities began considering Nabucco as a milestone in the quest of transit countries to seek a decisive role in the Eurasian energy sector. The success of Nabucco could represent for Turkey an opportunity to redefine the Eurasian energy game, where transit countries do not have any significant influence in oil and gas pipeline projects' decision-making processes. When the TANAP-TAP joint gas delivery corridor project replaced Nabucco, it closed an age for Turkey, but it also opened new perspectives in the energy business.

At first economically, not only was the TANAP/TAP price offer more interesting than Nabucco's offer, but Turkey's share in TANAP (20%) was also more important than its share in Nabucco. Moreover, TANAP accepted to deliver natural gas to Turkey with a preferential rate. According to Turkey's Minister of Energy and Natural Resources, Taner Yildiz, TAP also invited Turkey to invest in the project. In August 2012, TAP had already invited Shah Deniz Consortium members BP, SOCAR, and Total to co-fund TAP's development and they were each given options to purchase shares, up to a total of 50%.

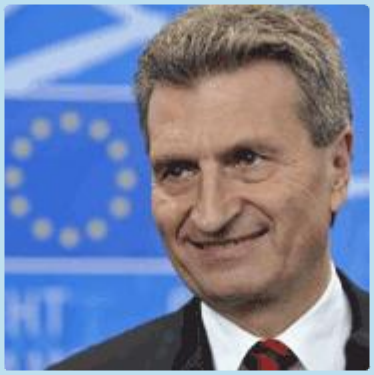
In the strengthened cooperation of TANAP/TAP, Turkey reached an opportunity to develop relations with European energy giants like Statoil, Axpo, E.ON, and BP instead of mid-size energy companies from the Balkans who were set to be involved in Nabucco. Another additional asset of TAP, compared to Nabucco West, was the shareholders' involvement in the Shah Deniz consortium--SOCAR at 10%, TPAO at 9%, BP at 25.5%, and Statoil at 25.5%. Turkey's rapprochement with Azerbaijan will also pave the way for future cooperation for Ionian gas pipeline and the Greece-Bulgaria Interconnector project.

Last but not least, the selection of TAP took away from Turkey a tense political decision. Russia's energy monopoly considered Nabucco a threat to its energy monopoly on Eurasia and developed the South Stream and the Blue Stream II gas pipeline projects, running from Caspian offshore fields to the Balkans via the Black Sea, to counter this perceived danger. Russia's action raised the question of Turkey's standing in this bi-polar tension between the main supplier (Russia) and the main consumer (Europe). That put Turkey in a difficult position, as Russia today supplies nearly 80% of Turkey's energy.

During the Nabucco process, Turkey preferred to oscillate between EU-backed and Russia-backed projects and to ink agreements with both sides. With the selection of TAP, Turkey moved away from the risk of opposing Russia, as TAP would supply southern European countries like Italy and Greece, which are not in Russia's sphere of influence.

Oettinger: Nabucco project not dead

Reuters, *07.07.2013*



The route planned by the Nabucco West pipeline project is not dead despite losing out in bidding to carry Azeri natural gas to Western Europe, European Energy Commissioner Guenther Oettinger wrote in a newspaper column.

"This is just the beginning. The decision to build TAP and later to deliver more gas also means that the supply path to Austria - Nabucco West at the moment - is still in the conversation," he said. Gas from Azerbaijan's vast Shah Deniz 2 gas field and eventually other Azeri fields will flow to Europe. Nabucco West proposed a route that would have collected the Azeri gas from a pipeline.

Barzani visits Baghdad to ease disputes on oil and gas law

AFP, *07.07.2013*

KRG President Massud Barzani held landmark talks in Baghdad on Sunday with Prime Minister Nuri al-Maliki on an array of disputes plaguing relations between the two sides.

Barzani met Maliki, after which the two held a joint news conference in the capital's heavily-fortified Green Zone, a major change from last year, when the Kurdish leader was advocating the premier's removal from office. The improvement in relations between the Kurds and the federal government is a rare bright spot for Iraq, which has been hit by a wave of violence that has killed more than 2,400 people this year, and long-running protests.

"We discussed disputes and we agreed to work on passing frozen laws in the parliament, especially the oil and gas law," Maliki said. Barzani said his aim was to send a message that "we are brothers and we are keen to communicate and collaborate." "We agreed to cooperate and work together and to face everything that threatens Iraq and the (Kurdish) region, and we consider this a national duty," he added.

Barzani admitted that there are "problems and different opinions between the region and the federal government" in Baghdad. But "today there is real political willingness to solve the problems," he said. Kurdish leaders want to incorporate a swathe of land stretching from Iraq's eastern border with Iran to its western frontier with Syria into their autonomous region over the objections of Maliki's government. The federal and regional governments also disagree over the apportioning of oil revenues. Baghdad has also been displeased with the Kurdish region for signing contracts with foreign energy firms without its approval.

Last year, Barzani was a leading critic of the premier, advocated his removal from office and said that Maliki could not be trusted with F-16 warplanes that are on order from the United States. Later in 2012, the establishment of the Tigris Operations Command, a federal military command covering disputed territory in the north, drew an angry response from Kurdish leaders. And a deadly firefight during an attempt by Iraqi forces to arrest a Kurdish man in a disputed town pushed tensions higher, with both sides deploying military reinforcements.

But more recently, the two sides have moved to patch up their differences. Kurdish ministers and MPs ended a boycott of the cabinet and the parliament in May, which was begun in March over objections that the new federal budget did not allocate enough money to pay foreign oil companies working in the region. And in June, Maliki chaired a cabinet session in Arbil, the capital of the autonomous KRG, and the two sides agreed to form joint committees to deal with disputes. KRG's deputy prime minister Emad Ahmed said in a statement on the region's official website that Barzani's visit was a follow-up to Maliki's trip to Arbil.

Shell appoints downstream director as CEO

Rigzone, *09.07.2013*

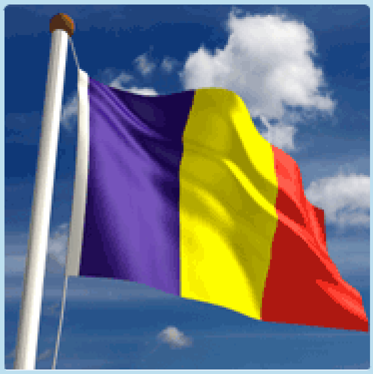
Royal Dutch Shell reported Tuesday that it has found a new CEO to succeed Peter Voser, who announced his retirement. Ben van Beurden will become the next CEO when Voser leaves Shell next year. Appointment will begin Jan. 1, 2014.

Lukoil Shell would look both internally and externally for candidates, in the end opted to appoint within the company. Van Beurden, a Dutch national, joined Shell in 1983 and since January 2013 he has been Downstream Director. He has held a number of technical and commercial roles in both the upstream and downstream parts of the business, including 10 years in the firm's liquefied natural gas business.

He has worked for the company in the Netherlands, Africa, Malaysia, the U.S. and the UK. "I am delighted to announce Ben van Beurden as the next CEO of Royal Dutch Shell," Shell Chairman Jorma Ollila said in a company statement. "Ben has deep knowledge of the industry and proven executive experience across a range of Shell businesses. Ben will continue to drive and further develop the strategic agenda that we have set out, to generate competitive returns for our shareholders. "Van Beurden's selection came after a comprehensive assessment and review of internal and external candidates led by the Board Nomination and Succession Committee."

Romania gives Chevron green light to explore shale

Reuters, *11.07.2013*



U.S. oil major Chevron won approval to drill exploration wells for shale gas in three areas in eastern Romania, local news agency Mediafax reported on Thursday. Romania's leftist government initially opposed shale gas when it took power in 2012 but has since became a supporter in view of potential economic benefits from any major discovery.

Mediafax said the decision was taken by the Technical Assessment Committee of the Environment protection agency of the town of Vaslui. EIA estimates that Romania and its neighbors Bulgaria and Hungary could between them have 538 billion cubic meters of gas.

Turkey and North Africa exports support Mediterranean refineries

Reuters, *11.07.2013*

Increasing demand for fuel from North Africa and Turkey is keeping Greek, Spanish and Italian refineries in business, the International Energy Agency said in its monthly oil report, even while their domestic economies slump.

The picture for Mediterranean refineries is bright by contrast with those in the north, where overcapacity and a lack of investment have led to a slide in margins and plant closures. "In the last three years, major European refiners in the Mediterranean basin, particularly in Spain and Greece, have seen a surprising revival in refining throughputs, bucking the trend in domestic oil demand," the IEA report said.

Turkey's imports of gasoil have grown by around 16 percent from 2010 to the first quarter of 2013, or by 40,000 barrels per day to 200,000 bpd, most of that growth supplied by Greek refineries, the report said. Significant investment in Spanish refineries has enabled them to become competitive compared with those in north-western Europe, which are often relatively simple and inefficient, the IEA said.

"Chief among Spain's new export markets are France and Italy, where overcapacity and flagging competitiveness have led to some of the largest cuts in refining capacity in Europe," the report said. It said Spanish exports of gasoil had risen in the past two years by 10 percent or 20,000 bpd to France and by 71 percent or 40,000 bpd to Italy. While Italy has been importing more gasoil from Spain, it has been exporting more gasoline to North Africa, the report said. "Persistent refinery outages and insufficient capacity in North Africa have combined with growing consumption to increase import demand, especially for gasoline," it said. The IEA said that from 2008□10, Libyan refineries processed an average of about 350,000 bpd of crude oil, but that since the onset of the Libyan civil war, runs have averaged about 110,000 bpd.

Libya has ramped up gasoline imports from Italy by an average of more than 30,000 to help make up for the gap, it said. Algeria also has been an important source of demand for Spanish and Italian oil products, the report said. "The country's demand for gasoline has grown by 50 percent between the first quarter of 2010 and the first quarter of 2013, while refining throughput has fallen by 35 percent over the same period." Mediterranean refineries, like their peers in the north of the continent, still face considerable headwinds, however. In recent weeks and months, competition has increased as Russia has expanded diesel exports to Europe, while costs have risen for Urals crude and West African crudes.

Greece to sell DEPA in first half 2014

Reuters, *06.07.2013*

Greece will sell its natural gas company DEPA in the first half of 2014, a timetable that could push back plans to sell the country's biggest oil refiner Hellenic Petroleum, an official at the country's privatization agency said.

Greece is under pressure to sell off assets to raise money to meet targets set under its international bailout. But Athens' failure to receive any binding bids for natural gas company DEPA in June made it unlikely it would meet the privatization goals set by its international lenders. As a result, the government has asked that its privatization target agreed for the year is cut by one billion euros, the official said.

"The DEPA privatization will take place in the first half of 2014 and this delay is likely to push back the Hellenic Petroleum sale," said the official who requested anonymity. "Since the DEPA sale failed ... we have asked ... to transfer 1 billion euros from our revenue targets to 2014." Athens had planned to privatize Hellenic Petroleum, which owns 35 percent of DEPA, in the last quarter of 2013 as part of an asset sale programme demanded by its EU and IMF lenders. Hellenic Petroleum is one of two consortia Greece has picked to search for oil and natural gas in the western part of the country, as cash-strapped Athens seeks to save money on energy imports. DEPA's sale floundered after Russia's Gazprom, the front runner to buy it, withdrew at the final stage of the sale.

RWE sees end of Europe's 40 year old gas pricing for Gazprom

Bloomberg, *08.07.2013*

RWE AG expects a 40-year-old system for setting European gas prices that has cost Germany's second- largest utility hundreds of millions of euros to be cast aside after an arbitration ruling against Russia's OAO Gazprom.

A Vienna tribunal decided RWE paid Gazprom too much from May 2010 and Gazprom needed to introduce market rates for the fuel, according to the German power producer. In reaction, Russian President Vladimir Putin defended the decades-old regime of linking rates to oil indexes. "We have a solution which partly replaces oil indexation by gas indexation," said Bernhard Guenther

“Going forward we will claw the small money back which we might now still lose on the remaining oil-indexed part.” RWE, now in price talks with Gazprom, has fought to end the tradition of linking supply deals to oil prices that was set up before European gas markets for immediate delivery developed. Weakening demand for gas means the amount utilities can charge customers for the fuel has sunk relative to Gazprom’s prices. The ruling “will be taken into consideration in the new talks,” Guenther said. Seeking arbitration, instead of settling with Gazprom like larger rival EON SE, was successful, he said.

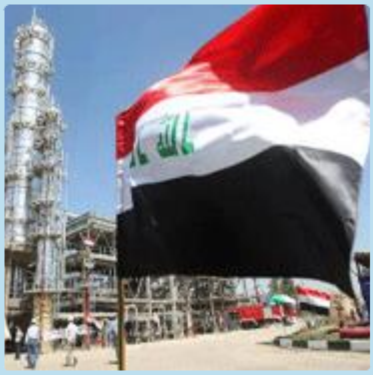
RWE was the only European customer to complete arbitration. RWE has declined by 9 percent in Frankfurt trading since announcing the ruling June 27, while EON is down 1.1 percent. RWE today advanced 0.6 percent to 22.39 euros by the close. The ruling brought “quite limited” links to gas indexes, Gazprom Export, responsible for contracts, said in a statement. “We consider the ruling objective, weighted and taking into account principles of long-term contracts, arguments from both sides and objective processes that happened on the market.”

EON, Gazprom’s biggest European customer, reached a deal with the Russian company on gas prices a year ago that added about 1 billion euros ($1.3 billion) to half-year results. RWE said on July 1 the effect of the arbitration ruling was “in line” with its expectations, without providing a figure. The company will get a similar windfall to EON, Spiegel reported. “The award was a necessary step to eliminate the anachronism of oil-price indexation,” said Thomas Deser, a portfolio manager at Union Investment GmbH who is responsible for the fund’s 57 million-euro stake in RWE. The company may have avoided raising its outlook after the ruling because of possible losses in Egypt operations, he said.

RWE plans to sell its Dea oil and gas production unit in the country to raise as much as 5 billion euros, according to a person familiar with the matter who asked not to be identified. The utility is also studying mothballing power plants where losses are higher than the cost of closing them, Guenther said. RWE is cutting capital and operating expenditure to ensure it can generate cash and plans to reduce the ratio of net debt to earnings before interest, tax, depreciation and amortization in the medium term to 3 from 3.5, he said. It won’t likely pay down debt without disposals until 2015, when it can generate cash after paying expenses and dividends, Guenther said.

Iraq offers 3 oilfields to India on nomination basis

Economic Times, *11.07.2013*



In a first from an oil-rich Gulf nation, Iraq has offered three discovered oilfields to India on nomination basis and has agreed to renegotiate an oil block that has been pending since 2000.

Iraq, India's second-largest crude oil supplier after Saudi Arabia, offered to give state-owned Indian firms Kifil, West Kifil and Merjan discovered oil blocks in the Middle Furat oilfields on nomination basis, Oil Minister M. Veerappa Moily told reporters here. Moily, who returned from Baghdad after attending the Indo-Iraq Joint Commission Meeting, said the "fields are discovered and work can immediately start."

This is the first time in recent past that an oil-rich Gulf nation has offered fields on nomination basis. Previously, Iraq and other Gulf states asked Indians to participate in an international competitive bidding to get the oilfields. Also, Iraq has agreed to immediately renegotiate and conclude the contract for Block 8 with ONGC Videsh Ltd, the overseas arm of state-owned Oil and Natural Gas Corp, he said. Block-8, located in the western desert in southern Iraq bordering Saudi Arabia and Kuwait, was awarded to OVL in November 2000 by the then Saddam Hussein government. However, the government formed after the US invasion of the oil-rich country, sought re-negotiation of the contract which has been pending so far.

The post-Saddam Hussein regime had initially agreed to sign of a Production Sharing Contract (PSC), where OVL would have got ownership of the oil it produced from Block-8. But the success of post-war licencing rounds, where global majors committed to develop oilfields for a small fee, has seen Baghdad change track and offer a service contract to OVL. The Block 8 already has a discovery and is estimated to hold 645 million barrels of in-place reserves, of which 54 million are recoverable. Officials said the contract for all the four blocks would be a service contract wherein OVL will be paid a fixed per barrel fee for its efforts in exploring and producing oil.

Moily said Iraq also agreed to consider investment in the upcoming 15 million tons a year oil refinery of Indian Oil Corp (IOC) at Paradip in Orissa. "The Iraqi side also expressed interest in the proposal of IOC for participation in a refinery project in Iraq," he said adding the OPEC producer committed to meeting the long term requirement of crude oil of India and was also open to consider more favourable commercial terms including extending the interest free credit period from 30 to 60 days. Iraq supplied 24.04 million tons of crude oil in 2012-13. "Possibilities for cooperation in the gas sector that could include import of LNG from Iraq, Indian participation in exploration as well as value addition through petrochemical projects and liquefaction terminals in Iraq were discussed," he said.

Interview with Solon Kassinis, VP of the Greek Cyprus National Hydrocarbons Co.

Natural Gas Europe, *09.07.2013*

Solon Kassinis is the Executive Vice President of the Greek Cyprus National Hydrocarbons Company Ltd. (CNHC). Prior to this position he has held positions with: Sasol Ltd., Greek Cyprus Petroleum Refinery and the Greek Cyprus Ministry of Commerce, Industry and Tourism, where he was Director of Energy Service before undertaking his current position

Natural Gas Europe was pleased to have the opportunity to interview Solon Kassinis on Greek Cyprus' natural gas sector developments and the ongoing plans to explore and exploit the offshore gas reserves. "The gas sector has already started contributing in the country as of now" Kassinis says.

Greek Cyprus is on its way to become a natural gas producer by 2018 according to all estimations; what can be expected in terms of export strategy for Cypriot gas?

It is true Greek Cyprus has already decided to make a long-term plan in that sector which we view as a national goal. We have designated an appropriate location for the LNG installation and what is needed now to conclude this process is the the preliminary political decision has been set to be sealed in the coming period. We look forward for the Noble Company to undertake such venture and also look into the safeguarding of the finances of such project. Greek Cyprus has an ideal location for the East Mediterranean natural gas, it is an EU state and I believe that the gas from that region will also be of priority for the rest of the EU. Moreover we have corporate players that are also committed such as Kogas, ENI which have formed a consortium and Total and are all in their way of exploring the blocks which have been awarded to them recently. Moreover we are totally committed into collaborating with the Israeli side which will soon take its political decision regarding the export of its gas to the markets.

In your view how can the Greek Cyprus-Israeli natural gas partnership are accommodated if we take into consideration Turkish obstructions?

The cooperation with Israel is based in synergies created by the fact that both countries share significant amounts of gas in neighboring offshore regions. Of course within Israel there are opinions that differ when examining an export route. Nevertheless the most recent further findings of natural gas of that country will ease the pressure exercised by voices that are against exports, I am pretty sure that Tamar and Leviathan along with smaller fields could spur an export corridor and boost Greek Cyprus-Israel common stance in that sector. The Greek Cypriot gas along with leviathan for instance can use the same infrastructure and can bring it into Greek Cyprus for export. I don't think that eventually the Turkey will obstruct the process.

What is the best and worst case scenario regarding the overall gas reserves offshore Greek Cyprus in terms of volume and investment cost?

Based on the seismic survey that did we did and my analysis we have in the Exclusive Economic Zone of Greek Cyprus I estimate that at least 60 tcf that can especially serve the European Union's needs for the coming years, since Europe will need at least 100 cbm additionally by 2035 according to estimations. Thus Greek Cyprus and the East Mediterranean can really boost energy supply to Europe and secure its needs for the long-run. Regarding costs, an LNG terminal plus the additional and supplementary installations and costs associated with creating a fully-fledged infrastructure could top at around 9 billion Dollars

I would like to ask you how important in financial terms can the natural gas sector be for Greek Cyprus, especially since the Island's economy was battered by the recent "haircut" on deposits?

The gas sector has already started contributing in the country as of now. For example in Block 12 for the well a 120 million Dollars cost has been budgeted, out of which 20% will be a net gain for the Greek Cypriot gain. Next year we are going to have an additional five wells in various offshore locations to the companies that have been awarded the contracts, for which of course they also paid in order to get awarded. When the LNG terminal will be commissioned, a huge boost for the local economy is expected, since at least 6,000 jobs will be created in an island of 750,000 people, plus billions worth of investments. In a broader scale I could tell you that the natural gas sector will become an integral and vital part of the local economy based on three pillars. One pillar is the capital that is going to be infused in the state budget for year to come. The second pillar is the development of the Island's private economy through massive investments and thirdly it is going to be the creation of reserve fund for future generations. So in order to sum up, yes in financial terms natural gas is a great business for Greek Cyprus and will certainly be of great importance for the economy.

If it's possible it would be interesting to lay down the timetable concerning the exploration and exploitation process both for the Block 12, as well as, the rest of the offshore concessions?

The block 12 we are running now for 3-Dimensional surveys which will be finalized shortly during the year. Another sizeable field maybe also located in Block 12 and Noble energy is optimist about it. Moreover, ENI and Kogas have also an ambitious investment program that will commence by autumn 2013 and by next year I am certain we are going to have more positive findings.

Lastly I would like to ask you to pin-point the pros and cons regarding the East. Mediterranean pipeline and how does exactly Nicosia plans to accommodate such a project both in technical terms but also in political ones?

The main option to be looked upon so far for that issue is the establishment of an LNG terminal, although we do look upon the prospect of a joint Israeli-Greek Cyprus-Greece pipeline all the way up to Italy. Certainly in that case they are going to be technical challenges, the waters are deep and there is also the need to use cutting-edge technology which will increase costs. It has to be noted that the Cypriot reserves are to be found in ultra-deep locations and to give you a comparison a pipeline aiming to supply the Italian market would certainly be much more expensive by plans such as those of the Trans-Adriatic pipeline (TAP) from Azerbaijan up to Italy.

Oil and gas M&A in 2Q 2013 reaches just $23.6B

Rigzone, *06.07.2013*

As we embark upon a new quarter, Evaluate Energy has taken the time to reflect on the key trends that emerged during the second quarter of 2013 in the oil & gas M&A market, including the impact of NOCs and the transition of substantial gas discoveries during 2012 into multi-billion dollar deals.

The most significant statistic to emerge from the data is that the total deal value in the upstream sector during Q2 2013 came to just $23.6 billion, lower than any other quarter since Q3 2009. Q3 2009 had its own strong reasons for being sluggish; during the quarter the credit crisis had claimed its first major victim with the collapse of Lehman Brothers.

The US Henry Hub gas benchmark fell below $2 and oil prices were still recovering after plummeting to $30 at the end of 2008. The explanation behind the latest quarter's lackluster performance, however, lacks the same drama; oil and gas prices have shown stability during the quarter at $90 per barrel of oil and $4 per mcf of gas in the US. Economic uncertainty still lingers though especially within the austerity-hit European market and many CEOs are erring to the side of caution when it comes to expanding beyond their company's reach. Due to these reasons, perhaps it's no surprise that the largest deals during the quarter involved national oil companies, who are less influenced by short and medium term economic fluctuations.

The largest deal of the quarter involved ONGC and Oil India, who acquired a 10% stake in the 100+ tcf gas discovery offshore Mozambique in the Rovuma basin for $2.5 billion from Videocon Industries. The $0.50 cost per recoverable mcf of gas reserves would usually represent good value but commercialization of the asset is at least 5 years away and will require large upfront payments to develop the field and construct the necessary LNG exporting terminal which would have made this field fall short of many public companies' investment appraisals. The deal follows the acquisition of Cove Energy at the end of 2012 when another national oil company, PTT, keen to gain control of the company's flagship asset of an 8.5% interest in the Rovuma Offshore Area 1, paid $2.2 billion.

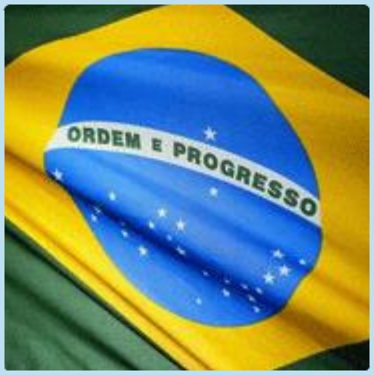
The next largest deal involved Lukoil acquiring the Russian assets of Hess Corp for $2.05 billion. The deal was initially expected to raise little over $1 billion so the price negotiated can be seen as a coup for Hess. With Russia's steep production and corporate taxes, typical per proven barrel of reserve metrics seldom exceed $5 per boe (Rosneft acquired TNK-BP for $5.13 per boe of proven reserves in 2012), yet the Hess deal equates to approximately $25 per proven boe for the oil rich assets. Chinese companies were uncharacteristically quiet in terms of new deals during the quarter with only one notable transaction taking place; Sinopec acquired a 10% interest in Block 31 offshore Angola.

In the past couple of years, Chinese-based companies averaged $8.4 billion of new global E&P deals per quarter, yet in Q2 2013, this deal between Sinopec and Marathon made the total just $1.5 billion. Despite the lack of traditional M&A, China did grab the world's attention when it agreed a crude oil marketing deal with Rosneft worth $270 billion over 25 years to import 300,000 b/d including a $70 billion upfront cash payment.

The third largest deal also came from Africa with Petrobras divesting a 50% stake in all of its African operations for $1.525 billion to Banco BTG Pactual S.A.. The divestment is part of Petrobras' $9.9 billion divestment plan to partly fund development of its huge pre-salt oil reserves off the coast of Brazil, which will require $107 billion investment over the next 5 years. The deal involves 73.9 million boe of proven reserves which are 95% oil and 57% developed, along with a considerable portfolio of exploration assets. Given the amount of exploration upside in the deal the price paid per proven reserve of $20.63 represents an impressive deal for the buyer.

World's largest undeveloped discovery for sale

Offshore Magazine, *09.07.2013*



The world's largest undeveloped discovery, Libra, will be up for bid this October in Brazil's unprecedented presalt bid round. Aside from the fiscal parameters and full-field appraisal, Brazil's National Petroleum Agency anticipates that the data available from seismic surveys of Libra and discoveries will be sufficient for international investors.

Evaluation by Gaffney, Cline & Associates suggests the field could hold 4-15 Bbbl of recoverable resources. The best estimate is about 8 Bbbl of oil. Full field development of the 727-sq km (281-sq mi) area could require at least 10 FPSOs and 200 wells, according to estimates from IHS.

The government, however, is moving to a production-sharing framework for the presalt blocks from a concession-based approach that was followed in May's auction and drew $1.4 billion in signing bonuses. A total of 30 domestic and international oil and gas companies were awarded 87 onshore and 55 offshore blocks in Brazil's 11th bid round.

Under the new system, the bonus payments and local content requirements will be fixed, and it will be the percentage of profit oil that companies are prepared to sign over to the government that will determine the success of the bids. And the current law requires Petrobras to be the principal operator and 30% minimum stakeholder in the blocks up for auction.

Offshore Greece seismic data review ahead of licensing round

Offshore Magazine, *08.07.2013*

The first fast track datasets are available from its newly acquired 2D multi-client data offshore western and southern Greece. This was co-commissioned by the Hellenic Republic Ministry of Environment, Energy, and Climate Change.

Following the deep water discoveries offshore nearby Greek Cyprus and Israel, the Greek government will open these offshore areas to exploration under a licensing round scheduled for mid-2014. The aims of the acquisition program were to improve understanding of the regional structure and depositional basins and identify petroleum systems at the offshore of the Greece.

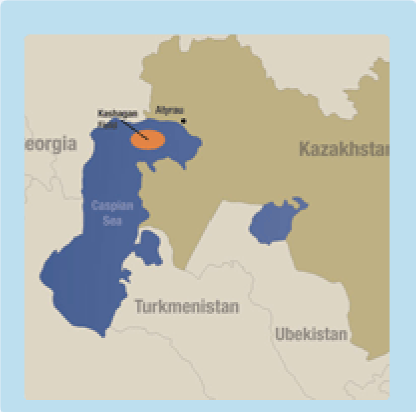
PGS acquired 12,500 km (7,767 mi) of new data acquisition using its GeoStreamer technology, which removes both receiver and source ghosts. Other available data include 6,000 line km (3,728 mi) vintage data re-processing that will be combined into a regional interpretation. Main focus of the new program is on three areas. The northern area is a grid of lines in the Ionian Sea over the Pre-Apulian zone – an extension of the Southern Adriatic carbonate platform with late Cretaceous – Eocene carbonates overlain by a thick Oligocene shale seal and Mio-Pliocene clastics on top.

These are thought to be analogous to productive fractured carbonate reservoirs of the central Adriatic to the north offshore Italy and Albania. To the south, there is a loose grid of lines around the Katakolon discovery, an area of the Ionian zone analogous to the oil fields onshore Albania.

Previous drilling throughout this zone stopped at or before the Triassic evaporates, which are overlain by thick Mesozoic carbonates and Tertiary clastics. Imaging here will focus on Eocene to Cretaceous analogues for Katakolon and the Triassic evaporates, characterized by halite, gypsum, and anhydrite interbedded with dolomites and thin organic rich shales. South of the island of Crete in the Libyan Sea, the grid of lines are expected to reveal the Neogene accretionary wedge that forms the Mediterranean ridge and the extent, thickness and continuity of the Messinian evaporate coverage.

Kashagan partners prepare for first oil in Caspian Sea

Offshore Magazine, *08.07.2013*



The North Caspian Operating Co. (NCOC) has completed the facilities for initial oil production from the giant Kashagan field in the Caspian Sea, 80 km (50 mi) southeast of Atyrau.

Due to the project's size and complexity – the location is in ultra-shallow, ice-prone water in the Kazakh sector, with an initial high reservoir pressure of 770 bars (11,168 psi) – the start-up process involves a long sequence of steps leading to first production, progressively ramping up to the intended levels. This sequence includes completion of each module, assurance that each module operates safely according to design specifications and assurance.

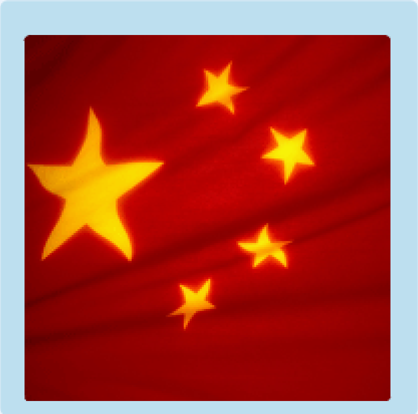
Once all targets are met, the integrated system will receive first oil and gas from a depth of 4,200 m (13,779 ft) below the North Caspian Sea, delivered through eight wells on the artificial A Island. Both the wells and the pipeline system are ready for production, while the offshore production and treatment facilities on the D Island are in the final stages of commissioning. At the onshore Bolashak Processing Facility, sweet gas has been introduced from the Makat gas grid (Kashagan's gas contains high levels of hydrogen sulfide and some carbon dioxide). Employing sulfur-free gas is said to be a critical step before real gas and fluids from the production wells are allowed into the system.

During 2013/2014, production will climb steadily toward the design capacity, with eventually 20 wells delivering 180,000 b/d in the first stage, ramping up (following gas reinjection) to 370,000 b/d in the second stage. Currently, 11 wells have been drilled with 29 more to follow for Phase 1. To date the project has cost $40.6 billion. The Kashagan field spans an area of 5,600 sq km (2,162 sq mi), in a water depth of 3-6 m. Following discovery in 2000, the field was declared commercial in 2004. The reservoir has an estimated 35 Bbbl of in-place oil, of which 9-13 Bbbl could be recoverable.

NCOC operates on behalf of seven partners: KMG (KazMunayGas) 16.81%, Eni 16.81%, ExxonMobil 16.81%, Shell 16.81%, Total 16.81%, ConocoPhillips 8.40%, and INPEX 7.56%. Aside from Kashagan, other assets within the North Caspian PSA contract area include the Kalamkas Sea, Kashagan South-West, Aktote, and Kairan fields.

China wants bigger share of U.S. shale revolution

Reuters, *10.07.2013*



China expressed a desire to increase its investment in U.S. shale gas during talks between the two countries on Wednesday, an American official said.

Output from shale fields in the United States and Canada has jumped in recent years with the increased use of drilling methods such as hydraulic fracturing. Companies in China, which has the largest shale reserves in the world, are keen to get the know-how for drilling in such unconventional fields. As the world's largest energy consumer, China is also scouting for oil and gas supplies abroad to feed its energy appetite.

China already has about $5.5 billion invested in U.S. natural gas, and said it also welcomes greater American investment in China's own energy industry, the U.S. administration official said. Chinese and U.S. officials met to discuss energy issues as part of the two-day U.S.-China Strategic and Economic Dialogue in Washington this week.

"There's a very strong Chinese interest to be able to benefit and learn from American technology and American investment," the U.S. official told reporters on condition of anonymity. "There's recognition on both sides that we both gain from investing in each other's energy markets, and a commitment to work to resolve obstacles that might exist to investment."

In a deal this year, the Chinese company Sinopec Group, Asia's largest oil refiner, bought a $1 billion stake in the Mississippi Lime shale formation from Chesapeake Energy Corp. But Chinese firms also face obstacles to investing in certain strategic sectors, and China regularly complains that the United States blocks access to plum investment prospects on national security grounds. U.S. companies, for their part, complain China heavily restricts foreign investment in about 100 different sectors.

"(We discussed) China's interest as well (in) being a recipient of American investment in unconventional oil and gas, and especially gas, and the critical need to address some of the constraints," the administration official said. Both countries also talked about doing a better job of sharing data on energy supply and demand, as well as on national energy reserves.

U.S. oil boom to erode OPEC market share in 2014

Reuters, *11.07.2013*

The North American shale oil boom could spur the biggest rise in non-OPEC supply growth in decades next year, helping meet strong global demand and eroding the market share of OPEC countries, the International Energy Agency (IEA) said on Thursday.

Shale oil and gas is already transforming the global energy market, notably by providing cheap supplies to the U.S. economy and lessening its dependence on imports. Even though global oil demand growth in 2014 will rise to its strongest level since 2010, supply will remain quite comfortable, meaning oil prices should avoid steep spikes.

The 2014 outlook... "Should give oil bulls some cause for alarm. Non OPEC supply growth looks on track to hit a 20 year record next year, surpassing the 1.3 million bpd high reached in 2002," the IEA said. While demand growth is also forecast to gain momentum, rising to 1.2 million barrels per day (bpd) in 2014 from 0.930 million bpd in 2013, it will still fall short of forecast non OPEC supply growth. As a result, the need for OPEC oil will decline.

The IEA said the "call" on OPEC crude is set to ease in 2014 to 29.4 million bpd from 29.6 million bpd this year and versus current OPEC production of 30.61 million bpd. The picture painted by the IEA represents a dramatic change in patterns seen in recent decades when the world was expected to be increasingly reliant on OPEC's oil with supplies from other producers declining or remaining stagnant. OPEC itself said on Wednesday that 2014 incremental demand will be covered by non-OPEC supplies.

Rising shale output will make it harder for the 12-member group to keep its own output at high rates without risking a drop in prices below $100 a barrel, its preferred level. In 2014, the IEA expects North American supply to grow by close to 1 million bpd and other countries including Brazil and Kazakhstan to also produce more. Major presalt projects in Brazil, the Kashagan field in Kazakhstan, West Chirag in Azerbaijan, and new fields in the North Sea are expected to offset declining production elsewhere. "Production could prove even higher than forecast in Russia, the United States, Canada, and Brazil, especially if prices remain at or above current levels," the IEA said.

For Reuters TV interview with the IEA's Antoine Halff on the demand side, China is forecast to remain the main engine of demand growth in 2014 adding 385,000 bpd, followed by the rest of non OECD Asia adding 325,000 bpd and the Middle East, where demand should rise by 225,000 bpd. "While demand in the OECD region is expected to contract, it will do so at a much slower pace than has been the case in the last few years since the 2008 financial crisis, edging down by 0.4 percent in 2014 compared to the 0.8 percent drop of 2013."

Qatar plans energy shakeup in global expansion bid

Reuters, *09.07.2013*

Qatar's new leadership is expected to accelerate plans to spin off its prized asset, Qatar Petroleum, from the energy ministry to allow the world's biggest liquefied gas producer to grow more quickly abroad at a time of rising rivalry from new producers.

Qatar's global LNG market dominance is under threat as new producers in the United States, Australia and East Africa will flood the market with new volumes in the next few years. Industry sources say Qatar hopes that the spinoff will speed up decision making - something Qatar's outgoing emir has asked from the new leadership.

"In many ways it (the plan) would increase efficiency," a source at Qatar Petroleum said. "The rationale behind the desire for international growth is the moratorium, as the growth potential at home is limited." QP's growth prospects at home are severely hampered by a self-imposed moratorium on new projects to tap the world's biggest gas reservoir, the North Field, leaving international expansion as best chance of maintaining its gas market share.

The moratorium is expected to remain in place until at least 2015. By that time, former leading Qatari LNG buyer, the United States, is expected to start exporting its own LNG, while a wave of Australian projects are due to start supplying Asia - which currently buys about half Qatar's LNG. QP revenues have bankrolled the tiny Gulf state's transition into a pivotal political player in the Middle East with large roles in the Libyan and Syrian revolutions as well as an important global investor in Western banks and companies. Although the first steps towards giving QP more independence were taken over a year ago, last month's father-to-son power transfer may prove an additional catalyst for the plan. The outgoing emir Sheikh Hamad, 61, abdicated to transfer power to his 33-year-old heir, Sheikh Tamim bin Hamad al-Thani, saying he wanted a new generation "with their innovative ideas and active energies" to take over.

The first hints of changes emerged about 18 months ago when energy minister Mohammed Bin Saleh Al-Sada's department was divided into a ministerial and QP business side. Several sources told Reuters that Saad Sharida Al-Kaabi, director of QP's huge ventures with foreign majors, Qatargas and Rasgas, was a front-runner to become QP's new CEO while Al-Sada will keep ministerial functions. "It is simply a separation of powers - it means that the crown jewels are no longer in the hands of one person - those days have gone", one Western diplomat said. QP controlled businesses generate over half of Qatar's gross domestic product and about three quarters of export earnings for the OPEC member. It might take several months for the spinoff to materialise, several sources told Reuters. Gulf OPEC governments keep their national oil companies on a tight leash, not least because it helps them control production in line with OPEC policy.

Unlike QP, where Al-Sada is both chairman and managing director, some state companies have chief executives for daily business, like Khalid al-Falih, who has become Saudi Aramco's face abroad. The CEOs still answer to energy ministers - in the case of Saudi Arabia to long-serving Ali al-Naimi - who typically head the boards and report to the national rulers. The reforms planed in Qatar will see Al-Sada relinquish his role as managing director, although he may stay on as chairman.

QP has built its LNG facilities with the help of ExxonMobil, Shell and Total and is sharing output with global majors via the Qatargas and Rasgas ventures. The two ventures have been careful not to tread on each other's toes in their global LNG sales businesses, but having separate boards reduces efficiency in decision making, even if they ultimately answer to one boss, Al Sada, sources say. Sources add that a merger of Rasgas and Qatargas has long been contemplated as one of the options to streamline the decision-making process and maximise profit for Qatar. The details of the plan are still not clear with Rasgas 30 percent-owned by Exxon while Qatargas is made up of a wider consortium of companies including, Total, Exxon, Mitsui, Marubeni, ConocoPhillips and Shell.

Announcements & Reports

► *OPEC Monthly Oil Market Report (July 2013)*

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_July_2013.pdf

► *EIA Short Term Energy Outlook*

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

► *EIA Country Analysis – Kuwait*

Source : Energy Information Administration
Weblink : http://www.eia.gov/countries/analysisbriefs/Kuwait/kuwait.pdf

► *Global Oil and Gas Tax Guide*

Source : Ernst & Young
Weblink : http://www.ey.com/Publication/vwLUAssets/2013_global_oil_and_gas_tax_guide/$FILE/EY_Oil_and_Gas_2013.pdf

Upcoming Events

► *3rd Erbil International Oil and Gas Exhibition*

Date : 2 – 5 September 2013
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► *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

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

► *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