Oil & Gas Bulletin

▶ *19.07.2013*

Natural Gas Market legislation will be presented to the Cabinet in July

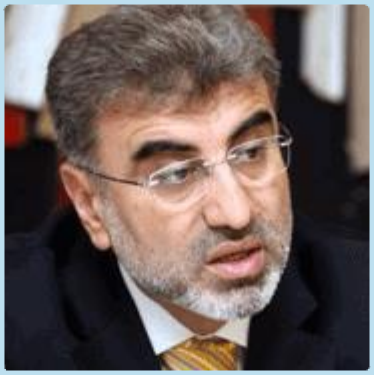
Enerji IQ, *15.07.2013*

It has been learned that the amendment in the Natural Gas Market legislation will be submitted to the Cabinet for signing in July, followed by being put on the agenda of Parliament after its opening in October.

The final version of the amendment in the Natural Gas Market Law, which was submitted for public opinion on September 2012, will once again attempted to be pushed through the legislative process. An officer of the Ministry of Energy and Natural Resources stated that the draft would be submitted to Cabinet in July, and that it would then be submitted to Parliament in October, at the start of the new legislative year.

Yildiz says no interruptions in gas supply this winter

Today's Zaman, *12.07.2013*



Responding to reporters' questions on speculations of cutoffs to the natural gas supply this coming winter, Energy Minister Taner Yildiz said the ministry does not expect its main supplier Gazprom to turn off the tap.

"I don't believe there will be any cutoffs in the supply from Russia as Gazprom and other minor suppliers work hard to meet the terms of their contracts. Our talks with Alexei Miller are proceeding and we have not received any official information regarding a possible cutoff. I also don't think we will experience such cutoffs because Gazprom is one of the largest suppliers of natural gas to world markets."

According to reports, a gas dispute could prompt Russia to halt natural gas transfers through Ukraine -- which it did in 2006 and 2009 -- creating shortages in countries such as Turkey, Greece and Bulgaria in the coming winter. Meanwhile, Miller has said that annual gas exports to Turkey could reach 30 billion cubic meters, exceeding the total of the current top importer, Germany. He added that Turkey is Gazprom's fastest-growing market. Turkey imported 43 billion cubic meters of natural gas last year, of which 27 billion came from Gazprom.

Balancing gas market to be ready by January 1, 2014

Enerji IQ, *15.07.2013*

EMRA is continuing its work on the regulations prepared with the aim of establishing a balancing gas market, based on the opinions which have been received. The regulations are extremely important in terms of creating liquidity in the natural gas market, and increasing the ratio of free market dynamics within the market.

It is anticipated that they will become valid on 01 January 2014, but that they will only start to be implemented after a specific period of transition and testing. EMRA believes that it is essential for two obligations to be carried out in order for the balancing gas market to become established.

The first of these is the successful establishment and of the EBB (Electronic Bulletin Board) by BOTAS, and the system becoming operational, and the other is the establishment of the delivery control centers by the city natural gas distribution companies, in accordance with the decision dated 25 December 2012, concerning eligible consumers.

The EMRA attaches just as much importance to the Network Code modifications as it does to these two points for the creation of an equalizing gas market, which is one of the most important components of a modern natural gas market. A senior representative of the authority, whose views were sought by Enerji IQ, said, “There will need to be deep rooted changes to the backbone of NOD in order to create an equalizing gas market.” It is planned that the work on the required changes, primarily the harmonizing of the allocation methods between the National Harmonizing Point and the Transfer Point at NOD, be completed in September or October.

However, representatives of the sector do not believe these steps will be sufficient on their own. Participants in the market are seeking an end to the integrated structure of BOTAS, and its division, as well as the removal of certain legal and commercial obstacles facing the market. Representatives of the sector, whose opinions we have sought on the draft regulation in general, focus on the need for a more detailed and understandable specification of the processes concerning the equalizing gas market. One of the points which is underlined by the sector is that the end of day trade system which is used to minimize irregularities needs to remain unchanged.

EnerjiSA IPO delayed one year

Hürriyet Daily News, *19.07.2013*

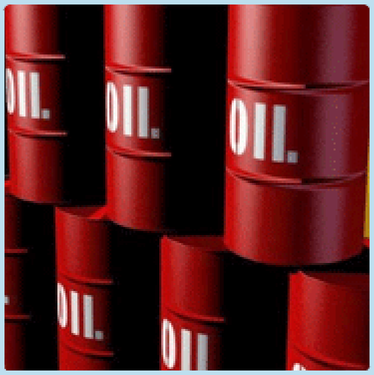
The initial public offering of Sabanci – E.ON joint venture EnerjiSA, which was originally planned for 2015, has been delayed until 2016, according to Sabanci Energy Group President and Chairman Selahattin Hakman. Speaking in an interview with private broadcaster CNBC-e, Hakman shared the future plans of the company, which is owned in a 50-50 percent partnership between Sabanci Holding and E.ON.

EnerjiSA, which had earlier won the power grid in Ankara for $1.23 billion, recently won two other grids, the Ayedas and Toroslar Electricity distribution regions, for a sum of nearly $3 billion.

Hakman said the company wanted to expand its presence in the electricity sector by entering generation tenders but does not have other plans on the distribution side. “We will make use of the opportunities in this [energy generation] field,” he said. In his remarks, Hakman added that the company wanted to be involved in the energy bourse that is planned to be established soon. EnerjiSA is also closely monitoring shale gas developments in Turkey and may step in if potential is seen, Hakman also said.

5.3 billion barrels of oil flowed through Turkey in 24 years

Anadolu Agency, *13.07.2013*

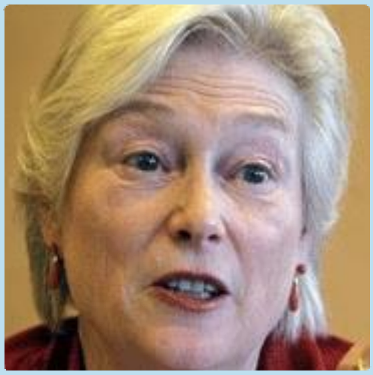


Over the last 24 years, 5.3 billion barrels of crude oil have been distributed via four pipelines in Turkey, according to the data from the state-run pipeline company BOTAS. 385 million barrels of oil were distributed via the pipelines in 1990, the annual amount increased to 429 million barrels in 2012.

Turkey had closed the Kirkuk-Yumurtalik oil pipeline in 1990 after the UN Security Council imposed economic sanctions on Iraq. The use of the Kirkuk-Yumurtalik pipeline had been limited again during the Iraq war between 2003 and 2007. And during this period of time, Turkey mainly used the Baku-Tbilisi-Ceyhan.

Hoeven: Turkey good at refixing gas prices

Hürriyet Daily News (Reuters), *19.07.2013*



The International Energy Agency (IEA) came out in favor of the spot gas market on late Wednesday over contracts that link gas to oil prices, citing Turkey as an example of a successful renegotiation.

Russian gas export monopoly Gazprom clinched a long-term deal last November to export gas to private companies in Turkey, breaking a previous impasse in gas trade following its price dispute with state gas company BOTAS. "Turkey was quite good at renegotiating the price," IEA Executive Director Maria van der Hoeven told reporters. The IEA advises 28 industrialized countries on energy policy.

Many European utilities and other gas buyers receive most of Russia's piped gas supplies under long-term contracts that link gas prices to the price of oil. Oil prices have been high compared with spot gas and electricity prices, making the Russian gas expensive. Utilities have been trying to push Gazprom to renegotiate prices and link more of its gas to the spot market. "What we see is a majority of the gas prices are based on oil indexes, and the question is if that's the right way to go," van der Hoeven said. "It is important to have a well-functioning spot market, and that's where we see a huge opportunity as Turkey is ... a transit country," she added.

Turkey imports natural gas mainly from Russia, Iran, and Azerbaijan to fuel around 45 percent of its heat and power needs, according to the IEA. Establishing a spot gas market is among Turkey's medium-term plans, particularly after its planned Energy Exchange becomes operational in September and it launches trading in electricity futures and derivatives. Turkey is set of overtake Britain within a decade as Europe's third-biggest electricity consumer at its market grows, and it has been working to diversify its energy mix. Plans call for pipelines to start carrying Azeri gas through Turkey towards the end of this decade. Turkey would take 6 billion cubic meters (bcm) for its own market and send another 10 bcm on to Italy via Albania and Greece. The government also has clinched deals with Russia's Rosatom and a Japanese-French consortium to build nuclear power plants.

Era of new and longer term tariffs in gas transmission

Enerji IQ, *15.07.2013*

As the three year transmission tariff period determined by the Energy Market Regulatory Authority (EMRA) at the end of 2010 approaches the end, preparations started for the new and longer term tariffs.

The transmission and delivery control tariffs which have been implemented in 2011, 2012 and during this year (2013), will be replaced by new and longer-term tariffs as of 01 January 2014 when it is expected to come into force. It is also expected that the revenues received by the transmission company BOTAS during the new period will be shaped with the published tariff methodology.

The draft regulation entitled the Procedures and Principles for the Determination of Principal Revenue Cap for the Tariffs of Companies which hold a Natural Gas Transmission License, which were opened for opinion on the internet by the EMRA, stipulates an asset base for transmission companies, a real, reasonable rate of return, operating expenses which have been organized based on the tariff, the cost of transmission stock, and other similar parameters, based on which the revenue requirement can be calculated. Opinions concerning the draft can be submitted to the EMRA until 16 July 2013.

The revenue requirement which has been obtained through regulation and the method statement of the transmission company will be used to determine the costs related to the transmission and delivery control tariff. The principle of determining the transmission and delivery tariffs using the revenue ceiling method, in accordance with the valid Natural Gas Market Tariffs Directive, is being maintained in this regulation. 5 year period stands out According to the information obtained by Enerji IQ, the period that comes to the fore with regard to the tariffs is 5 years.

On the other hand, amongst other details obtained from senior EMRA sources, is that the aim is to complete the regulation by October this year at the latest. It has also been learnt that a one-off fixed annual fee (Standard transmission service fee) will be collected from every shipper of the transmission company which will be included in the system. While no information has been given concerning the amount of the said fee, representatives have stated that the amount would be within a reasonable and acceptable range.

We will go back to 2007 in capacity and service fee rates Mr.Hakan Unal, expert at the BOTAS Natural Gas Operations Regional Directorate, who recently made a presentation at a conference in Istanbul, on transmission tariffs and the natural gas market, made assessments regarding the regulations, and drew attention to the weight balance between capacity fees and service fees.

When we look at the cost structure at BOTAS, due to the fact that the share of ‘fixed costs’ within the revenue requirement is higher, Unal stated that the revenue cap method would be suitable, and made the following assessment: “During the years 2005, 2006 and 2007, when transmission and control tariffs were determined on an annual basis, the share of fixed capacity cost as a percentage of the total was around 75%, while the share of variable service costs was around 25%. During the years 2008, 2009 and 2010, when tariffs were determined on an annual basis, around 30% of the revenue ceiling was made up of capacity costs, while around 70% was made up of service costs.”

And Unal stated that during the years 2011, 2012 and 2013 – the three year period starting from 2010, which was regulated by the EMRA – 35% of the revenue cap was made up of service costs and 65% from fixed capacity costs, also including the below table and graph in his presentation. Unal also gave examples from overseas markets concerning the percentage of variable operating costs and service costs to the total revenue requirement, stating that this figure was generally around 10% in America and Canada, and around 25% in Greece and Denmark.

When the draft regulation which the EMRA opened to views in its internet website is examined, it can be seen that the weight balance between the capacity fee and service tariff will come close to the rates seen in the years 2005, 206 and 2007 – that is to say the capacity tariff will have a 75% weighting, while the service fee will have a 25% weighting. One of the results we reach from this situation is that system planning needs to be carried out extremely carefully by shippers.

Further, periodic based use of capacity, the use of obtained capacities, and the evaluation of unemployed capacities are among the matters which will come to the fore. It is believed that the longer term and more transparent approach which will support long term methodology (as opposed to the three year regulation which is currently in place) will quicken the entry of new companies, which are going to be able to obtain licenses in the near future, into the market. It is expected that some projects – in particular TANAP – will be able to use this methodology to carry out long term feasibility studies and projections. Among these types of projects are studies such as the export of natural gas from Turkey, by establishing an LNG terminal or using existing facilities, and establishing a connected system using a floating LNG terminal (F-LNG).

Consumers blame taxes as gas prices hit OECD's highest

Today's Zaman, *12.07.2013*

Turkish consumers were hit by a new hike in gasoline prices late on Tuesday, only eight days after a similar increase, bringing the price per liter of gasoline to over TL 5 ($2.64), a new record.

Following Tuesday's eight kurus hike, the price of 95-octane unleaded gasoline reached TL 5 per liter. This means Turkey now sells the most expensive gasoline among other OECD members; the second most expensive gasoline record belongs to Norway with $2.63. Last week the price of gasoline was increased by Kr 11. The price hikes will likely take a toll on the Turkish economy.

The TL 5 level has long remained a psychological barrier in markets. The major burden on Turkish gasoline prices comes from indirect taxes, while the rest is processing, transportation and distribution shares. Before the gasoline can reach end users, it has to go through certain procedures. The imported crude oil first reaches TUPRAS and then is transported by fuel distributors to pump stations, which sell the gasoline with taxes added. At each step the price of crude increases; around 2 percent is refining process, 8 percent goes to distributors and gas stations, while 65 percent is private (OTV) and value-added (KDV) taxes. The remaining 25 percent is the original price of imported crude. Turkish consumer unions say they will step up calls on the government to revise this pricing mechanism and cut taxes.

Meanwhile, Energy Minister Taner Yildiz stressed that petroleum has an automated pricing mechanism and if financial regulations need to be made, the Ministry of Finance is the address to do so. "Turkey buys the petroleum with dollar and sells it in Turkish lira, meaning that the price is prone to negative effects of foreign currency exchanges as well as rises in crude oil prices. Also commenting on the issue on Wednesday in İstanbul, Deputy Prime Minister Ali Babacan also blamed "international developments" for high gasoline prices in Turkey. The price of oil remained near $106 a barrel on Wednesday as investors awaited a report on US crude inventories and the Federal Reserve chairman's congressional testimony.

Engin Basaran, former head of the Consumers Association (TUDER), told Today's Zaman that the government has ignored their calls for an extensive change in taxation on gasoline. The hike in gas prices will affect tens of other consumption fields, exacerbating the burden on consumers. The purchasing power of people is not very strong. This also impacts on economic and political stability in Turkey. "People are growing increasingly irritated by the price hikes. The government is losing its accountability and this is not good; it always offers international price increases as an excuse, but we need a radical, sustainable solution."

The Turkish Consumers' Union acting president, Hatice Saadet Kalyoncu, says consumers are also nervous about the timing of the latest price hike, highlighting the increased consumer spending during Ramadan. "Turkish consumers have seen this [TL 5 per liter of gasoline] coming; the only thing was we did not know when," she said, asserting that more and more people are tired of these hikes. The timing of the hike was also meaningful, according to Kalyoncu. She said the government may have thought that Ramadan –-most people are on vacation as the holy month coincides with summer –- might help mitigate possible reactions from consumers. The government may have to face harsh criticisms and reactions unless the prices are not reduced, she opines. "I think the latest Gezi protests have helped establish a reactional mood among people. We must make sure our reactions are democratic and reasonable," she adds.

One factor that the government may have had in mind is the approaching local elections. In Turkey it has traditionally been the case that governments ramp up public spending while at the same time offering some tax cuts. "All of these are done to help boost the incumbent government's popularity, and we may see similar price cuts in gasoline. However, public awareness is higher than ever in Turkey and people will question these actions and demand more," she argues.

Turkey is heavily dependent on foreign oil reserves; the country imports 92 percent of its oil demand from abroad, while this share is 98 percent in natural gas. The share of crude in Turkish electricity energy production is 29 percent, while the country generates 33 percent of its electricity from natural gas-fueled plants. The total installed energy power is 60,000 megawatts and the government has issued certificates to build natural gas-fuelled plants with a new capacity of 50,000 mw --17 percent of this is under construction.

The government is not helping minimize Turkey's vulnerability in energy, but makes the country more dependent on foreign resources, Energy analyst Necdet Pamir told Today's Zaman. Pamir expects the government to introduce comprehensive reforms to its energy production model, boosting the focus on local renewable energy resources.

Turkish Fuel Stations, Oil and Gas Company Employers' Union board member Mehmet Süküroglu tells Today's Zaman the distributors and dealers are not happy with the price hikes either, adding their share in the price is too low for them to make high profits. Following a regulation by the EPDK in 2009, Turkish distributors have to keep their shares in prices below a defined price ceiling. Süküroglu says that despite the image in public, distributors cannot make arbitrary changes in prices, but a current automated pricing mechanism defines it. "We have earlier offered the government an alternative pricing mechanism that could help reduce the price per liter of gasoline by as much as TL 1. The Finance Ministry has their own budget balances scheme and it falls down on them to make the necessary changes to taxes on gasoline," he explains.

Oil tax lion's share of government income

Anadolu Agency, *18.07.2013*

Taxes provided by the oil sector take up a considerable share in the government's indirect tax revenues in Turkey, particularly after the recent increase in fuel prices, which raised the price of 98 octane fuel to over 5 Turkish Liras a liter.

The trading volume of the oil market in Turkey, including LPG, increased by 10.8 percent and reached $39.3 billion in 2012 compared to 2011, according to the data revealed by PETDER. Total consumption of automotive fuels including LPG, gas, and diesel rose by 4.1 percent in 2012 in comparison with the previous year, 25.8 million cubic meters.

40 tons oil spilled into sea in Northern Cyprus, Turkish firm admits

Hürriyet Daily News, *17.07.2013*

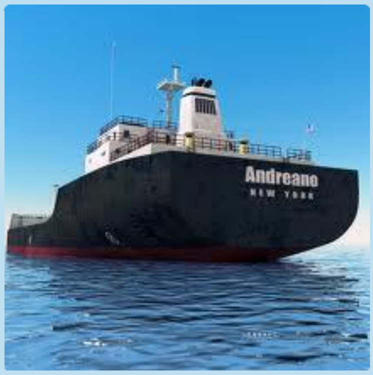
Aksa Energy confirmed on July 17 that around 40 tons of fuel oil had been spilled in the sea because of an accident during refueling at Kalecik power plant in Turkish Cyprus, adding that they had taken the necessary measures and the accident did not affect any of the operations at the plant.

The company stopped the spill immediately and placed a barrier around the oil leak to prevent pollution into the sea or on land, it said in a statement to the Public Disclosure Platform. Aksa employed a company to participate in the clearing of oil from the surface of the water, it said, adding that any damage to the environment would be covered.

It added that the power plant continued to generate electricity in line with its normal program. A major oil spill was reported July 16 at the Aksa power plant in Kalecik. Oil was being offloaded from a tanker to the plant when pressure built up in a pipe, and it subsequently burst. Minister for Tourism and the Environment Mehmet Harmanci confirmed that oil had discharged from the burst pipe for approximately 10 minutes, releasing over 100 tons of oil into the sea, covering an area of 5 kilometers.

Pirates hijack Turkish oil tanker off Gabon as shipping risks spread

Today's Zaman, *18.07.2013*



Pirates have hijacked an oil products tanker with 24 crew onboard off the Gabon coast, the vessel's Turkish operator said on Wednesday, the most southerly in a spate of raids in West Africa's Gulf of Guinea shipping zone. A Gabonese naval source said the ship was now believed to be in Nigerian waters. Officials in that country were not available to comment on the report.

Pirates are thought to have boarded the Maltese-flagged Cotton tanker, carrying a partly loaded cargo of fuel oil, on Monday near Gabon's Port Gentil in the first reported attack in that region in the past five years.

"The company is in contact with the families of the 24 Indian crew members on board and the appropriate authorities have been contacted," Geden Lines said in a statement. The Gulf of Guinea, which includes Nigeria, Ghana and Ivory Coast as well as Gabon, is a major source of oil, cocoa and, increasingly, metals for world markets. Unlike the Horn of Africa, international navies are not actively engaged in counter-piracy missions in the region. "The attack occurred around 200 nautical miles (NM) further south than the previous most southerly attack," security firm AKE said. "It therefore marks a significant expansion of the geographical range of Gulf of Guinea piracy." "It also demonstrates the regional nature of the illegal fuel trade, the supply of which tankers such as Cotton are generally hijacked for," it said.

A Gabonese naval source, who asked not to be named, said the tanker was attacked by 12 to 15 gunmen armed with AK-47 assault rifles. "The ship that was captured is now off the coast of Nigeria. It has been identified by our coast guard," the source said. Unlike waters off the Horn of Africa, where ships can move past at high speed with armed guards on board, many vessels have to anchor off West African coastal nations, with little protection, making them a soft target for criminals.

Earlier this week, the International Maritime Bureau, a shipping watchdog, warned that the Gulf of Guinea, known for attacks on oil industry vessels and the theft of gas oil, had seen a surge in kidnappings at sea this year, with a wider range of ship types being targeted. "There continues to be significant under-reporting of attacks - a phenomenon highlighted by the IMB year-on-year. This prevents meaningful response by the authorities and endangers other vessels sailing into the area unaware of the precise nature of the threat," the IMB said in a statement.

Last month, the Joint War Committee, which groups syndicate members from the Lloyd's Market Association as well as representatives from London's insurance company market, added Togo to it list of high risk areas for merchant shipping, which already includes Nigeria and Benin, reflecting the worsening risks.

Caspian promises more E&P opportunities

Oil & Gas Eurasia, *17.07.2013*

The Global Energy Watch reports that the Caspian Sea area has immense scope for oil and gas exploration and production due to the presence of substantial undiscovered resources.

The Caspian Sea area is divided into four petroliferous (rocks containing petroleum) geologic provinces: the South Caspian Basin, the Middle Caspian Basin, the North Caspian Basin (Pre-Caspian basin) and the North Ustyurt Basin. The total area of the four provinces is 1.3 million square kilometers. Each basin is further divided into several assessment units.

Kazakhstan recorded the highest number of exploration blocks in the Caspian Sea region in 2012. The Caspian Sea region contains the Middle Caspian, North Ustyurt, North Caspian and South Caspian basins. The Caspian Sea region had approximately 91 exploration blocks, including active, inactive and planned blocks, at the end of 2012. Of these blocks, Kazakhstan had the highest number, with 33, followed by Turkmenistan, with 31. Iran and Russia have no exploration blocks in the Caspian Sea region.

The total oil and natural gas production in the five littoral states of the Caspian region increased from 8,338 million barrels of oil equivalent (mmboe) in 2001 to 11,597.2 mmboe by the end of 2012. Oil and gas production in the region increased at an Average Annual Growth Rate (AAGR) of 3%. Among the five littoral states of the Caspian region, Russia recorded the highest production of oil and gas for 2012. The gross crude oil and natural gas production of the country for 2012 was approximately 7,783.2 mmboe. The country accounted for 67.1% of the total oil and gas production of the five littoral states in 2012, which stood at approximately 11,597.2 mmboe.

Karish: Israel’s latest offshore discovery

Natural Gas Europe, *18.07.2013*

Karish is Israel’s latest offshore gas discovery northwest of Haifa and the fifth field to contain over 1 tcf of gas. Noble Energy announced on the 22nd of May the discovery of the Karish well, located in the Alon C license approximately 20 miles northeast of the Tamar field, in 5,700 feet of water.

It estimated the reserve potential at 1.6 to 2 trillion cubic feet of natural gas. Karish is located northwest of Haifa about 100 kilometers from the coast. Several discoveries were made offshore Israel that could turn Israel into a major net exporter of natural gas. The Leviathan, containing an estimated 19 tcf of gas, is the largest discovery off Israel’s shores.

The Tamar field, containing 9 tcf, is another of Israel’s major discoveries and came online in March 2013. Israel’s riches could satisfy the domestic needs for decades and fill the state’s coffers with billions of Shekels from sales to export markets.

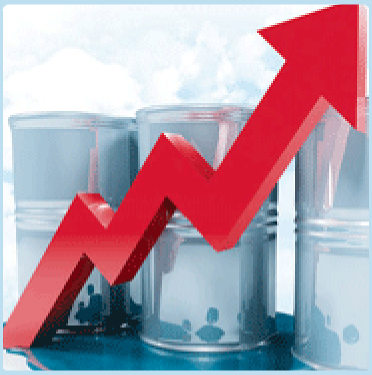
The newly discovered resources divided the country: while some saw the riches as an opportunity to ensure self-sufficiency and energy independence, others longed for the cash. Protesters expressed their discontent over the Tzemach’s committee recommendation to export half of the gas. The Tzemach came to its conclusion to ensure that Israel had enough gas to be energy independent for 25 years. The cabinet responded to the public’s concern and reduced the export quota to 40% from the 50% recommended by the Tzemach to achieve a balance between keeping the investors interested in gas exploration offshore Israel and ensuring the country’s energy security. By becoming a major energy exporter, Israel will benefit from a new inflow of revenues that could be used to enhance several public needs such as health and education.

Israel’s export plans remain hindered by domestic obstacles: Israel has tensed relations with its Arab neighbors. It remains unsure how Israel will transport and deliver its gas. While pipelines offer little flexibility and require geopolitical stability, an LNG terminal needs an adequate coastal site that Israel does not have. The Australian giant Woodside was looking to acquire 30% of the rights to the Leviathan and offer its expertise in the LNG field. However, the lengthy debate over gas exports may have deterred Woodside, especially after US-based Noble Energy and Israel’s Delek and Avner signed memorandum of understanding with the Cypriot government to build an LNG plant in Vassilikos.

Other companies have expressed their interest to participate in the USD 12 billion three-train LNG terminal in Greek Cyprus including Total and Eni. Charles Ellinas, CEO of the Greek Cyprus National Hydrocarbon Company, even said that the land could accommodate up to 8 trains to ensure that it can welcome and process gas from neighboring Israel and Lebanon. Israel’s success in its gas explorations may come to fruition if it chooses to collaborate with the Cypriot island.

US crude rises above $108

Upstream, *18.07.2013*



US crude oil hit its highest level in 16 months on Thursday, rising above $108 a barrel on signs of a stronger US economy and shrinking its discount to North Sea Brent to the narrowest in almost three years.

US equity markets touched record highs as the Philadelphia Federal Reserve's closely watched survey of factory activity in the US mid-Atlantic region hit a two-year high, boosting the outlook for demand in the world's largest oil consumer, Reuters reported. "The market is rallying on good economic news," said Phil Flynn, an analyst at Price Futures Group in Chicago, said according to the news wire.

"The Dow Jones is good, the Fed's Philly index is good, employment data is good, and WTI is reflecting that right now." US crude oil, commonly referred to as West Texas Intermediate or WTI, settled at a 16-month high of $108.04, up $1.56. Brent crude oil rose 9 cents to settle at $108.70 a barrel, with its premium over U.S. crude touching an intraday low of just 51 cents a barrel, the narrowest spread since August 2010. The premium eventually settled at 89 cents.

The price difference between the world's two most heavily traded crude contracts has narrowed sharply in recent weeks as increased pipeline capacity has reduced the glut of oil around the WTI delivery point of Cushing, Oklahoma. As recently as February the so-called Brent-WTI spread had traded at more than $23 a barrel, but the US benchmark has rallied by more than 25 percent in the last three months compared with just a 9% rise in Brent.

WTI got a further boost on Wednesday after data showed refiners in the United States last week had consumed more crude than at any time since August 2005, while stocks at Cushing fell by almost 900,000 barrels. Total US crude stocks have fallen by around 27 million barrels in three weeks. "I wouldn't be surprised to see WTI go over Brent," said Bob Yawger, director of energy futures for Mizuho Securities USA Inc in New York.

"It's been moving in that direction for a while, though it's hard to say whether it would stay that way for long. On the other hand, you have many refineries set up to receive sour crudes, so that's eventually bound to bolster Brent as the Gulf Coast refineries can only take on so much sweet crude." U.S. oil futures also exhibited strong backwardation, with the spread between the September and October contracts widening to $1.56.

"So all the flows are going into WTI because of the backwardation," he added. The August WTI contract is to expire on Monday. Analysts paid close attention to Federal Reserve Chairman Ben Bernanke's comments on Thursday when he testified before Congress for the second time in two days. Bernanke said recent unemployment and inflation levels suggest that the central bank needs to maintain a "highly accommodative monetary policy for the foreseeable future."

Talisman testing Kurdamir-3 well in KRG

Oil & Gas Journal, *18.07.2013*

A unit of Talisman Energy Inc., Calgary, has begun a cased-hole test program of the Oligocene reservoir at the Kurdamir-3 well on the Kurdamir block in the KRG of Iraq.

Talisman (Block K44) BV drilled the well to 2,895 m about 5 km southwest and down dip of the Kurdamir-2 well in what the block covertures interpret to be a thicker portion of the Oligocene reservoir. The Kurdamir-3 well penetrated the oil column without encountering the gas cap, said partner Western Zagros Resources Ltd., Calgary. Talisman recorded oil shows and supportive log data indicative of oil over the majority of the Kurdamir-3 Oligocene section penetrated.

The Oligocene comprises a gross interval of 372 m of naturally fractured marlstones and dolomitic limestones including an interpreted 194 m of porous reservoir interval. By comparison, the Kurdamir-2 well penetrated a gross interval of 300 m of which 140 m comprises the Oligocene porous interval. Coring and wireline logging operations have ended, and the wellbore is cased with a 7-in. production liner in preparation for testing. No evidence of formation water has been detected.

In the first well test at Kurdamir-3, Talisman will perforate the deepest interval between 2,776 and 2,788 m. Based on initial logging results, WesternZagros believes that the lowest known oil could extend 150 m deeper than that proven in Kurdamir-2. The test program will then move up hole to focus on testing the potential of the porous reservoir section. WesternZagros expects to complete the Oligocene testing program in the second half of August. Meanwhile, the 184 sq km Kurdamir block 3D seismic survey has been completed in order to define more clearly the areal extent of the Oligocene, Eocene, and Cretaceous reservoirs. Following the completion of seismic operations on Talisman's neighboring block, the seismic crew will shoot a 3D survey on the northern part of the Garmian block in August.

The North Garmian survey will cover 258 sq km to define more clearly the areal extent of the Oligocene reservoirs. The North Garmian and Kurdamir 3D surveys will be combined to provide contiguous seismic coverage in order to determine whether the Oligocene reservoir is connected as one large structure across the two blocks. The data will be used to decide on future appraisal and development well locations and to refine resource assessments. Elsewhere on the Garmian block, a crew is rigging up to drill the Baram-1 well with an anticipated spud date in the first half of August. Baram-1 will explore the potential extension of the oil leg discovered in the Oligocene reservoir of the Kurdamir structure onto the northern part of the Garmian block. Drilling time is 5 months to planned total depth of 3,800 m.

Western Zagros said Baram-1 "is the highest impact well of the 2013 drilling program and has the potential to add gross unrisked mean contingent resources of up to 200 million to 300 million bbl of oil equivalent in the Garmian block and, if the structure is shown to extend onto the existing Kurdamir discovery, an additional 500 to 600 mmboe in the Kurdamir block."

Also on Garmian, the Hasira-1 appraisal and exploratory well is drilling ahead at 1,860 m after setting 20-in. casing at 1,014 m. The next casing point is at 2,050 m. Setting the third intermediate string of casing is planned for 3,900 m, just above the Jeribe reservoir, before drilling to a planned total depth of 4,100 m in the Oligocene reservoir. Western Zagros plans to complete the well either in the Jeribe or the Oligocene reservoir depending on drilling and test results. Drilling time is estimated at 7 months.

Also on Garmian, WesternZagros drilled two of the planned three wells in the Upper Bakhtiari formation. This shallow, inexpensive well program recovered formation water and oil and gas at subcommercial rates. The wells have been suspended, the third well canceled, and the rig released. The Upper Bakhtiari program was exploring low-cost oil production potential in the South Garmian area but was not viewed as a high-potential program to add greatly to the Company's resource estimates.

Ukraine agrees with Gazprom on ensuring EU-bound gas transit

Bloomberg, *17.07.2013*

Ukraine's NAK Naftogaz Ukrainy and OAO Gazprom (GAZP) have come to a "mutual understanding" on how to ensure the stable transit of natural gas to European customers, according to Ukraine's Deputy Prime Minister Yuriy Boyko.

A viable plan for avoiding transit problems during the cold winter months was worked out at a meeting between Naftogaz and Gazprom officials, Boyko said late yesterday in televised remarks. The meeting was held during Ukrainian Prime Minister Mykola Azarov's meeting with Russian counterpart Dmitry Medvedev in Sochi on July 12.

Russia and Ukraine have been arguing about whether there is sufficient gas stored to ensure transit of the fuel to Europe in the winter. Disputes between the neighbors over prices and volumes have disrupted flows to Europe during freezing temperatures, including for about two weeks in January 2009. Gazprom, which sends more than half of its gas exports to Europe through Ukraine, is concerned about "serious risks" for transit of Russian gas this winter, Chief Executive Officer Alexey Miller said on June 28. Ukraine's 14 billion cubic meters in storage will "easily allow" for stable gas flows to the European Union, Energy Minister Eduard Stavytskyi said on July 3.

OPEC mulls slashing oil production

Rigzone, *16.07.2013*

When the Organization of the Petroleum Exporting Countries (OPEC) meets in December, it is rumored that they may slash its oil production for the first time in five years, according to The Wall Street Journal. The organization could reduce production by half a million barrels a day due to the surge in the North American shale boom.

Organization of the Petroleum Exporting Countries latest report, released last week, projected that demand for its crude will slide 300,000 barrels a day next year to 29.6 million barrels of oil per day (mmbopd), or about 2.6 percent less than the organization is currently producing.

“Yes, OPEC is ‘concerned’ about U.S./Canadian production increases in that while these [projected] volumes do not (yet) move into international markets, they displace oil that would have otherwise come here – thus the net available market for OPEC oil is a bit more competitive,” Marcela Donadio, partner and Assurance Services Americas Oil and Gas Sector leader at Ernst & Young, told Rigzone. The International Energy Agency also stated that demand for OPEC oil in 2014 will fail to meet its current production of around 30 million barrels per day, in its released report last week.

“Similarly, OPEC is ‘concerned’ about the global economy and its direct relationship to oil demand – with a soft economy, oil demand growth will similarly be soft and again the market for OPEC’s crude gets a bit more competitive,” she added. The last time OPEC cut its oil output was in late 2008 when it reduced production to 4.2 million barrels a day. During this time, oil demand fell and prices crashed amid the financial crisis. Lately, Gulf countries, including Saudi Arabia, have supported keeping the production ceiling at 30 million barrels a day, reported The Wall Street Journal.

OPEC will try to maintain production levels that keep prices from falling below $100 a barrel. OPEC crude will coincide with a surge in oil supply from countries outside of the group, according to last week’s report. A drop in demand for non-OPEC crude is expected to grow by 1.1 million to 1.3 million barrels a day next year, rising at a faster clip than global demand. “The short-term pressure on OPEC has increased in order to keep prices from sliding further,” added Donadio. “The potential/probable production gains are very positive for the U.S./Canadian economies – increased employment and tax/royalty revenue, decreasing net oil imports and positive trade balance effects.”

Gazprom to buy Kyrgyzgaz

Natural Gas Europe, *18.07.2013*

Russia's looming acquisition of a key energy company in Kyrgyzstan will boost its position in the strategic country, with economic and security implications for the broader Central Asian region. Kyrgyzgaz head Turgunbek Kulmurzayev said July 17 that Russia's Gazprom will acquire all assets of the company within 10 days.

Gazprom will pay only a symbolic sum of $1 for Kyrgyzgaz, though it will also pay off the company's debt of $40 million. Kyrgyzstan is a landlocked and mountainous country in Central Asia.

The country is completely dependent on its neighbors -- particularly Uzbekistan, Kazakhstan and Russia -- for oil and natural gas supplies and has had issues paying for its energy imports from these countries. This has led to frequent cutoffs of oil and natural gas supplies, which causes regular blackouts throughout the country. While Kyrgyzstan is rich in water supplies and has attempted to derive energy from hydroelectric plants, downstream countries in Central Asia have opposed these projects.

One primary source of relief for Kyrgyzstan's economic problems has been Russia. Russia's position in Kyrgyzstan's economy is one of the strongest and most robust in the former Soviet space; Moscow controls many assets and supports operations in the country's energy, banking and transportation sectors. Furthermore, remittances from Kyrgyz migrants working in Russia also play an important role in the Kyrgyz economy, with Kyrgyz workers sending home the equivalent of around 30 percent of the country's gross domestic product. Kyrgyzstan has also formally applied to join Russia's Customs Union and will likely gain membership in 2014 before the bloc turns into the Eurasian Union in 2015. The acquisition of Kyrgyzgaz strengthens Russia's already substantial influence in the country, because the deal also gives Gazprom exclusive natural gas import rights in the country and protection from expropriation and nationalization of the company.

However, Moscow's position in Kyrgyzstan goes beyond the economy. Russia also has a military presence in the Kant air base near Bishkek, an important security outpost for Moscow in Central Asia. Russia has used its economic and security leverage to influence decision-making in Bishkek and advance its own interests.

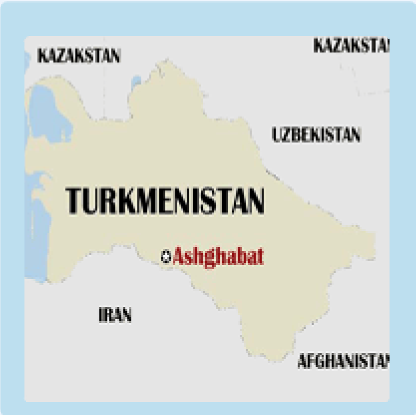
Along these lines, the Kyrgyz government has recently decided to close down the Manas air base, a strategic military facility used by the United States and located 50 kilometers (31 miles) from Kant, once the current lease expires in 2014. While this threat has been made several times by previous Kyrgyz governments only to be subsequently reversed, it is likely to go through this time since U.S. and NATO forces are scheduled to withdraw from Afghanistan in 2014. The acquisition of Kyrgyzgaz and the cancellation of the company's debts can be seen as an incentive from Russia to make sure Manas does indeed close down.

Another key aspect to this deal will be how it affects Kyrgyzstan's relationship with its neighbors in Central Asia. The region has seen much volatility in recent years. Kyrgyzstan has had two revolutions in the past eight years, and border skirmishes within the region are common. Kyrgyzstan has had a particularly contentious relationship with Uzbekistan, with large-scale ethnic violence along their border in 2010 and small flare-ups on a regular basis since then. Therefore, Uzbekistan's periodic cutoffs of natural gas supplies to Kyrgyzstan can be seen from not only an economic context, but also within the broader tensions between the two.

Russia's acquisition of Kyrgyzgaz and its exclusive importing rights could lead Uzbekistan to reconsider its aggressive attitude toward Kyrgyzstan -- particularly given Tashkent's complicated relationship with Moscow. While this will not eliminate tensions between the two countries entirely, Uzbekistan will be more careful in dealing with Russia than it has been with much smaller Kyrgyzstan.

Turkmenistan's GDP fuelled by natural gas

Hürriyet Daily News (Reuters), *15.07.2013*



The economy of Turkmenistan, Central Asia's largest producer of natural gas, grew 9.4 percent in the first six months of 2013 compared to an 11.1 percent rise in the year-ago period, state media quoted the nation's president as saying on July 13.

President Kurbanguly Berdymukhamedov, who enjoys vast power in the Muslim nation of 5.5 million, was shown on television telling a government meeting that the country's rapid growth was backed by prudent state spending and massive foreign investment. The country is forecast to increase its gross domestic product by 8 percent this year.

According to the International Monetary Fund, citing the growing gas exports in the country, which holds the world's fourth-largest natural gas reserves. A total of 1,865 investment projects estimated to be worth over $41 billion are currently being implemented in the country, said Berdymukhamedov, who remains the main source of economic information in the reclusive nation. In September the country will launch production at Galkynsh, the world's second-largest natural gas deposit. That will allow Turkmenistan to sharply ramp up gas exports to China, which has fast supplanted the nation's former imperial master Russia as the main importer of Turkmen natural gas.

U.S. shale gas bigger threat to Iran LNG than sanctions

Bloomberg, *13.07.2013*

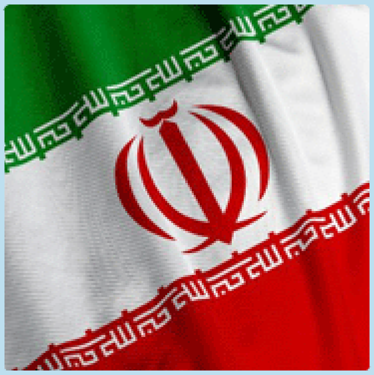
Iran's ambition to exploit the world's biggest natural gas reserves, stymied for years by U.S. sanctions, faces an even sterner test as rising global output and the North American shale boom threaten to erode prices, Bloomberg reports.

The Persian Gulf state would need a decade to build planned export capacity of at least 40 million metric tons a year of liquefied natural gas even if unfettered by economic curbs over its nuclear program, say analysts including Tony Regan at Tri-Zen International Pte. A surge in U.S., Canadian and Australian gas from shale deposits may depress prices for new LNG projects by 35 percent.

The U.S. and European Union already restrict Iran's largest revenue source, crude exports, and the financial industry that enables payments for them. The constraints have cut Iranian crude sales by half since 2011, the International Energy Agency said, and are stifling projects to export some of Iran's 1,187 trillion cubic feet of gas reserves, about 18 percent of the global total, as LNG. Iran's President-elect Hassan Rohani said June 17 that he'll seek a gradual removal of sanctions.

Iran agrees to take all oil payments from India in rupees

The Economic Times, *15.07.2013*



In Iran has agreed to take payments for oil it sells to India entirely in rupees after US and western sanctions blocked all other payment routes. India has been, since July 2011, paying in euros to clear 55 per cent of its purchases of Iranian oil through Ankara- based Halkbank. The remaining 45 per cent due amount was remitted in rupees in accounts Iranian oil company opened in Kolkata-based Uco Bank.

Payments in euro through Turkey ceased from February 6 this year but the rupee payments for 45 per cent of the purchases continued through Uco Bank, government sources said.

Nigeria agency to allow LNG exports after $475 million loss

AFP, *15.07.2013*

AFP reports that a Nigerian agency that has blockaded liquefied natural gas exports for three weeks, costing $475 million in revenue, agreed Friday to end its action after resolving a fees dispute, the company said.

Nigeria LNG Limited said it had decided under protest to pay $140 million in the dispute over levies claimed by the Nigerian Maritime Administration and Safety Agency, known by its acronym NIMASA. That amount is in addition to an earlier $20 million paid under protest. NLNG's shareholders include Shell at 25.6 percent, state firm NNPC with 49 percent, Total LNG Nigeria at 15 percent and Eni at 10.4 percent.

Eni signs amendment to the Zubair oil field technical service contract in Iraq

Oil & Gas Eurasia, *16.07.2013*

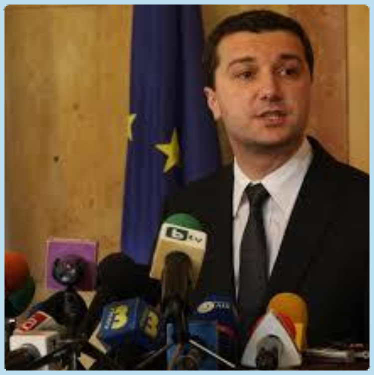
Eni has signed with South Oil Company and the Iraqi Ministry of Oil an Amendment to the Technical Service Contract for the development of the Zubair Oil Field. The Amendment sets a new production target of 850,000 barrels of oil per day and extends the duration of the Technical Service Contract for an additional five years, until 2035.

Technical Service Contract for the giant Zubair Oil Field, located near Basrah and regarded as one of the largest oil fields in Iraq, was awarded in 2010 as a result of Iraq's first bidding round, with a production plateau target of 1.2 million barrels of oil per day.

Eni is Lead Contractor of a consortium that includes Occidental Petroleum Corporation, Korea Gas Corporation and Missan Oil Company. The Amendment to the Technical Service Contract comes after constructive discussions between Eni and the Iraqi authorities and represents a tangible sign of the positive mutual co-operation on the development of the Field.

Stoynev: Diversification and security of gas are top priorities of Bulgaria

Novinite, *16.07.2013*



Economy and Energy Minister Dragomir Stoynev has assured representatives of the Trans Adriatic Pipeline, TAP, project, that the Bulgarian government considers gas supply diversification a top priority.

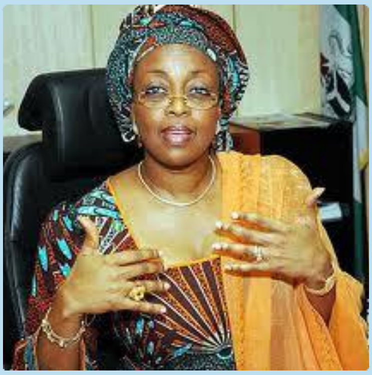
"Bulgaria should consider TAP as an extremely important project for achieving a diversification of gas supplies to countries in Southeast European countries, including gas shipments from the Caspian region," Stoynev stated during a Tuesday meeting with representatives of TAP, according to the press office of Bulgaria's Ministry of Economy and Energy.

"The project for the construction of the Trans Adriatic Pipeline may turn into a key source of gas supplies for Bulgaria through an association with the Bulgaria-Greece gas grid interconnection. The implementation of the reverse-flow gas link with Bulgaria's southern neighbor will achieve a true diversification of gas supply sources for Bulgaria," he emphasized. "This will also provide the opportunity for receiving gas supplies through the Southern Gas Corridor," Stoynev noted, adding that Bulgaria was also working on the implementation of reverse-flow gas grid interconnections with Turkey, Romania and Serbia.

According to the media statement of Bulgaria's Economy and Energy Ministry, the Bulgaria - Greece gas grid interconnection project (IGB) has received an environmental clearance and is currently being designed. The project has reached the stage of approval of route and sites and designing. Therefore, the participants in the TAP project will be aware of the terms under which natural gas is supplied to Bulgaria and Southeast European countries before the start of shipments.

Nigeria's oil minister urges lawmakers to pass petroleum bill

Today's Zaman, *18.07.2013*



Nigeria's oil minister, Diezani Alison-Madueke, defended at a public hearing on Thursday sweeping powers that would be granted to her office under a Petroleum Industry Bill (PIB), and she urged lawmakers to pass it.

Nigeria's PIB, a vast piece of legislation meant to overhaul everything from fiscal terms to the structure of the state oil company, has been more than five years in the making and has not passed because of political wrangling over its many clauses. A public hearing was held on it through the week. Uncertainty while it is being debated has held up billions of dollars' worth of exploration and production.

President Goodluck Jonathan sent the latest draft of the bill to lawmakers exactly a year ago. Two major sticking points are a special fund for communities living around oil fields, which has divided legislators along north-south lines, and extra powers granted the minister, which has united them against her. Oil majors are also unhappy about proposed fiscal terms. The minister's powers would include supervising all institutions of the industry, not just the state oil company. Currently, the minister is in charge of the state oil company but does not control some other agencies such as the downstream pricing regulator.

The current bill also states that anyone who does not comply with the oil minister's orders can be fined or jailed. "The powers vested in the minister are not different from (those in) ... other countries in which best practices are followed," Alison-Madueke said, defending the clauses. "The powers complained of are even less than what my counterparts in advanced oil producing countries enjoy."

She also rejected accusations that she was surreptitiously trying to increase her own powers, arguing that by the time the bill was operational, probably in no less than five years, she and President Jonathan would no longer be in their posts. "The bill when passed into law should represent a win-win situation for all stakeholders. It would further enhance the sector and contribute to the GDP" she said.

OMV hits gas offshore Australia

Oil & Gas Eurasia, *17.07.2013*

OMV has confirmed its successful appraisal of the Zola gas discovery with the drilling of the Bianchi-1 appraisal well. Wireline logging and pressure testing in Bianchi-1 confirm the presence of multiple gas bearing sands having in total approximately 112 meters of net gas pay.

Bianchi-1 is located in the WA-49-R license in the offshore Carnarvon Basin, 6.4 km north-northeast of the Zola-1/ST1 gas discovery and in an area south of the giant Gorgon gas field. The Bianchi-1 well targeted a number of sandstone reservoirs in the Triassic age Mungaroo Formation down dip of the large Zola-1/ST1 gas discovery made in 2011.

The Bianchi fault block is one of a series of adjacent features that form the greater Zola structure. The prospect was matured following interpretation of the Cambozola 3D seismic survey in 2012. The well has been drilled by the Ocean America semisubmersible rig as a vertical well in a water depth of 240 m under the operatorship of Apache. The well was drilled in 94 days to a total depth of 5,400 m below sea level. The net gas pay figures above are based on the operator's initial analysis. Following completion of logging operations the well will be plugged and abandoned.

Announcements & Reports

► *EMRA Monthly Petroleum Market Report (May 2013)*

Source : Energy Market Regulatory Authority
Weblink : http://epdk.gov.tr/documents/petrol/rapor_yayin/Ppd_Rapor_Yayin_Sektor_Raporu_2013_Mayis.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

► 22nd World Energy Congress

Date : 13 – 17 October 2013
Place : Daegu – South Korea
Website : http://www.daegu2013.kr/eng/index.do

► 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

► Abu Dhabi International Petroleum Exhibition and Conference

Date : 10 – 13 November 2013
Place : Abu Dhabi – UAE
Website : http://www.adipec.com/page.cfm/Link=1/t=m/goSection=1