PETFORM
OIL & GAS BULLETIN
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Turkey and Russia take giant steps to boost energy ties

Date : 06.08.2009
Source: Hürriyet Daily News
http://www.hurriyetdailynews.com/n.php?n=turkey-russia-take-giant-step-to-boost-energy-ties-2009-08-06

Turkey and Russia inked a series of deals to boost energy cooperation, deepening the scope of their strategic relationship by adding a new dimension of nuclear cooperation.

Prime Minister Recep Tayyip Erdogan held talks with his Russian counterpart, Vladimir Putin, in Ankara, and they were joined by Italian Prime Minister Silvio Berlusconi. Italian oil and gas giant ENI is involved in the South Stream project and Samsun-Ceyhan, another Turkish venture.

"We had long tête-à-tête, and productive and positive talks with Putin," said Erdogan, adding that Thursday's talks were a follow-up to the leaders' meeting in May in Sochi. *"The strengthening of our bilateral ties based on mutual understanding and joint interests is among our foreign policy priorities,"* Erdogan said.

But he emphasized that energy cooperation with Moscow had a special value because of its strategic dimension. *"We want to bring it forward on the basis of mutual understanding and trust,"* Erdogan said. *"We have planned our energy cooperation under three subtitles of oil, gas and nuclear. We are going take the necessary steps to enrich it."* The prime minister announced that Turkey gave a nod to Russia to explore in the Turkish territorial waters in the Black Sea.

The two leaders plan to sign an agreement to construct part of the South Stream pipeline through Turkish waters in the Black Sea. The Russian-led South Stream pipeline project would eventually run from Russia to Bulgaria before delivering gas to consumers in the European Union. With Turkey's permission, the pipeline would run through Turkish territory while avoiding Ukrainian waters. Some South Stream supporters had worried that Ukraine might not allow Russia to run the pipeline through its waters, as many European countries have sought to diminish Russian dominance in energy markets.

Another concrete energy agreement between Turkey and Russia was the extension of a deal allowing Turkey to purchase Russian natural gas through the Western route. *"We have agreed to extend the natural gas deal for 20 years,"* Erdogan said. In another expected statement, the prime minister said, *"Russia's decision to join the Samsun-Ceyhan oil pipeline satisfied us."*

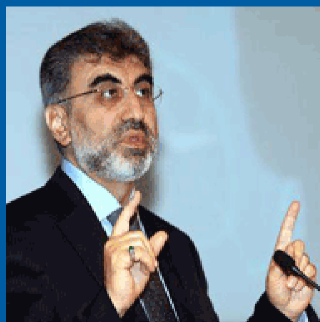
During their meetings, Russia committed to join the Samsun-Ceyhan project, a crude oil pipeline between the Black Sea city of Samsun and the Mediterranean commercial hub of Ceyhan, both in Turkey. The pipeline would carry Russian oil and provide an alternative route to the congested Bosphorus Strait. *"We have also discussed the possibility of extending the Blue Stream gas pipeline to Lebanon, Israel and even to Cyprus,"* Erdogan said. The leaders of the two countries decided to come together annually to discuss of the matters. The agreements signed between the two countries are as follows:

- Use of nuclear energy for peaceful means
- Early notification of nuclear accidents and exchange of information on nuclear plants
- Cooperation on scientific research on exploration of outer space and its use for peaceful means
- Standardization
- Cultural exchange and cooperation on sports and science
- Cooperation on food safety of imported and exported sea products
- Customs protocol
- Exchange of information between capital market institutions
- Protocol of joint economic commission
- Protocol of nuclear power engineering
- Protocols of cooperation on natural gas and oil

Berlusconi's last-minute 'mediation'

Putin's meeting with Erdogan to make agreements on giant energy projects was interpreted as a result of Berlusconi's successful mediation between Turkey and Russia. Turkey's participation in the Russia-led South Stream natural gas pipeline project is something Berlusconi considers a personal success, said a statement aired on the Italian Prime Ministry's official web site.

The statement said the Samsun-Ceyhan pipeline project was also the result of Berlusconi's successful mediation. *"The line that will pass through Turkey will help oil flow from the Caspian Sea to the Mediterranean basin. Italy's ENI is the most important company in this project supported by the Italian government,"* said the statement. *"Both projects will bring important opportunities to the countries that will have safe and efficient transport routes."*



Yildiz: Turkey and Russia face historic moment

Date : 06.08.2009
Source: Today’s Zaman
http://www.todayszaman.com/tz-web/news-183174-yildiz-turkey-russia-face-historic-moment.html

Energy Minister Taner Yildiz said that Turkey and Russia have jointly entered a new era that presents historic opportunities to embark on multi-dimensional cooperation.

Speaking at the 9th Turkish-Russian Economic Commission meeting, the minister said the two countries have strengthened ties more than ever before and parties are now close to launching joint projects in sectors ranging from agriculture to energy. Recalling that the mutual trade volume between the countries has increased by almost eight times to $38 billion over the past eight years, Yildiz said the government expects to increase this figure to $100 billion within the next four years.

“We are experiencing a historic era. We are following the developments between the two economies with excitement,” Yildiz said, adding that the Russian prime minister’s visit will mark a breakthrough in 500 years of diplomatic relations between the two nations. Meanwhile, following his meeting with his Russian counterpart, Sergei Ivanovich Shmatko, in Ankara on Tuesday, *“After the seismic studies, we will assess how feasible the South Stream project is,”* he noted.

OMV may raise stake in Petrol Ofisi

Date : 05.08.2009
Source: Hürriyet Daily News
http://www.hurriyetdailynews.com/n.php?n=austria8217s-omv-may-raise-stake-in-petrol-ofisi-2009-08-05

Central Europe’s biggest energy firm OMV is in talks with Dogan Holding to raise its stake in fuel retailer Petrol Ofisi. Dogan may sell all or part of its 54 percent stake in Turkey’s biggest fuel retailer.

OMV owns 42 percent of Petrol Ofisi, after initially paying $1.05 billion for 34 percent in 2006. *“The company is expanding in emerging markets to tap faster growth in demand,”* Bloomberg said. OMV in 2004 bought Romania’s biggest oil company, SNP Petrom, and in May purchased a stake in an Iraqi-based natural gas producer.

"We feel very well prepared to take over control and to run this company under our leadership," OMV Chief Executive Officer Wolfgang Ruttenstorfer said Wednesday. There's no time pressure on the talks, the companies also said.

As the news broke out, shares of Dogan Holding's publicly traded companies, including Petrol Ofisi, Hürriyet and Dogan Media Group, soared. Petrol Ofisi closed the day at 6.85 Turkish Liras, rising 8.7 percent. Hürriyet gained 3.6 percent to close at 1.33 liras, while Dogan Holding advanced 8.9 percent to 1.35 liras. All Dogan shares were battered in March due to a tax dispute between the group and the government. OMV, meanwhile, declined 2.4 percent in Vienna trading and was at 28.14 euros.

A possible takeover of Petrol Ofisi may have 'implications' for the Austrian company's rating, Fitch said Wednesday. *"The rating implications for OMV will depend on price, the funding structure and possible changes to future capital commitments that would ultimately determine the post-transaction financial profile,"* said Josef Pospisil, director in Fitch's Energy, Utilities and Regulation group.

"OMV doesn't purely see downstream business," Ruttenstorfer said at a press conference. *"We want to be active around Turkey, for instance with the investment in northern Iraq, for which the only close market is Turkey. For us Turkey is a strategic question, not simply of filling stations."*

OMV on Wednesday reported that second-quarter net income fell 79 percent to 144 million euros. Excluding the cost of revaluing inventories, the company had an adjusted loss of 103 million euros before interest and taxes in refining and marketing, compared with a profit of 45 million euros a year earlier.

Petrol Ofisi posted a 4.9 percent increase in second-quarter net income to 176.6 million liras ($121 million). Net income in the period was 176.6 million liras compared with 168.4 million liras a year earlier, the company said in a filing with the Istanbul Stock Exchange. Financial income more than doubled to 339.7 million liras in the period, while expenses from sales and marketing fell to 75.3 million liras from 85.3 million liras, the company said. *"There is talk in the market that the sale price might be 30 percent higher than the market value,"* said Orhan Canli, a trader at Is Investment in Istanbul, Turkey's biggest broker. *"Dogan will sell a large stake, or all of it."*

Petrol Ofisi has 3,223 gas stations in Turkey where oil consumption grew 5.8 percent in 2008, according to BP's annual world energy report. OMV in March sold its stake in Mol to Surgutneftegaz for 1.4 billion euros, booking a loss of 37 million euros. In August it abandoned a 2.8 trillion-forint ($13.5 billion) hostile takeover of Mol, Hungary's largest refiner, after the European Union expressed competition concerns over the proposed acquisition.

Aksa signs natural gas protocol with Gazprom

Date : 07.08.2009
Source: Today's Zaman
http://www.todayszaman.com/tz-web/news-183285-aksa-signs-natural-gas-protocol-with-gazprom.html

Aksa and Gazprom signed a protocol on Thursday that envisages the joint participation of the two companies in gas distribution tenders for some regions in Turkey.

Aksa Chairman Cemil Kazanci told yesterday that his company will collaborate with Gazprom to bid in privatization auctions for the natural gas grids of Istanbul and Ankara. Kazanci also said Aksa and Gazprom will partner to establish a facility for the production of liquefied natural gas (LNG) in Adana's Ceyhan district.

Heritage Oil updates on status of Genel Energy takeover

Date : 04.08.2009
Source: Rigzone
http://www.rigzone.com/news/article.asp?a_id=78921&hmpn=1

Heritage Oil has provided an update on the status of negotiations of the proposed acquisition of Genel Energy International Ltd. On June 9, Heritage announced that it had entered into a non-binding MoU with Genel Enerji.

The Proposed Acquisition would be paid for wholly in new shares of Heritage and would result in Genel shareholders (the 'Vendors') owning approximately 50% of the enlarged ordinary share capital of Heritage. It has also been agreed in principle that Heritage will issue 286.3 million ordinary shares (representing approximately 50% of the voting rights of Heritage as enlarged by the Proposed Acquisition -the 'Enlarged Group'-) in consideration for acquiring the entire share capital of Genel.

Additionally, it has been agreed that Genel's previously announced US $1.1 billion capacity building liability for infrastructure support to the Regional Government will be extinguished in its entirety at, or before, completion. Out of the 286.3 million ordinary shares to be issued as consideration, the Regional Government will receive a total of 96.0 million ordinary shares in consideration for extinguishing the infrastructure projects liability.

The Regional Government has confirmed that it intends to be a long-term shareholder and is therefore willing to enter into a lock-up agreement in respect of Heritage shares it will receive but with the ability to sell shares periodically to fund new infrastructure and local community support projects, indicating its support of the post merger entity and the growth prospects it believes exist for the Enlarged Group. The Vendors will receive the remaining 190.3 million ordinary shares and any loans outstanding from them (or their related parties) will be fully extinguished at, or before, completion of the Proposed Acquisition. Completion of the Proposed Acquisition remains subject to various conditions:

(i) Agreeing definitive legally binding documentation, including an implementation agreement
(ii) Formal ratification of the Proposed Acquisition by the Ministry of Natural Resources of the Regional Government and the Region's Oil and Gas Council
(iii) Approval of Heritage's shareholders voting at an Extraordinary General Meeting of the Company
(iv) Confirmation as to the eligibility of the Enlarged Group to be admitted to the Official List by the UK Listing Authority ('UKLA') and the admission of the ordinary shares of Heritage, as enlarged, to the Official List of the UKLA and to trading on the London Stock Exchange.

Assuming the parties execute an implementation agreement shortly, Heritage currently intends to make available to shareholders later this month a Prospectus and Circular describing the Proposed Acquisition, which will include the relevant Mineral Experts' Reports for the key assets of both the Company and Genel, with a view to holding an Extraordinary General Meeting in September, at which time Heritage shareholders will be asked to approve the transaction.

Tony Buckingham, Chief Executive Officer of Heritage, commented, *"We look forward to adding to Heritage Oil's world-class discoveries in Uganda by creating the leading Anglo-Turkish company with oil production and refining capacity in Northern Iraq. We recognise the important role Turkey is playing in the region and are delighted that the Regional Government will be a significant long-term shareholder, thereby providing their endorsement and support to the Enlarged Group. Our due diligence has highlighted that, in addition to the known export opportunities from the region, there is considerable and growing domestic demand for petroleum products which the Taq Taq refinery should help us capture, bringing strong potential cash flow and earnings to shareholders."*

Mehmet Sepil, Chief Executive Officer of Genel, commented, *"We are delighted at this opportunity to create the leading integrated oil and gas company in Northern Iraq. Cash flow from the sale of production from our Taq Taq and Tawke fields which is exported and sold in the domestic market is expected to generate significant cash flow for the benefit of all shareholders and deliver excellent value to all stakeholders, including the people of Iraq."*

Birol: Oil supplies are running out fast

Date : 03.08.2009

Source: The Independent (Steve Connor)

http://www.independent.co.uk/news/science/warning-oil-supplies-are-running-out-fast-1766585.html

The world is heading for a catastrophic energy crunch because most of the major oil fields have passed their peak production, a leading energy economist has warned.

Higher oil prices brought on by a rapid increase in demand and a stagnation, or even decline, in supply could blow any recovery off course, said Dr. Fatih Birol, the chief economist of the International Energy Agency (IEA).

In an interview with The Independent, Dr. Birol said that the public and many governments appeared to be oblivious to the fact that the oil on which modern civilisation depends is running out far faster than previously predicted and that global production is likely to peak in about 10 years - at least a decade earlier than most governments had estimated.

But the first detailed assessment of more than 800 oil fields in the world, covering three quarters of global reserves, has found that most of the biggest fields have already peaked and that the rate of decline in oil production is now running at nearly twice the pace as calculated just two years ago. On top of this, there is a problem of chronic under-investment by oil-producing countries, a feature that is set to result in an ‘oil crunch’ within the next five years which will jeopardise any hope of a recovery from the present global economic recession, he said.

In a stark warning to Britain and the other Western powers, Dr Birol said that the market power of the very few oil-producing countries that hold substantial reserves of oil -mostly in the Middle East- would increase rapidly as the oil crisis begins to grip after 2010.

“One day we will run out of oil, it is not today or tomorrow, but one day we will run out of oil and we have to leave oil before oil leaves us, and we have to prepare ourselves for that day,” Dr. Birol said. *“The earlier we start, the better, because all of our economic and social system is based on oil, so to change from that will take a lot of time and a lot of money and we should take this issue very seriously,”* he said.

“The market power of the very few oil-producing countries, mainly in the Middle East, will increase very quickly. They already have about 40 per cent share of the oil market and this will increase much more strongly in the future,” he said.

There is now a real risk of a crunch in the oil supply after next year when demand picks up because not enough is being done to build up new supplies of oil to compensate for the rapid decline in existing fields. The IEA estimates that the decline in oil production in existing fields is now running at 6.7 per cent a year compared to the 3.7 per cent decline it had estimated in 2007, which it acknowledges to be wrong.

"If we see a tightness of the markets, people in the street will see it in terms of higher prices, much higher than we see now. It will have an impact on the economy, definitely, especially if we see this tightness in the markets in the next few years," Dr. Birol said.

"It will be especially important because the global economy will still be very fragile, very vulnerable. Many people think there will be a recovery in a few years' time but it will be a slow recovery and a fragile recovery and we will have the risk that the recovery will be strangled with higher oil prices," he told The Independent.

In its first-ever assessment of the world's major oil fields, the IEA concluded that the global energy system was at a crossroads and that consumption of oil was 'patently unsustainable', with expected demand far outstripping supply. Oil production has already peaked in non-Opec countries and the era of cheap oil has come to an end, it warned. In most fields, oil production has now peaked, which means that other sources of supply have to be found to meet existing demand.

Even if demand remained steady, the world would have to find the equivalent of four Saudi Arabias to maintain production, and six Saudi Arabias if it is to keep up with the expected increase in demand between now and 2030, Dr. Birol said.

"It's a big challenge in terms of the geology, in terms of the investment and in terms of the geopolitics. So this is a big risk and it's mainly because of the rates of the declining oil fields," he said. *"Many governments now are more and more aware that at least the day of cheap and easy oil is over... [however] I'm not very optimistic about governments being aware of the difficulties we may face in the oil supply,"* he said.

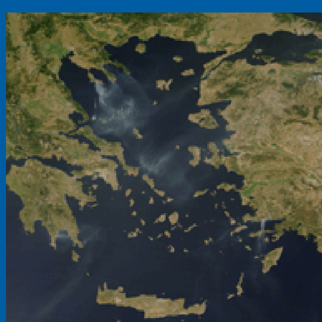
Environmentalists fear that as supplies of conventional oil run out, governments will be forced to exploit even dirtier alternatives, such as the massive reserves of tar sands in Alberta, Canada, which would be immensely damaging to the environment because of the amount of energy needed to recover a barrel of tar-sand oil compared to the energy needed to collect the same amount of crude oil.

Iraq grants oil exploration permission to TPAO

Date : 03.08.2009
Source: Today's Zaman
http://www.todayszaman.com/tz-web/news-182843-iraq-grants-oil-exploration-permission-to-tpao.html

Energy Minister Taner Yildiz said the Iraqi government had announced that the state-run Turkish Petroleum Corporation (TPAO) can take part in a second tender in November.

Releasing a written statement Yildiz said, *"Baghdad's decision is an important development for our neighborly relations ... and for drawing up mutual projects."* The minister stated that TPAO will shortly open an office in Baghdad, possibly during a visit by Prime Minister Recep Tayyip Erdogan, due in October.



Greece plans to search for oil in the Aegean Sea

Date : 03.08.2009
Source: Hürriyet Daily News (AFP)
http://www.hurriyetdailynews.com/n.php?n=greece-plans-to-search-for-oil-in-aegean-report-2009-08-03

The Greek government is planning to search for oil in the Aegean sea. "*We are drawing up a new judicial framework covering the search and extraction of hydrocarbons,*" Minister for Development Costis Hatzidakis said in the Greek daily Eleftherotypia.

"*We are going to submit a draft law along these lines by the end of the year,*" Hatzidakis added. The judicial measures will be aimed at protecting the environment, he said. Two weeks ago Athens protested against a decision by neighbouring Turkey to start searching for oil near the Greek island of Castellorizo in the southeastern Aegean.

Asked about these operations, Hatzidakis said *"Greece would not give up its sovereign rights."* The Greek foreign ministry said Turkey's surveys in the area around the continental shelf of Castellorizo 'contravened the laws of the sea.' The boundaries of the continental shelf figure among the disputes between the two countries. Greece has raised the prospect of taking the dispute to the International Court of Justice at the Hague. The two countries are also in dispute over the limits of air space and maritime borders in the Aegean.

Iran to invest $1b in LNG project

Date : 05.08.2009
Source: Rigzone (BBC Monitoring)
http://www.rigzone.com/news/article.asp?a_id=78995

Ali Kheyrandish, the managing director of Iran LNG Co. announced that some 1 billion dollars has been invested in LNG project. Kheyrandish said that the project is now 24 percent complete. It is estimated that in future some $4-4.5 billion should be invested in the project, he explained.

According to Kheyrandish, currently 2,000 people are working in the project site in Asaluye in Bushehr province. He went on to note that besides domestic some foreign experts from Italy, Spain, Romania, Germany, China, England, South Korea, Philippines, and Algeria are also working on the project.

Oil companies criticize Nigeria's petroleum reform bill

Date : 03.08.2009
Source: Oil & Gas Journal (Uchenna Izundu)
http://www.ogj.com/index/article-display/1732355648/s-articles/s-oil-gas-journal/s-general-interest/s-articles/s-oil-companies_criticize.html

Nigeria's Petroleum Industry Bill (PIB) will substantially increase taxation for operators and discourage investment, companies complained last month at a public forum in Abuja.

The companies are unhappy that their contracts could be renegotiated, particularly those covering deepwater projects, with higher costs under the draft legislation that would allow the government to seize blocks that remained unexplored. The PIB has received first and second readings in the Senate, but observers have alleged that different versions have been circulated among the National Assembly and other industry officials.

Minister of State for Petroleum Resources Odein Ajumogobia said that there was only one version of the PIB before the National Assembly and that this one had been approved by the Federal Executive Council.

Nigeria's petroleum industry provides more than 80% of the country's federal revenues, and the PIB, which has taken almost 10 years to reach this stage, has been touted as major reform that would address funding shortfalls, domestic gas shortages, and crippling fuel subsidies.

Stakeholders were invited to present comments at hearings organized by the House of Senate and House of Representatives, which are debating the bill. The legislation aims to introduce transparency through publication of all licenses, leases, and contracts, along with payments to the government.

The PIB will create new regulatory agencies, simplify the industry's structure, and transform Nigerian National Petroleum Corp. (NNPC) into an international oil company on a model similar to those of Petrobras or StatoilHydro. Oil workers, however, have raised fears about whether their employment contracts would be changed under these new arrangements and what would happen if they lost jobs.

NNPC, which suffers from conflicting interests because it has operating, national assets management, and regulatory roles, has been unable to meet its financial obligations under joint ventures with foreign companies. In its new structure, Nigerian National Petroleum Co. Ltd. would be able to raise money in markets rather than rely on the government for funding.

According to the PIB, NNPC's joint ventures with Royal Dutch Shell, Total, Chevron and ExxonMobil would be transformed into independent companies led by a new management team. But there are worries about who would manage them, how these firms would function, and how profits would be used.

Operators have welcomed the benefits of reform but urged the government to consider the effects on present and future work programs. International oil companies (IOCs) said in a joint presentation that their returns on investment would fall to below 8% from more than 15% if the bill passed. The IOCs noted that the new law would affect returns on wet gas investments, leaving 65% of new gas production at risk. They raised concerns about the fiscal terms for their joint ventures with the introduction of a multiplicity of taxes.

The Indigenous and Marginal Field Operators' group demanded that the fiscal regime be changed to recognize its members' need to work with leases that had been abandoned by the majors. It also said that the government needed to support indigenous operators up to a threshold of 50,000 b/d of production so Nigerian companies could provide 20% of national production by 2020. The group called for preferential access to onshore and shelf acreage on an open and competitive basis.

Gulf Keystone strikes oil in Shaikan block in Northern Iraq

Date : 06.08.2009
Source: Rigzone
http://www.rigzone.com/news/article.asp?a_id=79004

Gulf Keystone Petroleum (50% GKP, 50% ETAMIC) has made a significant discovery at the Shaikan-1 exploration well. The well is located near the city of Dihok, approximately 85 kilometers of Erbil in Northern Iraq.

The well has encountered oil in the Sargelu formation at a depth of 1,450 to 1,510 meters. Shallow zone live oil shows within the formation were announced on June 24, 2009 on initial drilling. Preliminary test rates indicate 5,000 to 8,000 barrels of 21 to 22 degree API oil per day with wellhead pressures of 380 to 295 pounds per square inch. The measured oil properties for this section are comparable to the oil now being produced at the Tawke Field, located to the northwest of the Shaikan Block.

Gulf Keystone will use this new data along with existing seismic and geological data to evaluate the potential resources discovered in this formation. GKP is currently using 300 to 500 million barrels of oil in place as a preliminary estimate for the tested interval.

In addition to these well test results, it should be noted that the primary zones of interest for the Shaikan-1 exploration well are the underlying Alan and Mus formations, in which we are targeting potential further oil bearing zones with possible oil in place values in excess of 1.5 billion barrels. Indications are that these formations will yield additional oil-bearing zones as we drill ahead to our next casing point at approximately 2,500 meters, following the current well test, before subsequently reaching final target depth at 3,200 to 3,500 meters, depending on well results.

Todd Kozel, Executive Chairman of Gulf Keystone, commented, "*We are excited by this initial discovery, the first ever successful oil flow test from the Sargelu formation in Iraq. We are also encouraged by the implications of this initial discovery for the prospectivity of the remaining portion of the Shaikan-1 well, and the two recently acquired blocks to the west of Shaikan, especially the Sheik Adi Block (80% GKPI).*"

Oman seeks 2b cubic feet of gas from Iran

Date : 04.08.2009
Source: Rigzone (Dow Jones Newswires)
http://www.rigzone.com/news/article.asp?a_id=78934&hmpn=1

Oman asked Iran Tuesday for 2 billion cubic feet of natural gas to meet its domestic needs, Iran's Mehr news agency reports Tuesday, citing National Iranian Gas Export Company's managing director.

"The Omani delegation declared their dire need to import 2 billion cubic feet of Iranian gas," Mehr quotes the Iranian gas official saying. Oman's ruler Sultan Qaboos bin Said is on a three-day visit to Iran, his first since taking power in the 1970s, to cement economic and political ties between the two countries that control access to the Persian Gulf's Strait of Hormuz.

The sultanate needs to import gas as its own stocks are dwindling and aren't enough to meet demand from domestic power plants and the country's commitment to exporting the fuel in the form of liquefied natural gas. The gas talks between the two countries tackled the development of Kish gas field in the Persian Gulf, the official said. The two country's straddle the narrow Hormuz channel through which almost 17 million barrels a day of crude are shipped. Iran has previously explored the option of exporting gas to Oman via an undersea pipeline.

PETFORM ANNOUNCEMENTS & REPORTS

❖ Methane Recovery and Use

Source : International Energy Agency
Weblink : http://www.iea.org/textbase/Papers/2009/methane_brochure.pdf