PETFORM OIL & GAS BULLETIN

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European Commission opens negotiations with Turkey upon accession to the Energy Community

Date : 10.09.2009

Source: European Commission

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1299&format=HTML&aged=0&language=EN&guiLanguage=en

On September 9, a Turkish delegation lead by Mr Yusuf Yazar, Deputy Undersecretary for Energy, met in Vienna with a European Commission negotiating team headed by Mr Fabrizio Barbaso, Deputy Director General for Energy, for a first negotiating session in view of Turkey's accession to the Energy Community Treaty.

The first negotiating session focused on the progress of reforms in the Turkish energy sector and the related legislative changes for the implementation of the Energy Community Treaty. The meeting allowed for a comprehensive review of the requirements to be met in relation with the Turkish energy sector policy and reflected the advanced state of reforms in Turkey, in particular in the electricity sector.

After the signature in Ankara on 13 July 2009 of the Intergovernmental Agreement regarding the Nabucco Project, the opening of negotiations concerning Turkey's accession to the Energy Community Treaty represents an important milestone in the EU-Turkey energy cooperation.

"Turkey is carrying out fundamental reforms in order to address its huge energy challenge. Turkey is well prepared and has an important role to play in the Energy Community. I hope that the negotiations will proceed swiftly and could be concluded in the coming months" commented Commissioner Piebalgs.

Background

Following a decision taken by the Ministerial Council of the Energy Community, on 15 July 2008 the Council of the European Union mandated the European Commission to carry out negotiations with Turkey (as well as with Ukraine and the Republic of Moldova).

In its Second Strategic Energy Review adopted on 12 November 2008 and thereafter endorsed by the European Council, the European Commission indicated that *“the accession of Ukraine, the Republic of Moldova and Turkey to the Energy Community would catalyse their energy sector reforms and result in a mutually beneficial enlarged energy market based on common rules”*.

The Energy Community Treaty entered into force on 1 July 2006. Albania, Bosnia-Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Kosovo pursuant to UNSCR 1244, and the European Community are parties to this Treaty. Ukraine, the Republic of Moldova, Turkey, Norway and Georgia have currently the status of Observers. The general objective of the Energy Community is to create a stable regulatory and market framework in order to:

- Create an integrated energy market allowing for cross-border energy trade and linked to the EU market;
- Enhance the security of supply;
- Attract investment in power generation and networks in order to ensure stable and continuous electricity supply;
- Improve the environmental situation in relation with energy supply.

In order to pursue these objectives, the main instrument of the Energy Community Treaty is the implementation of key sections of the EU acquis. Contracting parties have the obligation to implement these instruments within specific timeframes

Aegean Energy starts drilling at Epsilon offshore Greece

Date : 10.09.2009
Source: Rigzone
http://www.rigzone.com/news/article.asp?a_id=80216

Aegean Energy, following the completion of well PNA-H3 in the Prinos North field, announces the commencement of new drilling operations in the Epsilon Field, according to the development plan approved by the Ministry of Development.

The company, the majority shareholder of Kavala Oil, which is the only operator of oil and gas in Greece, announces the signing of a drilling contract for the Ensco 85 (E85) jackup drilling rig, which will undertake the drilling operations, the signing of a $50 million financing agreement with Standard Chartered Bank and the appointment of Schlumberger to provide drilling management services.

The E85 constitutes one of the 42 jackup rigs of Ensco International, designed to operate reliably all year round assisted by a staff of 80 people on a 24 hour basis. E85 is a Jackup Rig type independent leg cantilever, with maximum drilling depth of up to 7,600 meters and 2,000 HP drawworks. Additionally the Ensco85 was awarded the best performing Ensco Rig in 2007, ensuring operational excellence in 2008 and 2009.

The new well is expected to reach a total depth of 5,500 meters and vertical depth of 2,900 meters, while the drilling operations are estimated to last approximately 90 days. Based on these significant data, the Epsilon well represents the deepest and longer ever drilled in Greece. The commencement of the operations for Aegean Energy with the Ensco85 rig will start by the end of September.

Mathios Rigas, Chairman and Managing Director of Aegean Energy, stated, "*Aegean Energy and Kavala Oil enter a new phase of this long term investment, which actually represents a landmark in the realization of our business plan. Our company has made significant steps towards the effective exploitation of our national resources, in order to secure a safe business environment for the company, as well as for the sustainable growth of the local and national economy. In this aspect, we proceed with a team driven by clear vision, solid expertise and long experience in its sector. We would like to sincerely thank Standard Chartered Bank, for its trust and confidence in this successful collaboration. Moreover, the agreements with leading companies of the sector, such as Ensco International Incorporated and Schlumberger, guarantee excellent execution of the project.*"

OPEC left quotas unchanged, waits for economic recovery

Date : 10.09.2009
Source: Rigzone (Dow Jones Newswires)
http://www.rigzone.com/news/article.asp?a_id=80183

The Organization of Petroleum Exporting Countries (OPEC) is making the same risky bet as many investors that oil prices can avoid being dragged down by weak demand and excess supplies for a few more months.

OPEC left production quotas unchanged after concluding its meeting in Vienna early Thursday. The group hasn't adjusted its official output since December, though members have increased production by about 750,000 barrels a day since the first half of the year, according to the U.S. Department of Energy.

Under different circumstances, such a hike might have proven devastating for oil prices and provoked OPEC into action, but crude futures have stabilized around $70 a barrel. Support from OPEC has been replaced by a weaker dollar and stronger equities, two factors seen predicting improving economic conditions. The assumption built into the market is that eventually, rising demand and tightening supplies will justify prices at their current level.

OPEC appears to have signed onto that view as well, with Saudi Oil Minister Ali Naimi telling al Hayat newspaper that stockpiles are high but *"will start to drop in a short period,"* making further cuts unnecessary. Analysts say it's possible that the next few months will play out like Naimi expects - but that OPEC's inaction increases the risk of a major drop in prices if demand doesn't pick up. OPEC may not have much choice other than to hope for an economic recovery to rebalance the market. Cutting quotas won't do much good amid such widespread cheating, analysts say.

Members have a strong incentive to exceed their quotas to take advantage of high prices, even if it puts downward pressure on the market in the long run. OPEC agreed to cut production by 4.2 million barrels a day last year. Compliance has weakened at a steady drip, falling from above 80% in March, when oil futures traded at about $50 a barrel, to around 65% today, when oil sells for around $70.

Production could rise even more if new fields off the coast of Angola start up on schedule later this year. Even with a recovering world economy boosting demand, OPEC needs to stay near current level of compliance through mid-2010 to bring oil inventories back to normal, wrote Greg Priddy, global oil analyst with Eurasia Group, a consultancy.

However, the Department of Energy said in its monthly outlook Wednesday that oil supplies in developed countries will cover more than 60 days of demand into mid-2010, well above the five-year average of around 55 days.

Opinions vary hugely on when oil prices will stop riding financial factors like the dollar and equities. The relationship was as strong as ever this week. Futures rose sharply on Tuesday when the dollar hit a 2009 low against the euro, as crude, priced in U.S. currency, became relatively cheap for holders of other currency. U.S. equities indexes are also close to their high for the year. October crude futures settled 21 cents, or 0.3%, higher, at $71.31 a barrel on the NYMEX on Wednesday.

Shmatko: We never promised OPEC anything

Date : 11.09.2009
Source: Upstream Online
http://www.upstreamonline.com/live/article187760.ece

Russia will be able to invest in new fields at current crude prices and makes no apologies to Opecfor refusing to rein in output, Energy Minister Sergei Shmatko said.

"We never had any obligations (to OPEC). When we were communicating, we never promised anything," Shmatko said late yesterday. *"To say that we do not abide by the rules is not correct."* Russian oil output hit a record monthly high in August, nearing 10 million barrels per day, as the world's second-largest crude exporter launched a major new field in the Arctic and grabbed more market share from OPEC.

OPEC Secretary-General Abdullah al-Badri, speaking after an OPEC meeting in Vienna yesterday, said the lack of any tangible cooperation from non-member Russia in the group's output cuts 'not encouraging'.

Russia took a hit when oil prices plunged last year, stripping the country of a vital source of budget revenues. A bounce in the oil price since has brought early signs of economic recovery. *"One always wants something better. One can always say that, at a higher price, some projects will be more profitable, but today the price of oil does not set any limits for the oil industry's development,"* Shmatko said.

He also said Russian oil producers would be able to avail themselves of a zero duty on exports from 13 oilfields in East Siberia by the end of September. No time limit has been set for the tax breaks.

New wells in Turkmenistan confirm huge gas reserves

Date : 07.09.2009
Source: Rigzone
http://www.rigzone.com/news/article.asp?a_id=80067

Three new exploration wells in the Southern Yoloten (Iolotan)-Osman-Minara field tested by the experts of Turkmengeologiya State Corporation have provided confirmation of huge natural gas reserves in Turkmenistan.

The wells in the Southern Yoloten-Osman deposit zone produced millions of tons in gas discharge, and the first exploratory well on the Minara field gave the industrial gas flow debit of over 4 million cub m per day. Drilling operations are conducted to confirm the prediction of the unity of gas deposits in the South Yoloten and Osman, the Turkmengeologiya State Concern emphasized.

These results have once again confirmed the predictions of the Gaffney, Cline and Associates, a British firm, which conducted a gas reserves audit in the fields. The Turkmen geologists' future plans include drilling of exploratory wells in the area linking the oil and gas bearing zones of the South Yoloten and Minara. Drilling of another two deep wells is under completion there.

In the east of Turkmenistan, geological prospecting is also under way on the Yashlar field, which, according to the new data, demonstrated an increase in the deposits gas-bearing floor. The prospecting of the Gazanly, Shabasan, Djurdji and East Yandakly fields are expected to provide no less considerable reserves of hydrocarbon resources.

As is known, according to the audit results provided by Gaffney, Cline and Associates and published in 2008, the optimal capacity of the Southern Yoloten-Osman deposit was appraised at 6 trillion cub m, the high capacity at 14 trillion cub m of gas, which is five times larger than that of the Dovletabad field, the largest in Turkmenistan. It ranks the Southern Yoloten-Osman as the fifth or fourth in the world by its size.

Turkmenistan keen to renew Russia deal

Date : 10.09.2009
Source: Upstream Online
http://www.upstreamonline.com/live/article187707.ece

Turkmenistan hopes to agree on renewing gas exports to Russia during Russian President Dmitry Medvedev's visit on 13 September, according to reports.

Russia stopped buying Turkmen gas in April, demanding a review to supply terms agreed during the period of higher gas prices. Before the row, Russia's Gazprom used to buy about 50 bcm of Turkmen gas a year.

"Turkmen officials are optimistic about reaching an agreement this month," a Western analyst, who asked not to be named, told Reuters. *"Everyone seems to expect a deal."* Russia's Medvedev will visit Turkmenistan on 13 September and meet Turkmen leader Kurbanguly Berdymukhamedov for the first time since the row.

Poland faces gas shortfall

Date : 10.09.2009
Source: Upstream Online
http://www.upstreamonline.com/live/article187726.ece

Poland faces shortages of as much as 800 million cubic metres of gas this year if it fails to reach a long-term supply deal with Russia, Deputy Treasury Minister Mikolaj Budzanowski told Reuters.

In January, some Polish companies led by state-controlled chemical producers were forced to cut production after a Russia-Ukraine row reduced gas supplies by a quarter. Since then, Warsaw has been in discussions with Moscow, which supplies some two-thirds of Poland's gas needs, over a new long-term contract after eliminating an Ukrainian intermediary, but the talks have been at a stalemate.

"This year, Poland may be 700 MMcm to 800 MMcm short," Budzanowski said. *"The shortfall will depend on the winter and the requirements of manufacturers."* The two sides were scheduled for further talks later this month. *"In October we must reach some kind of an agreement,"* he added.

US urges Iraq to open up oilfields

Date : 10.09.2009
Source: Upstream Online
http://www.upstreamonline.com/live/article187731.ece

The US ambassador to Iraq urged the government to open more oil fields to investors, saying the move, along with a hydrocarbons law, would be a 'game changer' for the country and undercut terrorism.

"A market economy generating sustained economic growth and increased employment opportunities will weaken insurgent and extremist networks," Christopher Hill told the House Foreign Affairs Committee today. Hill, who was posted to Iraq in April, said it is time for the Iraqis to begin taking charge of their economic destiny. He called the economy *"a work in progress, beset by drought, inadequate reforms and falling oil prices earlier this year, which hurt the budget."*

As US forces pull out, the capabilities of the Iraqi government to secure the country and expand the economy are becoming a bigger focus of American efforts. The Iraqi government needs to pursue a responsible fiscal policy, including negotiating a stand-by lending agreement with the International Monetary Fund and making changes needed to join the World Trade Organisation, Hill said.

"We can be helpful, but on the economy, the time has come for the Iraqis to step up to the plate," he said, referring to the need to better mobilise the nation's oil wealth. A second round of bidding from international oil companies competing for access to develop oil fields is set for December and *"needs to be a success,"* Hill said.

Pakistani ambassador to Iran: India quitted IPI pipeline deal

Date : 07.09.2009
Source: Thaindian News (IANS)
http://www.thaindian.com/newsportal/business/india-quits-iran-gas-pipeline-deal-says-pakistani-diplomat_100243725.html

India has exited from a gas pipeline deal it earlier planned with Iran and Pakistan, Mehr news agency reported citing Pakistani ambassador to Iran, Muhammad Bux Abbasi.

"India definitely quitted the IPI (India-Pakistan-Iran) gas pipeline deal," the report said citing Abbasi, as saying Sunday. Abbasi added that Pakistan plans to increase its crude oil import from Iran. Iranian officials, however, said India has not yet officially declared its intention.

In May this year, Tehran and Islamabad signed a $7.5-billion deal to supply gas from Iran to Pakistan. As per the deal, Iran would initially supply 30 million cubic meters of gas per day to Pakistan which would be later increased to 60 million cubic meters per day. Iran, Pakistan and India had conceptualised the project in the 1990s to help boost peace and security in the region, besides mitigating the power crisis. India stopped negotiations on the project due to tension with Pakistan, although Iran repeatedly encouraged New Delhi to rejoin the process, according to the report.

The pipeline would run 2,775 km when linked with the three countries. The project would have greatly benefited India, which do not have sufficient natural gas to meet its rapidly increasing domestic demand. Pakistan has been facing electricity shortfall of more than 3,000 megawatts and plans to generate 4,600 megawatts from Iranian gas. Islamabad has been under pressure from Washington to abandon the deal.

TOTAL and Lukoil in talks to develop foreign projects

Date : 07.09.2009
Source: Rigzone (Dow Jones Newswires)
http://www.rigzone.com/news/article.asp?a_id=80066

French oil major TOTAL and Russia's biggest private oil producer Lukoil are considering joint exploration projects in Kazakhstan, Colombia, Ghana and Ivory Coast, a Lukoil spokesman said.

The two companies may cooperate on development of the Khvalynskoye offshore field in the Caspian Sea, for which Lukoil holds the license, he said. TOTAL and Lukoil may also join forces in Colombia, where both companies hold blocks located close to each other, and in Ghana and Ivory Coast, where Lukoil recently started exploration drilling at one of four offshore blocks. A Total spokesperson declined to comment.

Total and Lukoil already work together on Azerbaijan's Shah Deniz development, in which both companies hold a 10% stake. In June, Lukoil agreed to buy a 45% stake in Dutch refinery TOTAL Raffinaderij Nederland from TOTAL for $600 million.

Qatar Petroleum and ExxonMobil start up mega LNG facility

Date : 08.09.2009

Source: Rigzone

http://www.rigzone.com/news/article.asp?a_id=80118

Qatar Petroleum and ExxonMobil have announced the completion and start-up of Qatargas 2 Train 5, one of the largest operating LNG production facilities in the world.

This follows the start-up of the Qatargas 2 Train 4 in the second quarter of 2009. Each is designed with the capacity to produce 7.8 million tons per year, approximately 50 percent larger than any other global liquefaction facility currently operating outside of Qatar.

"The start-up of Qatargas 2 Train 5 represents another technological milestone in our effort to increase global supplies of clean-burning natural gas," said Neil Duffin, president of ExxonMobil Development Company. *"Technological advances pioneered by Qatar Petroleum and ExxonMobil have enabled us to achieve new economies of scale for LNG development using natural gas from Qatar's North Field. We congratulate the many people whose efforts during the last several years made possible the start-up of the world's largest LNG trains."*

Qatargas 2 links natural gas production, liquefaction, shipping and regasification infrastructure together into a single fully integrated LNG development and supply initiative. In addition to Trains 4 and 5, the Qatargas 2 joint venture encompasses a fleet of world-class Q-Max and Q-Flex carriers and the newly commissioned South Hook Terminal in Milford Haven, Wales.

"When combined, these technology breakthroughs are enabling more efficient production and transportation of natural gas and will allow us to provide more natural gas to markets throughout the world," said Duffin.

ExxonMobil's joint venture LNG projects in Qatar are facilitating the development of a global market for cleaner-burning natural gas. ExxonMobil is also participating in the development of LNG projects in Papua New Guinea and Australia. Liquefied natural gas is one of the fastest growing sources of energy supplies. Global LNG demand is expected to reach approximately 500 million tons per year by 2030, an increase of over 200 percent since 2005.

ConocoPhillips: Australia could be biggest LNG exporter

Date : 10.09.2009

Source: Rigzone (Dow Jones Newswires)

http://www.rigzone.com/news/article.asp?hpf=1&a_id=80185

Australia could become the world's biggest exporter of liquefied natural gas (LNG) by 2020, the head of ConocoPhillips' Australian unit said Thursday.

The comments came as Chevron Corp. said it has signed three binding sales agreements to supply nearly three million tons a year of LNG from the proposed Gorgon project in Western Australia state to Japanese and Korean energy companies.

ConocoPhillips Australia President Joseph Marushack said that a final investment decision is still expected to be made for its massive Gladstone LNG joint venture in Queensland state with Origin Energy Ltd. by the end of 2010, with first gas to be shipped in 2014. *"Australia is ideally positioned to become a really dominant supplier,"* Marushack told an oil and gas conference. *"Today it's the world's sixth-largest supplier. In 10 years it could rank second, maybe first."*

Qatar ranked first among LNG exporters in 2008, shipping 39.68 bcm, according to BP's Statistical Review of World Energy. Malaysia, Nigeria, Indonesia and Algeria also exported more than Australia's 20.24 bcm of LNG last year.

ConocoPhillips' forecast isn't surprising as there are over a dozen LNG projects slated for startup in Australia and Papua New Guinea by 2016. There is some contention among market watchers whether Australia will be able to leapfrog Qatar, which is also adding more LNG production capacity.

Many analysts doubt that all of the Australian projects will be built, so Marushack's comments suggest the company has a positive outlook for its own Australian project and for others in the region.

The Chevron operated Gorgon project recently won the approval of the Australian government and analysts expect Chevron and its partners to make a final investment decision within a month. Woodside Petroleum Ltd's Pluto LNG project, which is about three quarter complete and due to ship first gas by late 2010, has been earmarked for expansion to three production trains by 2013.

In a statement, Chevron said Japan's Osaka Gas Co. Ltd. will buy 1.375 million metric tons annually (mtpa) of LNG from Gorgon from the second half of 2014 for 25 years, with Tokyo Gas Co. Ltd. agreeing to purchase 1.1 mtpa over the same period. Subject to Australian foreign investment approval, Osaka Gas will acquire a 1.25% interest in Gorgon and Tokyo Gas a 1% stake. Chevron has also agreed to supply its 50%-owned GS Caltex Corp. of Korea with 0.5 mtpa of LNG from Gorgon and other Chevron gas projects.

Also Thursday, an executive from Japan-based Inpex Holdings Inc.'s Australian unit said that its Ichthys LNG joint venture with France's TOTAL at Darwin is planning to ship first gas in 2015 after making a final investment decision in 2010. Inpex General Manager Darwin Sean Kildare said the joint venture will release an environmental impact statement for the project shortly, with an eight-week public consultation process to commence before Christmas.

Earlier, the chief minister of Australia's Northern Territory, Paul Henderson, said a final investment decision on the project, which he said is worth more than US $20 billion, is expected in late 2010. Kildare said Inpex is aware that Japanese utilities are 'premium' gas buyers, when asked about the progress of customer negotiations for the Ichthys project.

ConocoPhillip's Marushack said that aside from the impact of the global financial crisis, U.S. gas prices have been pushed down due to a flooding of the domestic market with local unconventional sources of gas. But 'over time', demand for LNG from all parts of the globe will be robust, and demand for LNG from the Asia Pacific region will be 'very strong' when the global financial crisis abates, he said. Australia is well placed to service the Asia Pacific market geographically and has a stable political environment that encourages the development of LNG projects.

ConocoPhillips and Origin are competing with four other ventures to convert an unconventional source of gas, coal seam gas, into LNG at the port town of Gladstone. In contrast, Inpex's project and many others plan to use conventional natural gas.

ConocoPhillip's Marushack said 'coordination' is expected to occur between the Gladstone projects, but he declined to predict whether there will be any project consolidation.

PwC: Oil and gas industry major contributor to US economy

Date : 09.09.2009

Source: Oil & Gas Journal (Sam Fletcher)

http://www.ogj.com/index/article-display/5133684247/s-articles/s-oil-gas-journal/s-general-interest-2/s-2009/s-09/s-pwc_-oil__gas_industry.html

The oil and natural gas industry supports more than 9 million US jobs, according to a new study by PricewaterhouseCoopers (PwC) for the American Petroleum Institute.

The report said the oil and gas industry currently supplies more than 60% of the nation's total energy demands and more than 99% of the fuel used by US motorists in their cars and trucks, while 900 of the next 1,000 US electric power plants are projected to use natural gas.

The industry is one of the largest employers in the country, with millions of people in exploring, producing, processing, transporting, and marketing oil and natural gas. *"Millions of jobs in other industries are supported by the oil and natural gas industry's purchases of intermediate inputs and capital goods from other US producers,"* the report said. *"These businesses include equipment suppliers, construction services, management services, food services, and many other types of support services. These supporting businesses, in turn, purchase goods and services, spurring additional economic activities. Further, employees and business owners make personal purchases out of the additional income that is generated by this process, sending more new demands rippling through the economy."*

At the national level, the study found each job in the oil and gas industry supported more than three jobs elsewhere in the US economy in 2007, the most recent year for which data are available. In terms of operational impact, it directly and indirectly contributed over 7.8 million full-time and part-time jobs to the national economy.

Further, the industry's capital investment contributed an additional 1.4 million jobs to the national economy. Combining both operational and capital investment impacts, the oil and natural gas industry's total employment contribution to the national economy amounted to 9.2 million full-time and part-time jobs in 2007, accounting for 5.2% of total US employment.

Associated labor income, including proprietors' income, was estimated at $558 billion, or 6.3% of total national labor income. The industry's total value-added contribution to the national economy topped $1 trillion, accounting for 7.5% of US gross domestic product for 2007.

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ANNOUNCEMENTS & REPORTS

❖ Opening Address of the OPEC Conference (09.09.2009)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opecna/Press%20Releases/2009/pr082009.htm

❖ IEA Monthly Oil Survey (June 2009)

Source : International Energy Agency
Weblink : http://www.iea.org/Textbase/stats/surveys/OILSURV.PDF

❖ IEA Monthly Natural Gas Survey (June 2009)

Source : International Energy Agency
Weblink : http://www.iea.org/dbtw-wpd/Textbase/stats/surveys/NATGAS.PDF

❖ Energy Policies of IEA Countries – Portugal

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=348