

## Turkey eyes higher pipeline revenues, considers tanker sanctions

Oil & Gas Journal (Eric Watkins), 26.05.2010



The Turkish government, taking up an earlier idea proposed by Russia, is considering legislation aimed at applying heavy sanctions on oil companies in the event of tanker accidents in the congested Bosphorus Strait.

Ankara is using the proposed legislation as part of an effort to divert tanker traffic away from the Bosphorus and promote use of oil pipelines instead. Ankara is said to be discussing the legislation with Chevron, ExxonMobil, BP, Total and Eni. Russia's Izvestia newspaper reported that Moscow also had proposed clearing Turkey's Black Sea straits of oil tankers and transporting oil via two pipelines.

Izvestia said the idea is to "clear the Bosphorus and Dardanelles straits, which serve as the boundary between Europe and Asia, and send oil via the Russia-backed Burgas-Alexandroupolis and the Turkish Samsun-Ceyhan oil pipelines." The Burgas-Alexandroupolis line will transport Russian oil from Bulgaria's Black Sea port of Burgas to Greece's port of Alexandroupolis. Transneft and Russian oil majors Gazprom Neft and Rosneft jointly hold 51% in the project. The Samsun-Ceyhan line is expected to link the Black Sea port of Samsun with the Mediterranean port of Ceyhan. Transneft and Rosneft are expected to hold stakes in the line. Transneft also has suggested that the straits be used only to ship petroleum products while crude can be carried along the two pipelines.

According to analyst IHS Global Insight, Russia formerly opposed Turkish wishes to divert oil from the straits but has changed its approach. Now, the analyst says, Russia wants to "divert crude oil shipments from exiting the Black Sea via the Bosphorus while angling to control the pipelines from which this oil is exported."

In March, Turkish Energy and Natural Resources Minister Taner Yildiz said his country needs the Samsun-Ceyhan oil pipeline that will extend across its territory to ease the traffic-clogged straits of Bosphorus and Dardanelles. "We are interested in the issues related to the transportation of Russian and Kazakh oil across the pipeline," said Yildiz. "It is important for us that the oil is pumped across the pipeline and the traffic congestion in straits is eased."

Yildiz's remarks followed earlier observations by Transneft Vice-Pres. Mikhail Barkhov, who said the Samsun-Ceyhan and Burgas-Alexandroupolis oil line projects could become profitable if Turkey restricted the tonnage of tankers passing through the straits to 60,000 tonnes. In early May, Russia's President Dmitry Medvedev and Turkey's Prime Minister Recep Tayyip Erdogan, eyeing the Middle Eastern country as a strategic energy hub, signed several agreements, including one on nuclear energy and another on the proposed Samsun-Ceyhan pipeline.

## BP awaits 'top kill' results

Rigzone, 27.05.2010



BP began a long-awaited attempt Wednesday to seal off its ruptured well at the bottom of the Gulf of Mexico, raising hopes after five weeks of massive crude oil seepage into the sea. The 'top kill' technique involves pumping heavy mud down into the damaged well head in the hopes of overcoming the pressure of the crude oil spurting into the Gulf.

It marks the first time that BP has tried to seal off the well, a precarious operation that, as BP chief Tony Hayward pointed out, could make the leak even worse. Earlier attempts to contain the situation focussed on siphoning off the oil as it escaped damaged pipes.

Hayward said after the top kill effort began that it would be at least late Thursday before the success of the attempt could be evaluated. The operation began at 1 pm, after the US Coast Guard gave the go-ahead. BP chief operating officer Doug Suttles said late Wednesday that about 7,000 barrels of mud were pumped into the well in the first six hours of the top kill effort: "The job has been proceeding according to plan." Underwater cameras documenting the leaks have been obscured at times by escaping mud, which Suttles said was expected. Until the last minute, BP engineers studied whether they should even begin the procedure, said Hayward, who was up through the night evaluating the situation as underwater robots took pressure readings in the valves.

Weeks of talk about top kill have built up expectations. BP officials warned against hopes for a quick fix, while rating their own chances at up to 70 percent for success. Engineers planned to carefully ramp up the forced mud pressure to avoid burst through possible weak points further down the well casing, a federal mining official said. The permanent solution to the unfolding oil disaster is the painstaking drilling of two parallel relief wells, work that is underway but not expected to be finished until August.

The top kill method has been successful in the past in shallower waters but has never been tried at this depth of 1.6 kilometers beneath the surface. The well burrows another 6 kilometers below the sea floor into the Earth's crust. Engineers are pumping 50 barrels a minute or more of heavy mud into valve openings on the damaged, five-storey blowout preventer - the same device that failed to shut down when a sudden rush of gas ignited and blew up the drill rig, killing 11 workers.

If the specially produced kill mud 'outruns' the pressure of the well and halts the flow of oil, engineers will then pump cement into the well casing. To prepare for top kill, BP deployed multiple underwater robots that could withstand human-crushing pressure, fiddle with the stuck valves and take pressure measurements. US Coast Guard Rear Admiral Mary Landry said that Wednesday saw continued work to remove escaped oil through controlled burns and skimming. "We continue to have great success fighting off shore," she said.

No surface applications of dispersants were made on Wednesday, Landry said, as authorities try to limit the environmentally worrisome solvents that have been used to break up the oil. She noted that some oil has been reaching shore despite the reduction efforts. Suttles said that oil has been reported at nine locations along the Louisiana coast across about 160 kilometers. About a third of that stretch is badly soiled enough to require cleanup. Suttles said that the amount of oil on the surface of the gulf has diminished, reducing the amount available to skim or burn off.

Hayward admitted Wednesday that one of the “big lessons from the incident” was that BP was woefully unprepared for the disaster. It took weeks to assemble a fleet of sub-sea intervention equipment. “With the benefit of hindsight, it would clearly have been good to have that ready to go from day one,” Hayward told CNN. He said this was something that industry “will undoubtedly need to, should do and will probably be required to have in the future.”

US President Barack Obama, who noted a wide “sense of despair” about the unfolding environmental disaster, was to tour the oil-slicked coast Friday for a second time to assess efforts. “We’re going to bring every resource necessary to stop this thing,” Obama vowed. “We will not rest until this well is shut, the environment is repaired and the clean-up is complete.”

The words were little comfort to angry residents and elected officials fearing for the future of fishing and tour boating livelihoods on the Gulf. Louisiana Governor Bobby Jindal vowed Wednesday to begin a sand-dredging plan to build barrier islands to catch the oil, with or without approval from federal officials who have insisted on weeks of study before granting permission.

## Iraq weighs third round

Upstream Online (Reuters), 27.05.2010

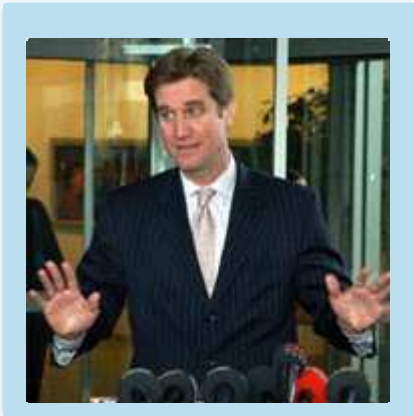


Iraq is considering holding a third oil auction for some of its supergiant fields, such as Kirkuk and East Baghdad, if there is enough interest from foreign players, Oil Minister Hussain al Shahrastani said today.

Shahrastani told Reuters that Iraq could hold a third bidding round for more of its oilfields that were auctioned before but were not awarded if there are at least three companies interested in developing them. Shahrastani said that a final deal for a gas joint venture with Shell will be sent to cabinet for approval “today or the start of next week” after it has been approved by the Cabinet’s energy committee.

# US nominates new ambassador to Azerbaijan

Hürriyet Daily News (EurasiaNet), 26.05.2010



The White House has nominated U.S. diplomat Matthew Bryza, a former co-chair for the Nagorno-Karabakh conflict resolution talks, as its new ambassador to Azerbaijan, EurasiaNet recently reported.

Bryza, whose appointment to Baku has long been the source of considerable speculation, has a diplomatic career of over 20 years that put him at the center of two of the South Caucasus' most strategic issues: the resolution of the Nagorno-Karabakh conflict and the introduction of oil and gas pipelines from Baku to the Black Sea that do not involve Russia.

As deputy assistant secretary of state for European and Eurasian affairs from 2005 to 2009, Bryza coordinated U.S. energy policy in the Black and Caspian Sea regions, and represented the United States on the Organization for Security and Cooperation in Europe, or OSCE's, Minsk Group talks on a resolution of Azerbaijan's 22-year conflict with Armenia over Nagorno-Karabakh. Under U.S. President Bill Clinton, he served as a deputy advisor on Caspian Sea energy diplomacy and worked on U.S. government efforts to develop a network of oil and gas pipelines in the region.

Bryza's appointment must be confirmed by the U.S. Senate, where he is likely to face questioning about his actions leading up to the 2008 Georgia-Russia war, a conflict that some critics charge was prompted by a Georgian misunderstanding of U.S. readiness to intervene.

The absence of a U.S. ambassador to Baku – the post has been vacant since July 2009 when the previous incumbent, Anne Derse, completed her term – has been cited previously as a source of irritation for some Azerbaijani officials, who allegedly saw it as a snub to President Ilham Aliyev's government amid American promotion of a Turkish-Armenian rapprochement. With Bryza's appointment, Washington is sending a 'positive signal' that it is ready to smooth over relations with Azerbaijan, according to Elkhan Shahingolu, director of the Baku-based Atlas think-tank.

## Nabucco receives over 60 bids in prequalification tender

Hürriyet Daily News, 26.05.2010



The Nabucco pipeline, which could transport natural gas from the Caspian Sea to Europe, has received more than 60 prequalification bids to supply roughly 3.5 billion euros in pipes, according to a company involved in the project.

“We received more than we expected, and the applicants are practically the most important pipe suppliers in the world,” Vlad Pavlovschi, general manager of Nabucco Gas Pipeline Romania SRL, said Tuesday from Vienna. The applications are being evaluated by an independent auditor, he said, declining to provide more details.

The prequalification tender for long lead items, including line pipes, valves and bends ended May 17. Companies meeting requirements will be invited for the actual tender in July, the OMV AG-led venture said last month. Nabucco will need roughly 2 million tons of steel.

The venture partners will decide on the investment by the end of this year. Construction is set to begin in 2011, and shipments may start by the end of 2014 or early 2015, according to Nabucco’s website. Europipe GmbH, half-owned by German steelmaker Salzgitter, and Borusan Mannesmann Boru, a Turkish maker of steel and plastic pipes, said earlier this month that they had applied for prequalification.

## BG-Eni Kazakh case goes to arbitration

Upstream Online, 27.05.2010



Kazakhstan’s \$1.3 billion cost overstatement claim against the BG and Eni-led KPO consortium is being reviewed by an international arbitration court, the Kazakh prosecutor general’s office said. “The sides have taken the matter to an arbitration court,” Nurdaulet Suindikov as telling reporters.

Kazakhstan accused KPO, in which the government wants a stake, of cost-fixing in April but then closed the criminal case against it this month. KPO, which also includes US company Chevron and Russia’s Lukoil, operates the Karachaganak gas condensate field under a production-sharing agreement with Kazakhstan.

## Mitschek: Nabucco to sign gas deals by 2011

Upstream Online, 27.05.2010



Nabucco project shareholders should get the gas supply deals needed to build the pipeline by the end of 2010 or early 2011, Reinhard Mitschek, Nabucco's Managing Director, said at the Reuters Global Energy Summit. Mitschek also said he was confident Nabucco would sell the gas at a good price when it opens in 2014.

Nabucco shareholders have struggled to secure the gas supply deals they need to secure financing for around 70 percent of the project costs, with RWE having to push back signing a deal with Turkmenistan until the second half of the year.

"I'm confident that they can make the gas deals this year or early next year in order to secure the investment," Mitschek said, adding there were no firm financial commitments for the project so far but that talk with banks were ongoing. "We are on track. We expect to finalise all our important prerequisites in the development phase just in time for the construction start up in the second half of 2011," he said, adding that first gas would likely flow across south-eastern Europe to Austria at the end of 2014.

A lull in European energy demand and a surge in liquefied natural gas supply has driven gas prices down across the region over the last year and led some analysts to question the need for another supply line. But the pipeline consortium of Germany's RWE, Austria's OMV, Hungary's MOL, Bulgarian Energy Holding, Transgaz of Romania and BOTAS of Turkey can expect higher sales prices and healthy demand for the gas Nabucco transports when it opens and it would be a mistake to delay it because of the current glut, Mitschek said.

"To slow down or lean back would be absolutely the wrong measure," he said when asked if the dip in demand seen in Europe might slow the project. "We cannot fine tune a long-term project on short-term market developments. In the long run, we expect reasonable prices both for gas, the commodity itself, and also for the transportation services."



# Statoil and EGL announce E.ON Ruhrgas as new shareholder in TAP

Your Oil & Gas News, 20.05.2010



Statoil and EGL today announced the divestment of a combined stake of 15% in the Trans Adriatic Pipeline Project (TAP) to E.ON Ruhrgas. The new shareholder structure of the TAP project now comprises of EGL holding a 42.5% share, Statoil holding a 42.5% share and E.ON Ruhrgas holding 15%.

This is a strategic move and a significant step in the realization of the TAP-project. E.ON Ruhrgas has a long history in the successful development of gas projects and brings additional knowledge and expertise that will further strengthen the Trans Adriatic Pipeline project. TAP still remains open for additional partners to join the project.

Rune Bjørnson, executive vice president for Natural Gas at Statoil said: "We are very pleased to welcome on board E.ON Ruhrgas as a new partner in TAP. Today's move will further strengthen the TAP-project and its ability to compete for gas volumes to be transported from the Caspian region to Europe." He added: "Statoil as a resource owner in Shah Deniz is delighted to note the recent positive developments with regards to a potential gas package deal between Turkey and Azerbaijan. Such an agreement will pave the way for the development of new gas resources to the European market in which Statoil will be a key provider."

Hans Schulz, EGL CEO stated: "It has always been our intention to attract additional strong partners able to add value to this project. These include partners who are active in the construction of pipelines and gas distribution and thus contribute to TAP's success. The project now comprises of a group of companies with complementing capabilities."

Jochen Weise, Member of the Board of Directors and Head of Gas Supply for E.ON Ruhrgas said: "By joining TAP we are enabling our company to place its already well diversified supply portfolio on an even broader foundation in the future, thus making an important contribution to security of supply in Europe and particularly, in southern and south-eastern Europe. With this investment, E.ON Ruhrgas focuses on the expansion of national or international transmission infrastructure. Such investments in European gas infrastructure combined with long-term gas supply contracts are indispensable so as to ensure European gas supply on a long-term basis at the familiar high standards of reliability." The new shareholder agreement was signed in Brussels today. Due to regulatory requirements, the deal is expected to be concluded by the end of June 2010.



# SOCAR plans refinery and gas processing plant in Baku

Oil & Gas Journal (Eric Watkins), 21.05.2010



State Oil Co. of Azerbaijan (SOCAR) plans to build an oil and gas processing and petrochemical complex near Baku, scheduled for completion between 2018 and 2020. "Subject to the decision of the government, the next step will be basic engineering design for all new complex facilities," SOCAR said of the facility, to be build 45-50 km south of Baku at Sangachal, where the Caspian's main oil and gas pipelines reach shore.

SOCAR said the planned facility would include a 40-billion cu m gas processing plant, a 300,000 b/d refinery, as well as chemical, petrochemical, and power plants.

Analyst IHS Global Insight earlier said that "a new petrochemical complex would give the country another outlet for rising offshore oil and gas production, with some of these volumes sent for processing at the new complex rather than simply exported as raw materials." Technip SA and Foster Wheeler Ltd. are conducting the feasibility study of the complex as well as SOCAR's existing downstream facilities, including the Baku Oil Refinery and the Oil Refinery Azneftiyag, both in Baku.

In this year's first quarter, the two refineries produced more than 1.24 million tons of oil products compared to about 1.12 million tons in first-quarter 2009. "We expect to receive a project concept, feasibility in July, and we are preparing for the procedure to start this project," said SOCAR Pres. Rovnag Abdullayev. "We are working with the Ministry of Economic Development to attract investment funds and private companies to build these plants," he said of the new industrial park.

Abdullayev also noted that more investment should be made in the country's existing refineries to improve the quality of SOCAR-produced fuel to the standards of Euro-4 and Euro-5. "The diesel fuel and gasoline produced by SOCAR comply with the standards, and the diesel fuel already meets the European standards. Euro-2 standards will be applied to gasoline from this year, and next year we will be able to introduce Euro-3 to gasoline produced by the company," said Abdullayev.

In April, SOCAR's Vice-Pres. for Refining Davud Mamedov said construction of the new refinery at Sangachal would start in late 2014 or early 2015, and that refining would start in 2018-19. According to state media, several officials insist that Euro-6 gasoline should be produced at the new refinery, according to the European standards that will be applied from 2014 on.



## Turkmenistan to build new gas pipeline

Today's Zaman, 25.05.2010



Turkmenistan will start building an east-west pipeline in June with a capacity of 30 bcm per year. A resolution authorizing the start of construction was signed by President Gurbanguly Berdimuhamedov on Monday.

“The new gas pipeline will connect the eastern region of the country, where the largest natural gas reserves are concentrated, with the rapidly developing central and Caspian region of Turkmenistan,” Berdimuhamedov said. He also asserted that the east-west gas link will make it possible to provide almost all factories and other facilities located throughout the country with natural gas.

The president instructed Turkmengaz and Turkmennebitgazgurlushik to cooperate in carrying out the design and construction of the pipeline, including the ground support communications in a segment stretching from the Shatlyk gas compressor station at the Dovletabat-Deryalyk gas pipeline to the Belek-1 station. The pipeline will be around 1,000 kilometers long, and it is estimated that the gas flow will start by June 2015. The Turkmen press reported that the pipeline will provide gas to the domestic industry as well as aiming to diversify the country's gas export channels. The east-west pipeline will not only be confined to the Dovletabat field but will also connect to the South Yolöten-Osman and other gas fields in the region.

## Abkhazia to develop offshore oil field off its coast

Hürriyet Daily News, 26.05.2010



The Georgian region of Abkhazia will develop its offshore oil field that lies near its coast, the region's de facto president said, citing Soviet-era studies as suggesting that the field contains more oil than the deposit near the Georgian coast.

“Practically all the Black Sea countries except us are developing oil fields in the Black Sea - Georgia, Turkey, Romania, Bulgaria, Ukraine,” Kyiv Post quoted Sergei Bagapsh as telling reporters Monday in Sukhumi, Abkhazia's capital. He said he shared the Abkhaz opposition's fears that an oil project off the Abkhaz coast would pose an environmental danger.

## Total to develop gas field in Shtokman

Rigzone, 24.05.2010



Total plans to develop the huge Shtokman natural gas field in the Barents Sea remain on track, Arnaud Breuillac, the company's senior vice-president for Continental Europe and Central Asia, said in an interview.

"Shtokman is not being further delayed," he said, dismissing rumors that the project was facing further postponement due to the gas price weakness. The consortium holding rights to the field has decided to split its development, with a final decision on the natural gas extraction in March 2011 and a decision on liquefying the gas "around nine months after the natural gas part, by end 2011," Breuillac said.

"There is no disadvantage in developing gas production first and then liquefying it in a second stage," he added. Shtokman, which is one of the world's largest natural gas fields, is being developed by Shtokman Development, a consortium in which Russia's oil and gas major Gazprom owns 51%, StatoilHydro 24% and Total 25%. Shtokman Development's Chief Executive Yuri Komarov resigned earlier this year and will be replaced by a Gazprom executive. Breuillac declined to give the name of Komarov's successor.

Shtokman's reserves are estimated at around 3,800 billion of cubic meters of natural gas and 37 million tons of gas condensate. Total expects LNG from Shtokman to be produced from 2017, Breuillac said. The existence of unconventional gas won't deter Total from conventional natural gas sources, notably in Russia and Central Asia such as Shtokman, Breuillac said.

"A company like Total needs a balanced portfolio in all its projects and even though one has to weigh up the value of shale gas, this complements our development opportunities in the Commonwealth of Independent States region," Breuillac said. Total bought a 25% stake in U.S.-based company Chesapeake Energy in early January, which is specialized in shale gas extraction, for \$2.25 billion, and is exploring a potential shale gas field near Montelimar, in southern France.

Total's shale gas ventures won't affect the company's focus on big (conventional natural gas) projects, Breuillac said. The current weakness of natural gas prices and the drop in demand won't have an impact on Total's natural gas investments decisions either, Breuillac said. As for Turkmenistan, the group is maintaining its efforts to convince the government there to open its on-shore fields to foreign integrated oil and gas companies such as Total. "This will still take time and our interest is not diminished," Breuillac said, adding that Total and the Turkmen government plan some "studies in common."



# Announcements & Reports

## ► *2010 Competition Letter to EMRA*

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