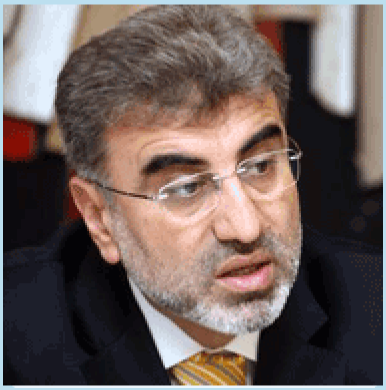
Oil & Gas Bulletin
► 30.09.2011

Gazprom hits back at minister's gas threat

Hürriyet Daily News, *29.09.2011*



Turkey's top energy official urges Gazprom to cut prices, saying that Ankara will not renew its contract with the Russian energy giant if its demand is not met. Gazprom's response hints at a protracted conflict. Should Russia not fulfill Turkey's demand for a price cut, the country will not renew its contract with the state-run Gazprom to buy natural gas via the Western Pipeline, Taner Yildiz, Turkish Energy Minister, said.

"If Russia does not respond to our demand sufficiently, we will take the initiative to put an end to the contract," Yildiz said.

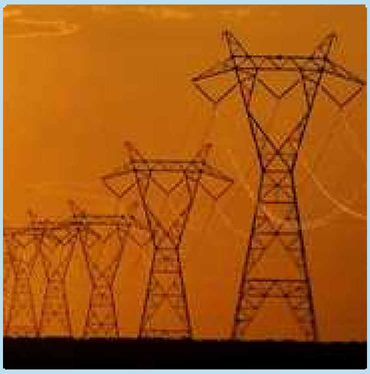
However, Gazprom was swift to respond the minister's marks. The company's exports department said in a written statement that the talks on supplying natural gas to Turkey are continuing with the state-owned Turkish Petroleum Pipeline Corporation, or BOTAS, not the Energy Ministry. "Gazprom exports received no information about protracting the deal from its Turkish partner BOTAS, The contract was signed by BOTAS, not the ministry," the statement read.

The 25-year-old contract between the parties covers the transfer of 6 billion cubic meters of gas via the Western Pipeline, one of the two lines that carry Russian gas to Turkey. Gazprom's other Turkish contract expires in 2022. In addition to the western onshore route, it supplies gas via the Blue Stream pipeline built across the Black Sea.

Gazprom supplies about 18 billion cubic meters a year of gas to Turkey, its third-biggest export market after Ukraine and Germany. The raw natural gas prices have increased by nearly 39 percent in the last 29 months, Yildiz said. "This is why we will revise all the [natural gas] inputs. We will revise all the expiring contracts, indeed, and the Western Line is included. Turkey depends on Russia for 60 percent of its domestic gas use.

Electricity to see nearly 10 pct price hike in October

Today's Zaman, *30.09.2011*



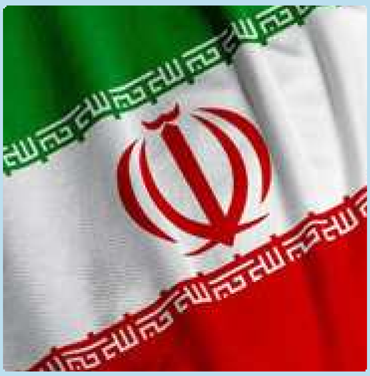
The Energy Market Regulatory Authority (EPDK) has announced that the unit price for electricity will rise by 9.57 percent at the beginning of October.

According to the EPDK, the price of electricity used by households will rise by 9.57 percent to TL 29.578, and the price of electricity for industries will rise by 9.26 percent to TL 24.479. Businesses will only experience a 0.55 percent increase in electricity, paying TL 30.816. The price change will start on Saturday but will only be applicable until the end of the year. The agency will later decide on the unit electricity prices for next year.

Separately, speaking to reporters on the expectation of a price increase of 15 percent in natural gas as well, Energy and Natural Resources Minister Taner Yildiz signaled this may be the case soon. He said on Thursday that "state-owned corporations such as the Turkish Pipeline Corporation [BOTAS] and the Turkish Electricity Trading and Contracting Corporation [TETAS] are effected by the increase in oil prices and foreign exchange rates," underlining that the continuation of those corporations' operations are important in terms of financial sustainability. Yildiz also stated that the government is working to find an optimum spot where the budgets of these corporations and citizens would meet, but noted that this is very difficult to achieve while exchange rates and the prices of oil and natural gas continue to increase.

Iran demands compensation

Hürriyet Daily News (Reuters), *27.09.2011*



Iran will ask the state-owned Turkish Petroleum Pipeline Corporation, or BOTAS, to compensate for the 'unacceptable' delay in repair work on a pipeline, Mehr reported.

Iran stopped exporting gas to Turkey on Thursday, upon Turkey's request, in order to examine whether there was a defect in the pipeline. Considering the delay of Iran's gas exports to Turkey for repairing the pipeline, "Iran will ask for compensation from [BOTAŞ]," Mehr reported. "Economy experts believe Turkey was not hurrying to open the pipeline for repairs while importing cheap natural gas from Russia."

Iran resumes gas exports to Turkey

Today's Zaman (Reuters), *30.09.2011*

Iran resumed natural gas exports to Turkey after an eight-day halt requested by Turkey over technical reasons, Mehr news agency reported. "After Turkey announced its readiness, Iran resumed the flow of natural gas on Friday afternoon," Mehr said. Iranian media reported on Tuesday that the Islamic Republic may demand compensation from Turkey over what it considers unacceptable delays in repairing a pipeline carrying Iranian gas. Officials denied the reports.

On Sunday, National Iranian Gas Company (NIGC) Managing Director Javad Oji was quoted as saying that members of the outlawed Kurdistan Workers' Party (PKK) had blown up the pipeline, forcing its fourth closure this year.

Drill saves Bosphorus from simulated oil spill

Hürriyet Daily News, *29.09.2011*

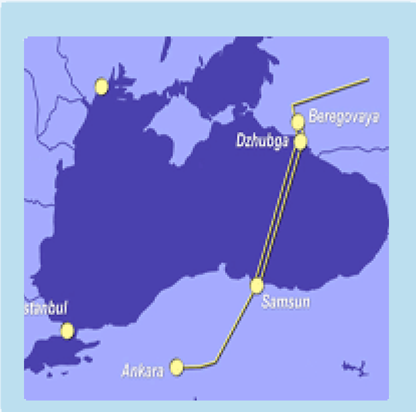
Rescue ships, tugboats, helicopters and professional divers participated in a major drill in Istanbul's Bosphorus Strait on Thursday to simulate an oil spill at sea caused by the collision of a tanker ship and a passenger ferry.

Rescuers rushed to 'save' passengers who jumped out of the ferry as it collided with the tanker, while other teams also worked on evacuating the other passengers from the boat during the drill's initial phase. During the second part of the drill, four tugboats with fire-extinguishing equipment put out a fire on the oil tanker. Rescue personnel then attempted to halt the spreading of crude oil into the sea by laying out a 3,200-meter barrier.

"In all accidents that [occur] across the world, whether they are sea or plane accidents, on highways or on railways, the human factor [accounts for] 80 percent of them. You could deploy every sort of device, but nothing can replace a human being [in addressing emergencies]," said Transport Minister Binali Yildirim, who was leading the National Drill for Urgent Intervention in Sea Pollution in Istanbul. The exercise was attended by 600 personnel, as well as 500 student observers and Erdogan Bayraktar, the environment and urban planning minister.

Russia keeps gas export duty break for Turkey

Today's Zaman (Reuters), *26.09.2011*



Russia will postpone for a year cancelling zero export duties for gas destined for Turkey via the Blue Stream pipeline, which would have eased the tax burden for its top gas producer Gazprom, Finance Minister Alexei Kudrin said.

"The Blue Stream is an international agreement and we have not been able to implement changes," Kudrin told journalists at the sidelines of the International Monetary Fund/World Bank fall meeting. "But in any case, Turkey has nothing to lose - this is a matter of Gazprom's income." Kudrin added that changes may be implemented next year, for the 2013 budgetary cycle.

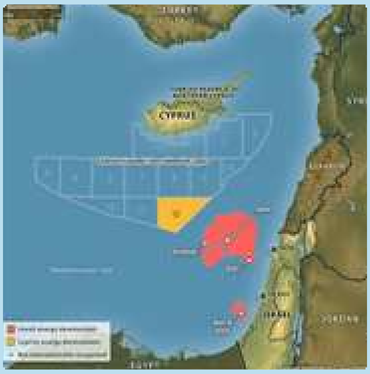
Inter-governmental agreement foresees zero export duty for the pipeline, which runs under the Black Sea, till 2015. The Russian government is increasing spending in preparations for parliamentary elections in December and a presidential poll in March. The finance ministry had said earlier it was hoping for an additional tax revenues of 150 billion roubles ($5.38 billion) in 2012 from gas producers, mainly Gazprom, which accounts for nearly 80 percent of total Russian gas output .

"We had set for ourselves an income level that we wanted to get to through changes in the gas taxation policy," Kudrin said. "There was an option that if we cancel Blue Stream duty breaks then we will ease mineral extraction tax (MET) burden on Gazprom."

In July, the ministry had said that the cancellation would mean that for Gazprom would total 431 roubles per 1,000 cubic metres in 2012, 502 roubles in 2013 and 544 roubles in 2014. With the zero export duty, Gazprom's MET would come to 480 roubles from 237 roubles now. In 2013 it was expected to further increase the MET to 600 roubles and then to 635 roubles in 2014. In 2010 Gazprom shipped 8.1 billion cubic metres of gas via the Blue Stream pipeline.

Turkey seeks simultaneous drilling halt

Hürriyet Daily News, *25.09.2011*



Turkish Cypriot President Dervis Eroglu submitted a four-item proposal to U.N. Secretary General Ban Ki-moon to resolve the spat with Greek Cyprus over drilling in the eastern Mediterranean. The proposal starts with a bid for both sides to simultaneously suspend oil and gas exploration, a move that seemed to show Turkey's reluctance to start drilling work in Mediterranean.

In the first item of the new proposal submitted to Ban, Eroglu made an offer to the Greek side to "suspend the oil and natural gas exploration simultaneously until a comprehensive solution is found to the Cyprus problem."

If this is not going to happen, Eroglu offered to "set up an ad-hoc committee shaped by representatives of both peoples" on the divided island. "We shall give some authority to the committee, such as authority over explorations, agreements and licenses dependent on written approval of both sides, and we will negotiate the ratio of sharing the riches that will be found," Eroglu said. Thirdly, the Turkish Cypriot leader proposed, "We shall use the income to finance the comprehensive talks, "adding lastly that "the adoption of the plan shall not harm the positions of either side."

Eroglu said Ban was pleased with the proposal, in which he repeated Turkish Prime Minister Recep Tayyip Erdogan's earlier call for the two sides to simultaneously renounce the energy explorations. Turkish Foreign Minister Ahmet Davutoglu said Turkey supported the new proposal that was presented to the U.N. chief. "If the two parties renounce natural gas exploration, we will accept it," Erdogan told Ban late Thursday on the sidelines of the annual U.N. General Assembly in New York, asking the U.N. chief to intervene with the Greek Cypriot government in Nicosia and urge them to stop their offshore explorations.

Turkish Cypriot Foreign Minister Hüseyin Özgürgün said Sunday that required coordinates had been set and drilling for oil would soon begin in northern Cyprus. If the Greek Cypriot administration sees Turkish Cypriots as a minority on the island and carries out exploration work unilaterally, Turkish Cypriots can begin exploration in the north of the island, Özgürgün said. Richard Stone, a leader of Jewish communities in the United States, meanwhile told the daily newspaper Kathimerini on Sunday that Turkey's actions to prevent the gas and oil drilling efforts of Greek Cyprus and Israel in the East Mediterranean is "a reason for war." He said Washington is closely monitoring the recent developments on the issue.

Iraq wants to take part in Turkish electricity plans

Hürriyet Daily News, *26.09.2011*

The Iraqi government eyes Turkish cooperation in rehabilitating its war-hit electricity network and joining its neighbor's plans to sell electricity to several Mediterranean countries, according to an expert. Turkey can contribute to Iraq's energy projects through technical advice and expertise in energy, says another.

War-stricken Iraq aims to take part in Turkey's recently announced interconnected regional electricity network for southern and eastern Mediterranean countries with its vast natural resources in a bid to export a potential energy surplus to Europe via Turkey.

"Iraq wants to take part in Turkey's master plan for electricity interconnection," Luay Al Khatteeb, head of the London-based Iraq's Energy Institute, told the Hürriyet Daily News on the sidelines of the Iraq Future Energy 2011 conference in Istanbul on Monday. Turkish Energy Minister Taner Yildiz previously said Turkey was working on a master plan for electricity interconnection in the southern and eastern Mediterranean countries including Syria, Lebanon, Jordan, Palestine, Egypt, Libya, Morocco and Algeria during his official visit to Cairo accompanying Turkey's Prime Minister Recep Tayyip Erdogan on Sept. 14.

Talking about the investment opportunities in Iraq's natural gas, oil and electricity, Khatteeb said, "Especially northern Iraq is a safe haven for investments." He said both countries already reached a total trade volume of $6 billion as of the end of last year. "Now the countries are targeting $10 billion in a few years' time," he said. According to Al Khatteeb, the close trade bonds between the parties require more cooperation in energy. "Once we start to have surplus capacity, Iraq can be well connected to Europe through Turkey and export electricity through an interconnected regional network," said Al Khatteeb speaking about the future plans of the Iraqi government. "These are goals for the future but they are very possible." According to him, if there could be a proper national strategy on the Iraqi side, these plans would be well implemented.

"Turkey has an important role in the region," said Simon Stolp, senior energy specialist of the Word Bank, speaking to the Daily News during the conference. "The country can contribute to Iraq's energy projects through technical advice and Turkish expertise in energy." Commenting on Turkey's electricity master plan, Stolp said, "There is an ongoing discussion in developing an integrated network and Turkey will be a significant priority in that." Still he added that "the current transmission links of Iraq are still low in capacity for a regional network." Noting that Iraq needs nearly $4 billion in direct investment over 20 years in gas and electricity, Stolp said, "We continue the discussions and Iraq might take part in such a network in the future."

BP proposes new route for Azerbaijan gas

Tert, *27.09.2011*

Frustrated BP has proposed a fourth route for a pipeline to feed Europe with Caspian natural gas, The Wall Street Journal reported. The move comes as the fight among competing pipeline projects heats up ahead of a deadline that is being closely watched by European governments and energy companies.

The BP project, called South East Europe Pipeline, would link a major Azerbaijani gas field to a gas hub in Austria, and would run from western Turkey across Bulgaria and Romania to Hungary's border, a similar route to that of the Nabucco pipeline backed by the European Union.

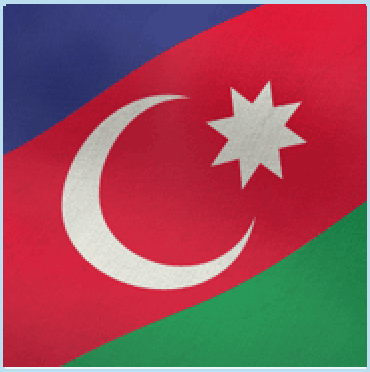
There are two other leading pipeline proposals for transporting Azeri gas, in addition to the Russian-backed South Stream pipeline that would increase Russian gas exports to Europe. As the operator of the Shah Deniz field the main Azeri gas natural field BP has influence over which pipeline the Shah Deniz consortium will choose. BP's proposal comes just ahead of an Oct. 1 deadline for competing pipeline projects to present a detailed transportation offer to the Shah Deniz consortium which is expected to make a final decision by the end of the year.

A BP spokeswoman said BP's proposed route would be considered alongside the other options. "While this is not an advanced project, this is a possible export solution," said BP's spokeswoman for Azerbaijan, Tamam Bayatly. "The three pipeline projects will submit their proposals by Oct. 1, and in parallel there is a fourth possible option that will be looked at," she added.

The EU has pushed hard to secure gas from Shah Deniz to reduce its dependency on Russia, especially among Eastern European EU members. The EU argues Nabucco is the best option because its greater size would effectively open a 'southern corridor' for Caspian gas transit to Europe beyond what Shah Deniz supplies.

Azerbaijan to evaluate BP's Europe bound gas pipeline

Fox Business (Dow Jones), *27.09.2011*



Azerbaijan's state energy company Socar said it will evaluate a new proposal by BP to feed Europe with Caspian natural gas through an alternative pipeline project. "While this option is not advanced yet it could be seen as a possible export solution," a Socar spokesman told. "A fourth potential export option will be evaluated."

A project proposed by BP called South East Europe Pipeline would link a major Azerbaijan gas field to a gas hub in Austria, running from western Turkey across Bulgaria and Romania to Hungary's border, a similar route to that of the EU-backed Nabucco pipeline.

BP operates Azerbaijan's main natural gas field, Shah Deniz. News of the BP proposal comes just ahead of an Oct. 1 deadline for three competing pipeline projects, including Nabucco, to present a detailed transportation offer to the Shah Deniz consortium. The consortium is expected to make a final decision by the end of the year.

Gazprom raided in EU antitrust investigation

Financial Times, *27.09.2011*

Gazprom and several of its main European customers have been raided by competition authorities at the start of a flagship Brussels investigation into suspected market abuse.

The launch of the antitrust probe, which marks the culmination of a European Union drive to open up gas markets, is likely to be received badly in Moscow and will begin a politically charged chapter in relations between Russia and the European Union. Surprise raids were conducted on 20 sites across 10 countries in central and Eastern Europe, including Gazprom operations in Germany and the Czech Republic.

The raids were targeted on companies either suspected of uncompetitive practices or those that might have information relating to wrongdoing. “The investigation focuses on the upstream supply level, where, unilaterally or through agreements, competition may be hampered or delayed,” said the European Commission.

“The Commission suspects exclusionary behavior, such as market partitioning, obstacles to network access, barriers to supply diversification, as well as possible exploitative behavior, such as excessive pricing.” RWE confirmed that premises in Essen and Prague were searched, while Eon said the Essen offices of its gas-supply unit Eon Ruhrgas were raided. “We welcome this inquiry and are co-operating fully with EU authorities,” RWE told the FT. Premises of the Austrian group OMV were also searched.

Brussels has been pushing for more links between member states’ gas and electricity networks, worried about the lack of competition which it fears has led to higher prices and sporadic questions about security of supply. The EU relies on Russia for a quarter of its gas supplies. Recurrent spats with Ukraine over transit conditions left parts of Europe with severe energy shortages, most recently in January 2009. The EU has sought to liberalize its gas and electricity markets not only to improve prices but also as the cornerstone of its strategy to improve its energy security. EU officials believe more open markets would make it easier for supplies to flow across the continent in times of crisis. The EU’s most recent energy liberalization package is supposed to prevent companies from controlling both supply and distribution of gas in individual markets.

European officials said the investigation was targeting Gazprom either for alleged anticompetitive clauses in gas-supply contracts, or because of signs of a market-dominating position in Eastern Europe. The Commission is also examining areas where suppliers such as Gazprom have been blocked from entering certain markets.

Typically complex Commission investigations can stretch for several years and officials stress that launching raids does not mean that the parties are guilty of misconduct. European competition authorities have the power to impose heavy fines on companies found to abuse their position.

The Gazprom group confirmed its premises had been raided in Germany and the Czech Republic and said the “companies will do their best to fulfill their contractual obligations towards their clients in full scale, while providing support to the European Commission officials”. “Such inspections are standard practice within the framework of EU competition rules...” One of several triggers to launch the raid came from Lithuania, which in January formally complained to Brussels that Gazprom was abusing its dominant position as the country’s main gas supplier and acting to hinder the liberalization of its energy market.

Vilnius said Gazprom’s tight grip on the supply and distribution of gas in the country endangered its long-term energy security. “In our opinion, the economic and political pressure exercised by the monopolistic gas supplier is aimed at prevention of the restructuring of the Lithuanian gas sector in a way that would encourage entry into the market of other natural gas suppliers,” the energy ministry said at the time. Gazprom denied the claims.

Eni buys GDF Suez stakes in North Sea fields

Rigzone, *28.09.2011*

Eni and GDF Suez have signed an agreement for Eni to purchase the 22.5% shareholding of GDF Suez in EFOG, a joint-venture between GDF Suez and Total E&P UK Ltd, which holds a 46.2% stake in the Elgin/Franklin fields. Through this shareholding Eni will obtain a 10.4% indirect participation in the Elgin/Franklin gas condensates fields.

Eni already holds a 21.8% interest in Elgin/Franklin which are some of the most productive fields in the UK North Sea. The acquisition therefore represents a natural enhancement to Eni's UK North Sea portfolio, and provides short and long term production benefit from assets well known to the company. Eni's offer to GDF Suez is worth €590 million.

Russia and China agree gas price formula but no final deal yet

Ria Novosti, *27.09.2011*

Moscow and Beijing have agreed on a price formula for Russian gas exports, the biggest stumbling block for signing a deal between the world's largest gas producer and the world's fastest-growing energy market, and a deal could be signed soon, a Gazprom official said, but admitted that prices had still not been finally agreed.

"The price formula agreed, there is still the issue of what is the starting point of that formula," Russian gas export monopoly Gazprom Deputy Chairman Alexander Medvedev said.

Gazprom wanted the same returns on deliveries to China as to Europe, which sources said meant a price gap of at least $100 per thousand cubic meters between Gazprom and China's negotiating positions. "We hope very much that the event expected by everyone the signing of the contract to supply gas is in the offing," Medvedev said, but did not elaborate. Negotiations between the world's largest gas producer and the world's quickest growing energy market were constructive and the parties were listening each other, he said.

Charles Davidson leads Noble Energy to top independent

Rigzone, *30.09.2011*

Despite Turkey's objections to drilling offshore Cyprus' southern coast, Noble Energy, with Israeli partner Delek Drilling, commenced drilling in September to explore what experts believe is a gas field at least the size of the Tamar.

Noble Energy CEO Charles Davidson said September 7 at the Barclays CEO Energy Power Conference that a gas find could "change the dynamics... of how gas is marketed in this region," and "are analogous to what we have been drilling and discovered in Israel." We and the government have talked and considered about possibilities of an export terminal in the region," Davidson said.

"The key hurdle for further exploration success in this region, whether it is in Cyprus or Israel, is the fact that certainly the gas would need to be designed to move into a global market rather than a local market." Another hurdle Davidson currently faces is the threat to its drilling schedule. The Hürriyet Daily News has reported that Turkey has sent a Norwegian ship to conduct its own seismic surveys in the area and the country's president has suggested that all oil and natural gas exploration be suspended until a resolution can be agreed on by both parties. Regardless of the outcome, Noble Energy will overcome this potential hiccup with Davidson as its leader.

Davidson is known for his strong leadership style. His business ethics, level-headed approach to problem solving and personal integrity have Noble shareholders, government and industry peers taking notice. In 2011, Davidson ranked as Forbes' 13th highest paid CEO, worth about $33 million and Ernst & Young recognized Davidson as one of its Entrepreneur of the Year winners.

In 2001, Noble Energy hired Davidson as the CEO and tasked him with turning around the underperforming company. Davidson delivered. As of 2010, Noble Energy's shareholder return has increased about 15 percent each year since Davidson took the helm. That's a 300 percent improvement. Noble's strategic exploration in the last 10 years has led to its growth today. The company is focused on exploring four key areas: onshore US, GOM, West Africa and Eastern Mediterranean.

The DJ basin is the home to Noble's largest onshore field, Wattenberg. The horizontal Niobrara well, is the company's longest well ever drilled in the DJ basin with a 9,100 ft lateral in the Wattenberg field. At the beginning of the year Noble planned to drill 85 horizontal wells here. Offshore, Noble announced a discovery in May at Santiago located at Mississippi Canyon block 519, which increased Galapagos net production to over 10,000 bpd. Noble is also focusing on Gunflint, located at Mississippi Canyon 948. The field was discovered in October 2008, but Noble plans to spud an appraisal well later this year.

In the Eastern Mediterranean region, Noble is set on drilling Tamar, discussed above, as well as resuming drilling operations at its Leviathan field offshore Israel. In May, Noble ended drilling operations after identifying water flowing to the seafloor from the wellbore. At that time, Noble said in a release that it plans to relocate the drilling rig to a nearby location to resume the appraisal drilling program.

Offshore West Africa, Noble accelerated startup of its Aseng field offshore Equatorial Guinea with first oil expected by year end. Likewise, Noble is looking forward to the Alen field coming online in 2013. The company anticipates oil to flow at a gross rate of 37,500 bopd. Natural gas re-injection is estimated at 380 MMcf/d during gas-recycling. Noble is also planning to continue appraisal work at the Carmen-Diega area off Equatorial Guinea.

Davidson's Rise in Oil & Gas

Davidson knew he wanted to become a chemical engineer at a young age. Thus, he went to Purdue and earned his bachelor's of science degree in chemical engineering in 1972. He then went to the University of Texas in Austin and earned a master's degree in management in 1980. After earning his bachelor's of science degree in chemical engineering from Purdue in 1972, Davidson pursued a master's degree in management from the University of Texas in Austin.

After graduation, Davidson went to work for the Atlantic Richfield Company (ARCO) as an engineer. For more than 14 years, he held operations and executive positions. In 1994, Davidson helped form Vastar Resources, where he served as chairman, president and CEO before joining Noble Energy in 2001. Not only is Davidson the CEO of Noble, but he is also a founding member of American's Natural Gas Alliance, serves as the offshore committee chair of the Independent Petroleum Association of America, and a board member of the American Exploration & Production Council, the Gas Technology Institute and the Offshore Energy Center. He is also a member of the National Petroleum Council.

Plans for 2012 and On

Founded by Lloyd Noble in 1932, Noble Energy was one of the first independents to explore in the Gulf of Mexico (GOM). At year-end 2010, Noble held reserves of 1.1 Bboe and assets near $13 billion. Most recently Noble reported a 2Q 2011 profit of $294 million, or $1.61 a share, up from $204 million or $1.10 a share in 2Q 2010. Adjusted earnings increased to $1.44 from $1.07 a share while revenue climbed 27 percent to $954 million.

In July, Davidson announced that Noble will increase its spending to $3 billion, which is $300 million more than previously announced. During the 2Q 2011 earnings conference call, Davidson said, "We are accelerating a number of our development projects and we have also made important additions on the exploration side."

Noble will focus on new opportunities in Colorado, West Africa and the Mediterranean Sea. Specifically, the company plans to ramp up drilling and development of natural gas off Israel, Cyprus, Senegal and Guinea-Bissau, and at the Wattenberg field in Colorado. Looking ahead to 2015, Noble expects to increase production by 10 percent compound annual growth rate (CAGR) to 350 MBoepd, increase reserves to 14 percent CAGR to 1.6 BBoe, increase before-tax cash margins by 28 percent to $43 Boe and have a $1.6 billion free cash flow

Noble revises drilling schedule for deepwater rigs offshore Mediterranean

Rigzone, *28.09.2011*

Noble Energy has revised drilling plans for the three deepwater rigs it has under contract in the offshore Eastern Mediterranean. The Ensco 5006 rig (formerly the Pride North America), which has experienced multiple subsea equipment issues, will move off the Leviathan #3 well to have repairs performed to its riser system. Upon completion of that repair work, the rig is expected to drill the Dolphin prospect located on the Hanna license, offshore Israel.

The Transocean Sedco Express, currently at Tamar, is preparing to move to the Leviathan #3 location to conclude the drilling of that well.

The rig is then expected to drill up to two exploration prospects before returning to Tamar to finish development drilling and perform completion work. These changes will not affect the timing of the Tamar development which remains on schedule for commissioning in late 2012. The drilling operations by the Sedco Express have gone extremely well. The Noble Homer Ferrington rig recently drilled two development wells at Noa. The drilling activities were completed two weeks ahead of schedule and significantly below budget. The Noa completion operations are planned to commence in the first half of 2012. The Company has subsequently moved the Homer Ferrington to Block 12 offshore Cyprus, where it is drilling the Cyprus A prospect. Once finished with Cyprus A, the rig will relocate back to Israel.

Accommodating Libya and world economic worries weigh on OPEC

Platts, *29.09.2011*

OPEC would normally hold a meeting this time of year, but has met only once so far in 2011 despite the tumultuous happenings in global economy.

Libyan oil production is starting to recover after dwindling to almost nothing at the height of the fighting. The world's top economic bodies are fearful of a new, deep downturn and the price of Brent crude oil has slid to around $105/barrel from the $127/b two-and-a-half-year high traded in early April.

When OPEC met in June, the concern for the group's key Gulf Arab members was that production should be increased to meet expected higher demand for OPEC oil, but a proposal from Saudi Arabia to increase estimated actual output by 1.5 million b/d to 30.3 million b/d was shot down by Iran, Algeria and several other members.

The meeting broke up acrimoniously and without agreement on output levels. Needless to say, however, OPEC output has climbed steadily and, according to the International Energy Agency, averaged 30.26 million b/d in August -- within a whisker of Saudi Arabia's proposed target. But, with Libya now beginning the effort to restore production to pre-uprising levels of close to 1.6 million b/d and Italy's Eni and France's Total already back at work in the country, and the world economy looking rather sick, one of the questions being asked is how OPEC will respond.

Projections of Libyan output vary, but the head of the country's National Oil Corporation said recently that crude production could be as high as 800,000 b/d or even 1 million b/d in five or six months' time. OPEC secretary general Abdalla el-Badri said on September 19 that member countries would accommodate Libya's return to the international oil market by reining in output because it would be in their own interest to do so. A week later, on September 27, a senior Gulf OPEC source said Libya's resumption of oil exports was unlikely to have a disruptive effect on the market because it would be gradual and would take place alongside rising demand for oil. "Libya is coming back gradually," he said. "I don't think it's going to make any disruption," the source said.

The approaching winter, the gradual nature of the recovery in Libyan oil output, "plus growth in demand for oil will take care of it," he said, adding that world oil demand was set to grow by more than 1 million b/d next year. "The market right now seems to be very stable," he said. But, he added, "If there is a need for action, OPEC collectively is willing to act."

The Gulf source declined to comment on current price levels but said they were "not a function of fundamentals alone" and were influenced by expectations of world economic performance and the European financial situation as well as speculation. He also declined to speculate on the outcome of OPEC's next meeting, which is scheduled for December 14 in Vienna.

OPEC's Gulf Arab members view the previous output pact, based on 4.2 million b/d of cuts agreed in late 2008 when the world economy was plunging into recession, as redundant. In June, OPEC's economic experts were projecting that demand for OPEC crude would rise by some 2 million b/d between the second and third quarters of this year.

Since then, OPEC has lowered that estimate to 1.62 million b/d. Comments from Iran's OPEC governor, Mohammad Khatabi, on September 27 suggested that the positions of Islamic Republic and OPEC's Saudi-led Gulf camp may not be too far apart at the moment. Khatibi said the oil market was currently stable but that OPEC was watching the European debt crisis and economic developments in the US and would act if prices were to resume a downward trend.

Australia may be 'new Qatar' for LNG

Upstream Online, *29.09.2011*

Australia may overtake Qatar as the world's biggest producer of LNG by 2020 as seven vast production plants down under plan to start operating later in the decade, Total's head of LNG Guy Broggi and other experts.

"The new Qatar is Australia because final investment decisions (FIDs) have already been taken," Broggi said, referring to the five sanctioned projects and several more that are expected to reach FID in 2011-2012. Just this week, Chevron green lighted the $28.25 billion Wheatstone LNG plant in Western Australia that is expected to add 8.9 million tons per annum to the country's LNG output.

A moratorium on expansion in Qatar until 2015 is further expected to boost Australia's chances of taking the top spot. Australian liquefaction capacity is forecast to increase five times from current levels to 100 mtpa by 2020, Alan Coupland of the country's bureau of resource and energy economics told delegates. Qatari output, meanwhile, is largely fixed at 77 mtpa until 2015 at the earliest, although plans to debottleneck existing facilities may free up plants to produce more. "These new projects are needed because there is not enough flexible LNG supply to meet forecast demand in the middle part of the decade," GDF Suez's vice president of prospection for LNG supply, Frederic Deybach, said.

A giant wave of Australian liquefaction capacity will likely stretch Asia's ability to absorb the planned volumes, potentially triggering a global gas glut as surplus cargoes flood world markets and pressure spot prices lower, Deybach added. Much depends on demand in Asia, he said, raising the possibility that a glut could be avoided if fallout from the Fukushima nuclear disaster in Japan leads to a permanent exit from nuclear power. But a race to lock-in supply deals with key importing countries may shield Qatar from Australia's ascendancy. "In the meantime, Qatar can take longer-term markets away from Australia by locking in supply contracts now," Chris Meyer, LNG analyst at consultancy Poten and Partners said in his presentation.

BP chief economist Christof Ruhl said LNG production will almost equal pipeline supplies by 2030 thanks to the wave of new liquefaction capacity coming on stream in Australia and elsewhere, Reuters reported. Gas is set to remain the fastest growing fuel over the same period, he said, with LNG expected to grow at twice the rate of gas as flexibility becomes increasingly prized by traders and buyers. The super-cooled gas already accounts for between 25% and 30% of internationally traded gas, analyst figures show, with LNG making up 9% of global gas demand.

UK oil output sees record fall

Upstream Online, *29.09.2011*

British oil production saw its quarterly output fall by 15.9% from April to June, its steepest drop since records began 16 years ago. "Maintenance and other production issues, alongside the long-term reduction, were the main causes of the decrease", the Department of Energy and Climate Change said.

The statement confirmed industry data showing UK oil output dropped below 1 million barrels per day for only the second time in more than 30 years this summer as maintenance exacerbated a steep decline in output from depleted North Sea oilfields.

The British sector of the North Sea pumped just 984,000 barrels per day of oil in June, down from just over 1 million barrels per day in May and a peak of more than 2.7 million barrels per day in 1999, according to industry data. The ministry said that during the second quarter of 2011 the UK was a net importer of oil and oil products to the tune of 3.6 million tons, up from 2.8 million tons in the second quarter. The UK remained a net exporter of oil products in the second quarter of 2011, by 2 million tones. Overall primary UK demand for oil products in the second quarter of 2011 was 2.1% lower year-on-year, it said.

Gasoline deliveries were down 6.7%on the year in the second quarter, while diesel deliveries were up 2% and jet fuel deliveries were up 5.6%. Meanwhile, UK natural gas production also saw the biggest drop on record in the second quarter, down 24.8% on the same period a year ago. The quarterly report also stated that imports of liquefied natural gas exceeded pipeline supplies for the first time in the quarter. Gas demand fell 17.3% compared with the previous year, driven lower by warmer-than-expected weather and power plants burning less gas for electricity production.

Announcements & Reports

► *EMRA Resolution on Amendment of BOTAS National Transmission Network Investment Program*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/41478d88-05e4-4741-966b-2448c8334bfa

► *EMRA Resolution on Electricity Prices*

Source : Energy Market Regulatory Authority
Weblink : http://www.epdk.org.tr/documents/10157/c926931e-08e8-4872-8deb-1613268152b5

Upcoming Events

► *KIOGE 2011*

Kazakhstan International Oil & Gas Exhibition & Conference

Date : 5 – 8 October 2011
Place : Almaty – Kazakhstan
Website : http://www.kioge.com/2011/

► *CEVI Energy School* *(in Turkey)*

Date : 10 – 11 October 2011
Place : Ankara – Turkey
Website : http://www.centerforenergyandvalue.org/eschool.html

Supported by PETFORM

► *CIS Oil and Gas Transportation* *(in Turkey)*

Date : 25 – 27 October 2011
Place : Istanbul – Turkey
Website : http://www.theenergyexchange.co.uk/

CIS OIL AND GAS TRANSPORTATION

► *Shale Gas Environmental Summit*

Date : 2 – 3 November 2011
Place : London – UK
Website : http://www.smi-online.co.uk/events/overview.asp?is=5&ref=3742

► *Shale Gas World Europe 2011*

Date : 28 November – 1 December 2011
Place : Warsaw – Poland
Website : http://www.terrapinn.com/2011/shale-gas-conference/