



Heritage Oil and Genel Energy agree to \$5.5 bln merger

Date : 10.06.2009

Source: Today's Zaman (Reuters)

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=177591>

Heritage Oil Ltd., a Canadian-headquartered global company, agreed to merge with Genel Energy International, a unit of Turkey's Cukurova Group, to create an oil producer focused on Northern Iraq worth around \$5.5 billion.

Heritage's founder and chief executive, former mercenary Tony Buckingham, is betting that years of wrangling between Baghdad and Kurdish leaders over oil revenue sharing is nearly over, enabling Genel's producing fields to fund his undeveloped assets. Heritage said on Tuesday the deal, which is currently non-binding, would be structured as a takeover of Genel by Heritage.

Heritage will pay with shares and Cukurova, controlled by one of Turkey's richest men, Mehmet Emin Karamehmet, will end up with around 50 percent of the enlarged group. Heritage's shares, which were suspended last week after the company said it was in merger talks, were up 4.1 percent at 609-1/2 pence at 1226 GMT, valuing the company at around \$2.5 billion. The shares have tripled in value since the beginning of the year on a big oil find in the Kurdish region and positive drilling results at its Ugandan fields.

Genel is worth around \$3.3 billion to 3.6 billion, Heritage Chief Financial Officer Paul Atherton told reporters on a conference call, adding he expects the enlarged group to be included in the FTSE 100 index of the UK's largest listed companies. "We consider that this acquisition can transform Heritage into being a regional player," he said.

Analysts said the deal made strategic sense. "This should be taken as good news by the market," Peter Hitchens, oil analyst at Panmure, said. There has been a flurry of industry bid talks in recent weeks as a recovery in oil prices gives executives the confidence to snap up opportunities they baulked at when oil ended the year at \$35/barrel and credit was tighter.

On Monday, Addax Petroleum said it had received a bid approach and last week Dubai's Emirates National Oil Company said it wanted to buy the 48 percent of Dragon Oil it did not already own.

Last month Heritage said a successful well suggested the Miran West structure on the block contained up to 4.2 billion barrels of oil, with the potential for other finds. However, the fields will require hundreds of millions of dollars to develop, and investors have questioned whether the company will be able to finance the plans.

Atherton says the Genel tie-up solves this problem as Genel's Kurdish fields are producing and should generate \$400 million in revenues next year and \$600 million in 2011. Exports of crude from the Kurdish region started last week, after being blocked for years as the central government and the Regional Government fought over revenue sharing.

Atherton said he expected an agreement to be reached soon, but until then Genel is only being paid for the few thousand barrels per day its fields sell to the local Kurdish market. Genel's two producing fields are Taq Taq, in which its partner is Toronto-listed Addax, and the Tawke field, which is operated by Norway's DNO International.

Analysts said they do not expect the deal to be disrupted by a bid for Heritage. Western oil majors and Chinese state oil companies have shied away from investing in Northern Iraq for fear of angering the Baghdad government and being blocked from investments in the south, where many are bidding for licences. Also, Buckingham owns a third of Heritage's shares, and he supports the Genel tie-up, Atherton said. Heritage has its roots in Angola. When Unita rebels overran one of its Angolan oilfields, Executive Outcomes retook the field, the prospectus said.

Under the proposed merger Buckingham would be the executive chairman of the combined group, to be re-named HeritaGE Oil Plc, with Mehmet Sepil, the current chief executive of Genel, to be CEO of the new group and Karamehmet to be executive director. Atherton would remain as chief financial officer. JP Morgan Cazenove advised Heritage on the deal.



Yildiz: Turkey wants right to re-export Russian gas

Date : 05.06.2009

Source: Hürriyet Daily News (Reuters)

<http://arama.hurriyet.com.tr/arsivnews.aspx?id=11806156>

“The right to re-export has to do with selling the gas we buy to another country ... which is a right we don’t have in our Russian contract, so it will be among our proposals,” Energy Minister Taner Yildiz said on Friday.

“We are especially seeking such (a clause) in our agreement with Russia that expires in 2011.” Russia is Turkey’s biggest supplier of natural gas, sending about 23 bcm each year on two pipelines. Iran and Azerbaijan also sell gas to Turkey. Turkey has a contractual right to re-export gas it imports from Azerbaijan and it sells that fuel to Greece.



Iraq’s oil field bidding process on schedule

Date : 09.06.2009

Source: Rigzone (Dow Jones Newswires)

http://www.rigzone.com/news/article.asp?a_id=76993

Iraq is gearing up to award eight of its prized oil and gas fields to international companies as scheduled June 29-30, a senior Iraqi oil ministry official said Tuesday.

“There is no change - the first bidding round will be held as scheduled,” Abdul Mahdy al-Ameedi, Deputy Director General at Iraq’s Petroleum Contracts and Licensing Directorate told. There have been rumors that the first landmark bidding round might be canceled because Oil Minister Hussein al-Shahristani would be summoned by the country’s parliament for questioning.

The ministry is planning to award 20-year long service contracts, which mean that winning companies would receive remuneration in kind for each barrel produced as well as costs. The oil fields in questions are Kirkuk and Bai Hassan in northern Iraq, West Qurna-1, North and South Rumaila, Zubair and Missan in southern Iraq. The two non-producing gas fields are Akkas in western Iraq and Mansouriya in the center.



Iraq reaffirms Kurdish oil contracts are illegal until ministry ratification

Date : 10.06.2009

Source: Hürriyet Daily News (Reuters)

<http://arama.hurriyet.com.tr/arsivnews.aspx?id=11837103>

Contracts that semi-autonomous Kurdish authorities have signed with private oil firms are illegal until they are ratified by the Oil Ministry in Baghdad, the Iraqi government reaffirmed.

Oil Minister Hussain al-Shahristani also rejected paying firms that have developed the Taq Taq and Tawke oil fields in Northern Iraq as part of contracts signed independently with the Regional Government. “These contracts need to be ratified by the Iraqi federal Oil Ministry. Till that time they are illegal,” government spokesman Ali al-Dabbagh told reporters at a news conference with Shahristani. After the conference, Shahristani told reporters: “We will not discuss any compensation for these companies (developers of Taq Taq and Tawke) under any circumstances.”

His statement could ratchet up tensions between Baghdad and the Regional Government, which has said it would not pay Norway’s DNO International, Toronto-listed Addax Petroleum and Turkey’s Genel Enerji, from its own purse. Shahristani said the Regional Government should pay the firms from the 17 percent of the federal budget it gets each year, an option ruled out by Kurdish Natural Resources Minister Ashti Hawrami.

The Iraqi government at the beginning of the month allowed crude to start being exported from Tawke and Taq Taq. But while giving a nod to exports, Baghdad still refused to recognize the actual development contracts signed with the firms, making it unclear how DNO and the others would be paid.

The central government says all oil deals must be approved by the Oil Ministry and opposes the production sharing agreements favored by the Kurds. Instead, Baghdad at the end of this month will announce the results of its first tender for fixed-fee service contracts in some of its prized oil fields.

Some lie near the disputed city of Kirkuk, contested by Kurds, Arabs and ethnic Turkmen. Hawrami has said the Regional Government would reject any deals for those fields if it did not like the terms. “No one has the right to veto the decisions of the central government, whether those are decisions about oil or about anything else,” Shahristani retorted on Wednesday.



Genel Energy: Politics won't mar Northern Iraq plan

Date : 12.06.2009

Source: Today's Zaman (AP & Reuters)

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=177845>

Genel Energy is confident its focus on politically charged Kurdish Regional Administration will not prevent it doing business with Baghdad both there and, if opportunities arise, in the country's south.

"We believe that there will be more consolidation," Genel Energy's CEO Mehmet Sepil told Reuters in an interview on Thursday. Sepil said he expected Baghdad to approve Genel Energy's contracts, as 88 percent of export revenues generated by the company go to the Iraqi government, adding that the firm would also be interested in oil contracts in southern Iraq if Baghdad invited bidders. "We are very comfortable about working with the Regional Government... We believe that the central Iraqi government wants sales in Northern Iraq to continue," Sepil said.

Another operator in the Kurdish region, Norway's DNO International, on Thursday linked future investments in Iraq to swift payment from Baghdad for oil exports that began from its northern field at the start of June. Genel Energy has invested \$350 million in the last six years in Northern Iraq and controls 300 million barrels of oil reserves in the region.



Yildiz denies confiscation of Ankara municipal assets

Date : 10.06.2009

Source: Today's Zaman

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=177650>

Energy and Natural Resources Minister Taner Yildiz said he has yet to receive any information on state-owned Turkish Pipeline Corporation (BOTAS) confiscating assets belonging to the Ankara Metropolitan Municipality due to overdue debts.

Speaking to reporters in Istanbul, Yildiz said the news cannot for the time being be verified, noting that he expects to meet with officials from his ministry to get a better view of what is going on. Some papers reported on Monday that BOTAS had fined the Ankara municipality, citing outstanding debts.

The Ankara municipality owes BOTAS over \$1 billion in unpaid bills. Meanwhile, Ankara's state-owned natural gas network, Baskent Dogalgaz Dagitim, said on Tuesday that news concerning any confiscation of municipal assets by BOTAS is not true. Releasing a written statement Baskent said: "Having met and discussed the issue with officials from both BOTAS and the Ministry of Energy and Natural Resources, we believe any confiscation of Ankara municipal assets is out of the question."



OMV confident on Romania participation in Nabucco

Date : 03.06.2009

Source: Reuters (Iona Patran)

<http://www.reuters.com/article/rbssEnergyNews/idUSL354407920090603>

Austria's OMV, the leading shareholder in the Nabucco gas pipeline, is confident Romania remains committed to the European Union - backed project, Wolfgang Ruttendorfer, Chief Executive of the company, said on Wednesday.

In Romania to launch the construction of a power plant by local refiner Petrom, Ruttendorfer also said he hoped an agreement on the 7.9-billion-euro project would be reached this summer, as expected. Romania said in May it would consider other projects if Nabucco talks did not push forward, leaving the door open to join a rival Russian project, South Stream, which Austria is also considering.

"(I am) not at all concerned that Romania will withdraw from the (Nabucco) project if it is successful," Ruttendorfer told reporters in the southern Romanian town of Brazi. "This is the condition, but I am quite optimistic regarding that. Time has never been better for Nabucco than it is now."

Nabucco negotiations have heated up in recent weeks with Turkey demanding to use 15 percent of gas pumped through the pipeline, which is meant to relieve Europe's reliance on Russian natural gas supplies.

The Nabucco consortium wants to build the pipeline by 2014 but has trouble securing supplies. It is eyeing a plan to export gas from Northern Iraq through the pipeline, although the central government has rejected the scheme. Ruttendorfer said the fact that the region had started this week oil exports from two fields it had developed with foreign oil firms -- although the Baghdad government has called the contracts illegal -- was a good sign. "For Iraq, for Turkey, all the Nabucco countries, I think this was a very important date," he said.



Tekfen signs \$225 mln deal in Abu Dhabi

Date : 03.06.2009

Source: Reuters (Alexandra Hudson)

<http://uk.reuters.com/article/oilRpt/idUKLB59029520090611>

Tekfen Insaat, a unit of Turkish construction firm Tekfen Holding, which has interests in agriculture, finance and real estate said on Thursday it has signed a deal worth \$225 million in Abu Dhabi.

The project was for the construction of a 92 kilometre (58 miles) pipeline and oil and gas related infrastructure, Tekfen said. In April Tekfen said it expected to finalise construction bids by the end of June worth almost \$900 million in the Persian Gulf and Caspian region. Earlier this month it announced it had signed a \$165 million deal to build a polyethylene plant in Qatar.

Tekfen shares were indicated 2.3 percent higher at 3.56 lira at 0655 GMT. They have risen almost 50 percent since the start of the year, outperforming the index of leading Turkish stocks , which is up around 25 percent. Tekfen has said it hopes to double profit this year as construction picks up and the global economy recovers.



Iran and Pakistan quietly sign IPI gas pipeline deal in Turkey

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Source: Today's Zaman

<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=177734>

Pakistan finally signed the Iran-Pakistan-India (IPI) gas pipeline deal with Iran in Turkey on June 5, in relative silence, a leading Pakistani news portal reported on Wednesday.

The News International highlighted the fact that the signing of the deal came only days before the Iranian election and without any major discussion or debate within Pakistan on whether it was prudent to pay a high price compared to the one originally agreed by Tehran. Details of the agreement obtained by The News reveal the government was in an unprecedented rush to go through with the deal while the Iranians took the deal to their Parliament and demanded an upward revision of the gas price after Parliament rejected the original deal, the report said.

Officials at the Turkish Foreign Ministry said they had no comment on the issues as the deal was signed by private companies. The same sources, nonetheless, added that they hoped the deal would have 'positive impacts' on regional stability. The venue for the signing of the deal was Istanbul.

Talking to The News, Pakistan Petroleum and Natural Resources Secretary Mehmud Saleem Mehmud confirmed the deal was signed in Turkey last Friday by the managing directors of the gas companies concerned of both countries, the report said. Saleem strongly defended the deal signed between the two countries, saying it was done after a lot of comprehensive negotiations between Iran and Pakistan.



Ukrainian President holds special meeting on Naftogaz finances

Date : 11.06.2009

Source: Platts

<http://www.platts.com/Natural%20Gas/News/8626511.xml?src=Natural%20Gasrssheadlines1>

Ukrainian President Viktor Yushchenko will hold a special meeting on Thursday to examine measures that would improve the finances of state gas company Naftogaz Ukrayiny.

Last week Yushchenko asked the National Bank of Ukraine to provide Hyrvnias 3.8 billion (\$500 million) to help Naftogaz pay for Russian gas imports in May, underscoring the company's financial difficulties. "The president insists that a complex reform of Naftogaz is needed," Iryna Vannikova, Yushchenko's spokeswoman, said in a statement posted on the presidential website. "The social mission of oil and gas companies, at the expense of which the government has been paying for its populist policy, must finally end."

Russian Prime Minister Vladimir Putin said last week that Naftogaz's finances were so bad that the company would perhaps in July default on the gas payment, triggering Russian gas supply disruptions. Naftogaz borrowed \$450 million from Russian gas giant Gazprom last month to be able to make a payment for gas imports in April, according to Yushchenko's office.

This effectively increases to \$2.15 billion the total amount of money borrowed from Gazprom this year. Naftogaz's total debts are estimated at Hyrvnias 59.8 billion (\$7.8 billion), while the total revenue of the company this year is estimated at Hyrvnias 59 billion, Vannikova said. "The debt liabilities of Naftogaz exceeded expected revenue collection, which may lead to bankruptcy," Vannikova said in the statement.



Greek Cypriots refuse to unblock energy chapter in EU - Turkey talks

Date : 10.06.2009

Source: Hürriyet Daily News

<http://arama.hurriyet.com.tr/arsivnews.aspx?id=11838794>

Greek Cypriot Government spokesman Stefanos Stefanou said they will continue to block the energy chapter in Turkey's EU entry talks due to a dispute over offshore oil and gas exploration.

Stefanou said that his government would continue to efforts to freeze EU-Turkey energy talks over a Turkish naval ships interference with a Greek Cypriot offshore fossil fuel survey. Energy is one among eight of Turkey's 35 negotiation chapters that are currently suspended because of its refusal to open its air and sea ports to Greek Cypriots.

Sweden, which takes over the EU presidency next month, has said it wants to start energy talks this year. Greek Cypriot Industry Minister Antonis Paschalides also told Reuters in an interview on Wednesday that his government would press on with offshore oil exploration and would open new fields for hydrocarbon research by early next year.

He said Turkey's decision to send warships to the area last year had not deterred investors eager to search for oil and gas in the eastern Mediterranean. The first exploration deal was clinched with U.S. company Noble Energy, which has already found a large gas reservoir offshore nearby Israel.

In 2007, Greek Cypriots launched their first licensing round for hydrocarbons in 11 offshore blocks, most in deepwater locations, despite objections from Turkey. In November last year, Greek Cypriots protested to the United Nations that Turkish warships had repeatedly harassed Norwegian research vessels off the southern rim of the island over blocks earmarked for exploration. Turkey, which lies north of the island, said the research ships had encroached on its continental shelf.

On Wednesday, Turkish officials called on Greek Cypriots to abandon the project, saying the Greek Cypriot government in the south did not represent the whole island. "We expect the Greek Cypriot authorities to end their calls for international tender," a Turkish foreign ministry official, who requested anonymity, said. "Insistence... will adversely affect the peace and stability on the island of Cyprus, as well as in the Eastern Mediterranean region."



E.ON Ruhrgas to get 25% in Yuzhno – Russkoye gas field

Date : 05.06.2009

Source: Platts (Nadia Rodova)

<http://www.platts.com/Oil/News/8611366.xml?src=Oilrssheadlines1>

Russia's Gazprom and Germany's E.ON Ruhrgas have signed a long-awaited asset swap agreement to allow the latter to enter the Yuzhno-Russkoye oil and gas field, Gazprom said Friday.

The agreement was signed Friday by Gazprom CEO Alexei Miller and his counterpart at E.ON Ruhrgas, Bernhard Reutersberg, in the presence of Russian President Dmitry Medvedev at the St Petersburg Economic Forum. Under the deal, E.ON will receive 25% of the charter capital of Severneftegazprom, a Gazprom subsidiary developing the field, by the end of the year.

Following the deal Gazprom will own 50% plus six ordinary registered shares of Severneftegazprom; Germany's BASF will own 25% minus three ordinary registered shares and three preferred shares without voting rights; and E.ON will own 25% minus three ordinary registered shares and three preferred shares without voting rights, Gazprom said. In turn, the agreement gives Gazprom will take E.ON Ruhrgas' 49% stake in Gerosgaz, which owns 2.93% of Gazprom.

"Now our companies are partners in the area of gas production as well," he said. "Unique experience of developing the Yuzhno-Russkoye field will not only allow Gazprom and E.ON to strengthen their business ties, but will also serve as further confirmation of our mutual trust and friendship," Alexei Miller said in a statement. Bernhard Reutersberg was quoted as saying in the statement: "Implementing new business initiatives we are at the same time coming considerably closer to our upstream goal: in the long run E.ON intends to increase the production level of our own fields up to at least 10 billion cubic meters of gas."

The Yuzhno-Russkoye oil and gas field is located in the West Siberian Yamal-Nenets autonomous district. The field's reserves are evaluated at 856.2 bcm of gas and 20.35 million mt of oil and gas condensate. The field is ready to be increased to its design capacity of 25 bcm/year of gas in 2009, Gazprom said. The startup of the Yuzhno-Russkoye field was launched in October 2007.

Gazprom expects to export Yuzhno-Russkoye gas to Europe via the planned Nord Stream gas pipeline across the Baltic Sea, which is currently expected to be built in 2011. Gazprom holds a 51% stake in Nord Stream, BASF/Wintershall and E.ON hold 20% each, and Dutch Gasunie owns the remaining 9%.

❖ IEA Monthly Natural Gas Survey

Source : International Energy Agency

Weblink : <http://www.iea.org/dbtw-wpd/Textbase/stats/surveys/NATGAS.PDF>