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Turkey-KRG pipeline 'close to completion'

Reuters, *22.08.2013*

The pipeline that will bring Iraqi Kurdish oil to Turkey is on the verge of being completed and only a few kilometers of the Turkish border, a Norwegian firm operating at the northern Iraq has said. A new pipeline to carry crude oil from Iraq's autonomous KRG to Turkey, which has angered the central government in Baghdad, is nearing completion, Norwegian oil firm DNO International said yesterday.

KRG and Baghdad are at odds over how to split revenues from oil and gas production in northern Iraq. Recently the region has been trying to establish its autonomy from the capital by building a pipeline to Turkey.

According to DNO, which produces oil at the large Tawke field in northern Iraq, the pipeline is within a few kilometers of the border with Turkey, close to a station where crude is loaded onto trucks. "The KRG (Kurdish Regional Government) pipeline is within a few hundred metres of the Fishkhabour pumping station," said Nicholas Atencio, general manager of DNO's operations in KRG. Fishkhabour is situated some 5 kilometres or 3 miles from the border with Turkey.

Once it reaches Fishkhabour, it remains to be seen whether the new pipeline will be tied into an existing line running from Kirkuk to the Turkish port of Ceyhan at a metering station controlled by Baghdad, or beyond there, either before the Turkish border or after it. The Kirkuk-Ceyhan pipeline has suffered frequent disruptions due to technical problems and attacks by insurgents. Speaking at DNO's second-quarter results presentation, Atencio noted the company was not involved in exporting its own crude via the pipeline.

The company is for the moment unable to export its crude from Tawke and so sells it locally. But in a sign of its growing confidence, DNO said Tawke had seen its highest production in a single day, at some 113,000 barrels, and its highest sales in a single day, at 102,000 barrels, during the second quarter. "Internally we play it conservatively. But we are pleased with the progress. Our milestones give you a sense of what we can do," DNO Chairman Bijan Mossavar-Rahmani said.

The company said it would be able to produce some 200,000 barrels per day at Tawke by the fourth quarter of 2014. Earlier yesterday, DNO reported second-quarter earnings that beat expectations. It's quarterly net profit of 280 million crowns or $47.10 million beat expectations of 244 million and followed a loss of 176 million crowns a year earlier.

Marsa makes second significant Miocene discovery on the Ortaköy license

Marsa Turkey, *17.08.2013*

Marsa Turkey BV, a wholly owned subsidiary of Marsa Energy Inc. - a private Canadian exploration and production company based in Calgary Alberta, has made its second significant gas discovery in the Gallipoli peninsula of the South West of Thrace basin.

Marsa, which holds a 100% interest and is operator of the 494 km2 onshore Ortaköy Licence, discovered 107 m of liquids-rich net gas pay in the Miocene formation in its Poyraz-1 exploration well drilled April/May 2013. A short term test over the lower interval yielded an equipment restricted rate of 150 x 103 m3/d.

Marsa Turkey BV entered the Ortaköy Licence in the fourth quarter of 2010 and since then has acquired approximately 500 km of regional and detailed 2D seismic data and drilled seven exploration and one appraisal well. In 2011, Marsa drilled Destan-2 which encountered 95 meters of net gas pay in excellent quality reservoir sands of Miocene age. The Destan-1 and Destan-2 wells tested a maximum aggregate restricted flow rate over four separate intervals exceeding 600 x 103 m3/d. Marsa Turkey has identified over 25 prospects and leads within the Miocene sequence and recognizes that additional potential may lie within the Thrace basin's traditional producing formations – the older Tertiary targets of Oligocene and Eocene age.

With two significant discoveries in the Miocene, Marsa believes this structurally complex and unexplored region of the Thrace basin bears many geotechnical similarities to both the Prinos basin, located in the Aegean Sea offshore Greece and, more importantly, to the world class Eastern Mediterranean Levantine basin lying offshore Israel, Cyprus and Lebanon. In common with Marsa's discoveries, fields in these basins contain approximately 100+ m of net pay in multiple stacked Miocene sandstone reservoirs with similar reservoir attributes. Though Marsa is not subscribing to reserve volumes equivalent to those found in these apparently analogous basins, the company is excited by the discovery of both a new petroleum and play/prospect system in the Thrace basin.

As of August, 2012, an independent resource audit conducted by DeGolyer & MacNaughton of Dallas, Texas estimated a risked resource potential of 2.2 billion cubic meters (76 bcf) within the Miocene prospects and leads distributed throughout the Ortaköy Licence at that date. on the Ortaköy Licence. Future production volumes will be dependent on the total reserves ultimately found on the Ortaköy Licence. The BOTAS operated ITGI pipeline bisects the Licence less than five km from the Destan discovery and will facilitate access to domestic gas markets. Marsa's operations to the end of the third quarter of 2013 include commencement of a small scale pilot production project, drilling an exploration well to test a deeper objective on the Poyraz prospect and acquiring 15 km2 of 3D seismic in the Poyraz area to confirm Poyraz-1 reservoir volumes and to mature additional prospects into future exploration and development drilling locations.

Energy becomes new love of large Turkish corporations with waste gas

Hürriyet Daily News, *20.08.2013*

Big Turkish corporations have recently steered toward the energy sector, from power generation to distribution, and split the largest privatization businesses among themselves. They seized the best assets.

The Republic of Turkey has been speeding away from the energy sector, in which it has been transferring its assets to the private sector through privatizations. In addition to the handover of public power plants and power distribution grids, it has been avoiding to take an active role in new investments, encouraging private sector and distributing licenses.

At the moment, some holding groups, which have particular influence on the country's economy, have been leaping forward in the electricity business and have seized the best assets. Let's first look at the allocation in the distribution market, which consists of 18 regional grids. "Some names" stand out among the ones that have entered the energy business. The Kolin-Limak-Cengiz consortium, which recently bought some of Cukurova Group's media assets from the state deposit fund TMSF, has dominated four large regions that conduct power sales to almost 10 million subscribers.

The consortium won the tender for the largest of those grids, BEDAŞ, which is the grid serving the European side of Istanbul, for $2 million in May and won the Akdeniz Elektrik power grid in the same month for $550 million. In 2010, the group put down $1 billion for Uludag Elektrik, the power distributor of Bursa and its environs. Also a company founded by this group, Camlı Enerji, acquired the operational rights to the electricity distribution for the Central Anatolian provinces of Sivas, Tokat and Yozgat in return for $260 million. The new media group seems like it has taken a hold on four regions for $4 billion.

Another company that received a weighty cut from the electricity distribution cake is Sabanci Holding's Enerjisa. The company which took on the electricity distribution service of Istanbul's Anatolian side, as well as the Cukurova and Ankara regions, paid a total of $4.3 billion for these three grids. We see that one-third of the total sale amount of $13 billion for 18 grids have been received by the Limak-Kolin-Cengiz trio, while another one-third share is held by the Sabanci Group. Within the remaining one-third, there are some business groups close to the current government like Calık or Kiler. Those that couldn't get in on the action of the electricity distribution business were given natural gas distribution businesses. The government gave Baskent Dogalgaz, the natural gas distributor in Ankara, away for $1.162 billion to Torunlar Gıda, a company that carries out many giant construction projects in Istanbul.

According to data from the Istanbul Chamber of Industry's (ISO) latest top 500 companies list, 12 power-generation companies reached 15.3 billion liras of annual sales in 2012, although the state-run EUAS and Soma Elektrik had 50 percent of the total turnover of all of those companies. The remaining 50 percent was held by the power generation companies of a number of Turkey's conglomerates.

Enerjisa is the biggest private power generation company. Its parenting company had focused on mostly textile, plastic, chemicals, cements and banking until the beginning of the 1980s, but the conglomerate has recently decided to specialize in the energy sector. Enerjisa took 12 percent of the total power generation in 2012 by reaching 1.8 billion liras of 12 companies' annual turnover, as well as winning the power distribution tenders for three big regions. Another strong company here is Eren Holding, which established a power plant in the Black Sea district of Catalagzi. Eren Holding was originally founded to run in the textile sector, then extended the operations into many other industries.

Kazanci Holding, which is also very active in the distribution of gas and the production of generators, has been generating electricity under the name of two companies, Aksa and Rasa. The group reached around 1.4 billion liras of revenue in 2012 with its licenses for more than 10 facilities. Kazanci Holding has connections with Bis, which is based in the northwestern province of Bursa. Ciner Holding, which also owns the Habertürk media group, is another big player in the industry.

Syrian Kurds vow to fight for oil fields

Hürriyet Daily News, *20.08.2013*

Syrian Kurds have been defending the oil-rich town of Rimelan in northern Syria from al-Qaeda-linked groups and said the oil-wells were a crucial income source for the region's economy.

The town, which stands on the 60 percent of the Syria's oil, has come under continuous attacks from al-Nusra insurgents, according to the YPG, the armed wing of the PYD. PYD has captured the town in May but the oil production has been stopped because the silos were full of oil since there was no sale. The town host Arabs, Syriacs, Armenians and Chaldeans as well.

Clashes between PYD and Al-Nusra insurgents have raged for a month, after jihadists were expelled from the key town of Ras al-Ayn on the Turkish border. The Al-Qaeda-linked group has reportedly given one month to the YPG to evacuate the oil wells but Kurds rejected the ultimatum which resulted in fierce fights in the region. Oil wells are defended by hundreds of Kurdish militants. The town hosts some 2,000 oil wells with a production of 400,000 barrels of crude oil per day and the oil has been transferred to the cities of Homs and Banias but the destruction of the civil war has stopped this process.

Oil flow from Kirkuk to Ceyhan halted

Hürriyet Daily News, *23.08.2013*

Oil flow has been halted on the Kirkuk-Ceyhan Oil Pipeline, Turkey's main oil route, following three bomb attacks in the morning hours of yesterday, according to daily Radikal. The attacks were coordinated, according to the report, and caused severe damage to the pipeline, forcing officials to halt the oil flow.

Iraqi authorities said the attack was the biggest attack since 2003, and Turkish stated owned company BOTAS representatives confirmed the scale of the bomb attack to be quite large. The flow, BOTAS added, would be back on in a few days.

Retrieving information from the site is currently difficult, Radikal reported. BOTAS said two separate pipelines were present, with sizes of 40 and 46 inches, and the larger pipe was the origin of the explosion. The smaller pipe hadn't been working for a while, the report added. Kirkuk pipeline has come under attack 37 times in the past two months, and often underwent disruptions in the oil flow. Officials told Radikal that the daily export of oil from Iraq has dropped severely, to about 300-350,000 barrels a day. The attack, coming only a few days after an Aug. 17 attack on the same pipeline, would cause a loss of 35 million dollars a day for the Iraqi side as the pipeline provides about 400-500 barrels daily. The pipeline has previously been left out due to frequent sabotages, with flow being halted completely between 2005 and 2007.

Ukraine snubs Russian gas, stepping up Europe imports

Reuters, *19.08.2013*

Naftogaz has reduced Russian gas imports by 30 percent this year and will cut them further in 2014 by doubling imports from Europe, Energy Minister Eduard Stavytsky told.

Ukraine has long asked Russia to cut the price of energy supplies. But with years of talks producing no tangible results, it started to replace Russian gas with cheaper fuel purchased on the European spot market. Although it is years away from potential energy independence, Kiev hopes diversification will ease Moscow's grip on its economy and persuade Russia to reconsider its stance.

“I think that (imports from Europe) will be 2.0-2.5 billion cubic meters this year, and in 2014 no less than 5 billion cubic meters, judging from the plans and bids that I have already seen,” Stavytsky said. He said the price of gas supplied from Europe by one of Ukraine’s partners, German firm RWE, was expected to average $385 per thousand cubic meters (tcm) in the September 2012-September 2013 period. Naftogaz paid more than $400 per tcm for Russian gas in the same period. Ukraine receives gas from Europe by reversing some of the pipelines that were originally designed to carry gas from Russia to Europe. “Technically, we can facilitate (imports of) 6.5 billion cubic meters (a year),” Stavytsky said.

Romanian appraisal well flows hydrocarbons

Reuters, *09.08.2013*

NIS Gazprom Neft has flowed both oil and gas during testing of an appraisal well on the Jimbolia oil concession in Romania. Concession partner Zeta Petroleum said the Jimbolia-100 well had flowed naturally at a maximum rate equivalent to 24 barrels per day of oil on a 6.35 millimeter choke and 22,248 cubic meters of gas per day on an eight millimeter choke during testing of the well's second interval.

NIS Gazprom Neft will now use stimulation techniques in an attempt to improve flow rates from the interval and to confirm whether sustained commercial production rates can be achieved.

Zeta said it expected the results of the extended testing operation to be available next month. The Jimbolia-100 well is targeting the Jimbolia Veche oil discovery which has two hydrocarbon bearing intervals and has been estimated to hold mean contingent resources of 1.72 million barrels. The well was drilled to a total depth of 2590 meters and hit hydrocarbons across multiple zones, consistent with the two discovery wells previously drilled within the concession area, Jimbolia-1 and Jimbolia-6.

The first interval was tested in July, however no gas or liquids flowed to surface during testing. NIS Gazprom Neft, which is s 56% owned by Russian gas producer Gazprom, holds a 51% operated interest in the Jimbolia concession, with Zeta holding 39% and Romania’s Armax Gaz with the remaining 10% interest.

US LNG exports: The numbers may tell a different story

Natural Gas Europe, *19.08.2013*

If one were to believe the headlines, it sounds as if LNG shipments of American shale gas were a "done deal." For one, The Guardian's recent headline goes "US shale gas to heat British homes within five years," in line with a deal stuck by Centrica. Just this spring, The New York Times' Deal Book reported that "3 Foreign Companies Invest in U.S. Project to Export Liquid Gas," namely Mitsui, Mitsubishi and GDF Suez.

Meanwhile, according to a piece on State Impact Pennsylvania, while now the US has only two LNG export terminals, 17 additional facilities are pending approval by the US Department of Energy.

But according to Ruud Weijermars, Founder and Principal Consultant, Alboran Energy Consultants, economically the numbers to export US shale gas as LNG may not add up. He contends that buying parties for North American LNG would only be prepared to pay whatever the Henry Hub price is for natural gas plus the costs of liquefaction and transport. "I believe that's about $3 added on, anywhere in the world basically, plus a little bit of profit for, in this case, Cheniere Energy Inc., or any other operator," he explains, referring to the company transforming its formerly intended LNG import terminal. "So as long as that price - the Henry Hub price plus the $3 add-on and maybe $1 profit - remains competitive with what is paid in Europe, for example, then such a contract makes sense for the buying party."

The question, he says, is how much does it help American gas producers? He offers some more numbers. "The breakeven price at the minimum is $6; it should probably be closer to $7 or 8. So when you take that as a bottom line, plus the contract construction, i.e. $8 plus $3 is about $12. Then you are hardly competitive with what the gas price is that's paid in Europe," explains Mr. Weijermars, who says that Russian gas is delivered to Europe via a long-distance pipeline through Central Europe for about $11. "It is probably going up," he admits of the Henry Hub price. "According to an analysis we performed of well output, it will peak by the beginning of 2014 and then you'll see a realistic decline."

"That of course is going to affect price a bit earlier, so we see prices creeping up a little bit and that will continue, but as soon as there is a margin again, producers will push the price back to marginal production." Still, of future American LNG exports, he says, "It's very expensive, the margins are small and it sounds attractive for all the buying parties as long as US producers are sticking to this very cheap production price. That's out of necessity, not because they want to but because the market is oversupplied at the moment." He concedes that America needs to have another exit point for it gas to break out of its closed gas market situation. Mr. Weijermars' main concern, however, is that there is very little room for intelligent debate about what he terms a "more modest vision" for America's unconventional gas.

“If we now look at the well decline, the rigs declining, the number of wells declining, there is a more negative scenario that says we may have declining gas output - what is the effect of that?” According to him, that scenario is not covered by the National Energy Modeling System. “And I think that’s because no one wants to hear a possible negative scenario, but I think it’s the most realistic one. We’re closer to a declining gas output situation for shale gas in the US than ever before.

“It’s a completely different ball game from conventional production, where one sees a 50% margin on production,” he continues. “That’s very different today and I think that’s something that we as an industry all have to get used to. It’s just not in our systems: the common understanding that upstream production is no longer as profitable as it used to be. I see that everywhere that the realization just hasn’t sunk in as upstream has always been a very profitable part of gas production.”

Of course, instead of sitting around and waiting to drill in the US, many unconventional explorers have been taking their show on the road, with domestic politicians counting their chickens before they are hatched by citing high potential production levels, like in Poland, where Mr. Weijermars notes that only about 40 wells have been drilled. “So we will need to see. I think the extreme economic expectation, that we’ll have cheap gas available is an expectation which we cannot fulfill with the technology we have today. I think that’s too much driven by the over-hype in the media; companies will have to scramble to make a profit from whatever shale gas is being produced.

That will be the main limitation on quick development unless governments are prepared to subsidize or if there’s a price floor for the producers so they can basically produce without any losses, but then you have a different business model: you’re stimulating the development of your natural resources strategically, stimulating jobs, industry with relatively affordable gas at $10/MCF – that’s what you need as a minimum.” And now it seems that policymakers in Brussels are entertaining the argument that Europe is losing its competitiveness and so it must entertain the notion of pursuing unconventional gas.

“As you know we’re now importing 50% of our natural gas from outside Europe: much from Russia, Northern Africa and Nigeria, a lot via long-distance pipelines, some of it via LNG. European internal production is declining very rapidly and by 2030 we could be at 80% import of gas and oil is much worse already, so there is a very strong concern about energy security. Whether shale gas is the solution, I’m not sure.”

“We need more pipeline gas for sure, more competition with Russian gas and there is also this hope that shale gas will be developed. But even according to the most optimistic scenario, it only adds a tenth of the total volume that we need - so shale gas is not going to help Europe a lot,” he explains. “It just sends a signal. If there’s a fractional contribution of production, it sends a signal to Russia. So far they're pretty laid back about it, but until that happens they’ll negotiate with traders and are asking them to sign on to the Nord Stream project, which they'd like to have ready in 2018.”

Gas traders in Europe, he believes, are choosing security of supply, with Nord Stream looking like a sure thing. He says: “The other two are wild cards: LNG is unclear and shale gas is completely unclear. That’s a risk you can't take as a trader, so they will sign on to long-term Russian gas supplies, enabling the financing of these two northern pipelines, which means that they'll likely stick with oil-indexed gas contracts.”

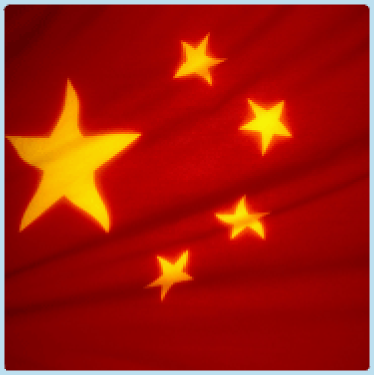
All around, he says, the expectations for shale gas have been totally overblown and not founded on the economic fundamentals. “If you’re optimistic, you say ‘fine we have a great development in the US with our cheap gas, are attracting industry - the petrochemical industry’s coming back.’ If you’re only looking at these things, without looking at the full value chain as it's interconnected globally, then it looks good.

“But in the long run I think the the whole business fundamental is not as solid as it seems. The bottom line is, gas producers can only stay in business if they can recoup marginal cost; at the moment they are not. This is the reason why they’re stopping gas drilling. That will recover at some stage, but it could perhaps cause supply interruptions.”

Mr. Weijermars concedes that while his assessment may be pessimistic, the industry has a need to be realistic, professional and assess the viability of shale gas and explain exactly how things are. Despite those sentiments, he says, “I praise US entrepreneurship for going to that extreme, demonstrating the technological potential, resource potential development and the economic risks that you take when you do that.”

WoodMac: China oil imports to overtake US by 2017

Reuters, *20.08.2013*



China will overtake the United States as the world’s biggest crude oil importer by 2017 as Chinese motorists drive domestic oil demand higher. China is on track to spend $500 billion on crude oil imports by 2020, far outstripping the peak cost ever incurred by the United States on crude imports of $335 billion, Wood Mackenzie said in a report.

It forecasts the US crude oil import bill will fall to around $160 billion by 2020 as US tight oil output from shale resources replaces imports from the Middle East and Africa. “China will surpass US demand for oil imports and peak spend,” William Durbin said in a statement.

The consultancy said the turning point for Chinese crude imports to surpass US imports would be around 2017. It forecasts China’s oil imports will rise to 9.2 million barrels per day (bpd) by 2020 from 2.5 million bpd in 2005. US oil imports, meanwhile, will fall to 6.8 million bpd from a peak of 10.1 million bpd. “It means the United States is becoming more North America-centric for its supply needs and China more dependent on Middle East and OPEC crude,” Durbin said. “We will therefore see OPEC suppliers, who traditionally focused on the United States for crude sales, compelled to shift their focus towards China.” Between 2005 and 2020, OPEC’s share of Chinese oil imports is expected to rise to 66 percent from 52 percent. “China will look towards OPEC supply more as the United States relies on it less,” Durbin said.

OMV buys key Statoil oil fields for at least $2.65 billion

Reuters, *20.08.2013*

Norway's Statoil has sold stakes in several key oil fields to OMV, freeing at least $2.65 billion for capital expenditure and boosting the Austrian firm's presence in Norway's booming oil industry.

Statoil sold 19 percent of Gullfaks, 24 percent of Gudrun and agreed optional cooperation in 11 of Statoil's exploration licenses in the North Sea, West of Shetland and the Faroe Islands. The deal, which includes a firm $2.65 billion, could increase by a further $500 million to cover additional investments, freeing cash for Statoil as it spends $19 billion on bringing a string of new discoveries into production.

"Through this transaction, Statoil captures value created through asset development and unlocks capital for investment in high-return projects in core areas," Statoil Chief Executive Helge Lund said. However, it will also make it more difficult for Statoil to reach its target of lifting production to 2.5 million barrels of oil equivalents (boe) by 2020, from about 2 million last year. For OMV, meanwhile, the deal lifts its proven and probable reserves by about 320 million boe, or about 19 percent, and will boost production by about 40,000 barrels in 2014 and almost 60,000 barrels in 2016.

OMV, which produced about 297,000 boe per day in the second quarter, targets production of 350,000 boe per day by 2016. "The transaction will provide a huge boost to OMV's strategy and will be a key factor in achieving our 2016 targets," Gerhard Roiss, the Austrian company's chief executive, said. "It confirms OMV's clear focus towards increasing the significance of its exploration and production activities. Gullfaks, onstream since 1986, is one of Statoil's most mature projects and Gudrun is one of its newest, with production set to start in 2012.

Energy reform in Mexico: Giving it both barrels

The Economist, *17.08.2013*

To Mexicans, state ownership of their oil is a bit like gun ownership in the United States steeped in history. So President Enrique Peña Nieto's proposal, unveiled on August 12th, to change the constitution to allow private investment in Mexico's oil industry for the first time since 1960.

To clear the historic hurdles, he niftily dressed up the reform proposal as a return to the regime that prevailed after Mexico's patriotic hero, President Lázaro Cárdenas, seized the oil industry from foreign hands in 1938. Few will be fooled, however, into thinking that he shares Cardenas's nationalist convictions.

It starts from the premise that Mexico is running out of easy-to-access oil in the shallow waters of the Gulf of Mexico. Pemex, the national oil and gas monopoly, has neither the funds nor the expertise to take advantage of the shale and deep-water deposits that have proved so bounteous across the border in the United States. So it needs partners. The proposal leaves one big question unanswered, however: on precisely what terms will Mexico seek to attract private investment?

Mr Peña's immediate priority is to change the constitution to end a ban on private contracts in upstream oil and gas development. Downstream, he wants to end Pemex's monopoly in refining, shipping and petrochemicals, which bleed money. A reform of the electricity market is intended to enable private firms to generate power, though the grid will remain in the grip of the Federal Electricity Commission, the state behemoth. Because of the sensitivities over ownership of oil, the government plans to offer investors a share in the profits of the oil and gas they produce, rather than the stuff itself. This caused disappointment. But the difference between profit- and production-sharing may be semantic, especially if the profits are based on the price of a barrel of oil, which with some arm-twisting on accounting rules at the United States Securities and Exchange Commission could count as reserves.

More worrying is the impression that Mr Peña will focus on the constitutional changes, while leaving discussion of the nitty gritty, such as what share of the profits companies will be offered, to secondary legislation in Congress, where it will be debated with less public scrutiny. Oil companies, burned before in countries like Venezuela, will be wary of anything that looks like legal or political fudge. "The companies would be quite rational in saying we're not putting in a cent until we know we have a watertight contract," says Juan Carlos Boué, of the Oxford Institute for Energy Studies.

It may therefore be a while before the reforms boost oil and gas production, which has fallen sharply over the past decade. "With the absolutely best framework it will be two to three years before Big Oil will be able to evaluate a commercial opportunity," says George Baker, a Houston-based analyst focused on Mexican energy.

Before any of that, Mr Peña has his work cut out to change the constitution. His Institutional Revolutionary Party (PRI), its small coalition partners and the conservative National Action Party (PAN) have enough votes between them to muster the two-thirds majority needed in the upper and lower houses of Congress to change the constitution. They also dominate the state legislatures. However, the PAN favors a bolder approach to reform, involving royalty-paying concessions, and the PRI is stuffed with closet oil nationalists. To keep the PRI's union supporters onside, officials say none of Pemex's 151,000 workers, some of whom are spectacularly unproductive, will be laid off.

Meanwhile, the left-leaning Party of the Democratic Revolution is incensed that Mr Peña has stolen its icon, ex-president Cárdenas. His son, Cuauhtémoc Cárdenas, a doyen of the left, says Mr Peña simply intends to "strangle" Pemex. A bigger threat to reform may come from the street. An army of left-wing nationalists loyal to Andrés Manuel López Obrador, who came second to Mr Peña in last year's presidential election, plans to stage protests in Mexico City in coming weeks. Though Mr López Obrador no longer belongs to a big political party, oil could give him a powerful populist platform from which to create havoc.

In the face of such opposition, a video put out by Mr Peña's office this week borrowing phrases from the 1930s to insist "The Oil is Ours" appears trite. More to the point, the president should explain why this reform will be different from some of the headline-grabbing privatizations of the 1990s, whose lack of transparency left a bad taste in people's mouths. Given Mexico's sinking oil production, Mr Peña's proposals are undoubtedly a step in the right direction. But the more open the discussion about them, the better.

Rosneft, ExxonMobil begin work on LNG

E&P Magazine, *21.08.2013*

Rosneft and ExxonMobil have started the contractor selection process for design and engineering work for the LNG project proposed in the Russian Far East, Rosneft said in a release.

In 2013-2014 Rosneft and ExxonMobil plan to complete design work, including selection of a liquefaction technology and identification of major equipment requirements to perform engineering surveys, develop FEED and Russian Proyekt documentation for the LNG plant, hydro-technical marine facilities and a source gas pipeline, as well as perform EIA, according to the release.

Special attention during the design phase will focus on minimizing environmental impact to the unique ecosystem of the Sakhalin Island and encouraging development of local infrastructure, Rosneft said. A joint team of experts from Rosneft and ExxonMobil will apply best practices from both companies to complete the project in the shortest possible time frame.

Ukraine region rejects shale gas project

EurActiv (Reuters), *21.08.2013*

A shale gas deal in Ukraine hit a setback yesterday when a local council rejected the government's draft production-sharing agreement with US energy company Chevron amid warnings by nationalists regarding likely damage to the environment.

Officials told Reuters that deputies in Ivano-Frankivsk region, in western Ukraine, had sent the draft back to the government, pressing for guarantees which would address their concerns over the exploration plans. Chevron wants to tie up a deal to explore the Olesska shale field in western Ukraine.

Royal Dutch Shell has already signed a $10 billion (€7.45 billion) deal for shale exploration and extraction at the Yuzivska field in the east of Ukraine. According to the council's website, deputies expressed concerns over the ecological consequences of shale exploration in the mountainous forest region which is known for inland tourist resorts. The "fracking" process, in which water and chemicals are used to break up rock, sandstone and shale deposits to release gas, has sparked opposition from environmentalists elsewhere in Europe who fear it can pollute underground water.

But the Kiev government sees shale gas development as important for easing its dependence on costly gas imports from Russia which weigh heavily on its economy. Fuel Minister Eduard Stavytsky was quoted by UNIAN news agency as saying that Chevron has proposed investing $350 million (€260 million) in initial tests to ascertain the commercial viability of gas deposits at the Olesska field, with a $3 billion (€2.23 billion) investment envisaged for the first stage of extraction.

Stavytsky told Reuters by telephone: "We will consider the proposals (from the council) and in mid-September there will be another vote." "There is nothing dramatic in what has happened. This is the normal working process," he said. "Chevron looks forward to understanding how the Ukrainian government plans to address the concerns raised by the Ivano-Frankivsk Regional Council which will enable us to move forward expeditiously to implement this strategic project," a Chevron spokeswoman said. In the council debate, Iryna Sekh, a national deputy from the Svoboda far-right nationalist opposition, said: "This agreement opens the way to lawful destruction of Ukrainian land during gas extraction."

"There are clauses in the agreement which allow Chevron to turn hundreds of kilometers of Ukraine into swamp and desert". Chevron would have the right to use sand, stone, underground water supplies and other water sources on the basis of agreements in and beyond the (agreed) area. "I doubt that there is a country in the world which would allow such rights and privileges to a foreign investor," she said. Even if the Ivan-Frankivsk council eventually supports the deal, it would still require the approval of a second council in the Lviv region.

Romania's Petrom plans to enter shale gas market in 2021

Natural Gas Europe, *19.08.2013*

Romania's oil and gas giant Petrom will analyze the opportunity to enter this market after the year 2021 said Mariana Gheorghe, general manager of Petrom. Gheorghe explained that the natural decrease of oil and gas production in Romania of 10% per year can be compensated in three ways. "First it's about the increase of the degree of hydrocarbons recovery.

Second, it's about new explorations, including the ones of high depth. Third, shale gas gives the possibility of the industry to compensate for the decline and even to raise production."

According to the Petrom GM, the company is not considering activities in the shale gas sector because it is employing the first two of the three methods of reduction of the decline, but is considering entering this market after 2021, when the current strategy of the group will expire. "However, after 2021 we can take into account this part of the market, which is part of the 21st century. After America's experience, all countries, including Romania, are turning their heads in this direction," said Gheorghe.

This statement follows the statement made in May 2012 by Gergard Roiss, CEO of OMV Group, in which he said that OMV might be interested, in the medium-term, in shale gas exploration in Romania, but the main priority of the group is related to Black Sea deposits. Currently the only company that has publicly expressed interest to explore and extract shale gas in Romania is Chevron.

Today Romania has reserves of 1.444 billion cubic meters (bcm) of shale gas, which places the country on the third place among European countries, after Poland and France, according to official data published on infogazedesist.eu, a website by the National Agency for Mineral Resources as part of an information and public debate campaign concerning shale gas. Romania's yearly gas consumption is between 13 and 14 bcm, so estimated shale gas deposits would cover the country's consumption for the next 100 years.

In the first quarter of this year, Petrom Group registered a net profit of 2.393 billion lei, 18% larger than last year, according to data published on Tuesday by the company. According to geologist Octavian Coltoi, PhD, "If Petrom is focused on conventional resources and has made investments, it is normal not to invest in such a thing before some time. At the same time, they are making profits from current perimeters by subcontracting smaller companies. In short, they invest less but still make a profit. At the same time with the research works to increase the recovery percentage, for development and promoting different types of resources, this company is gathering useful information regarding unconventional deposits.

Kazakhstan: Oil production grows in Mangistau while gas production falls

Oil and Gas Eurasia, *19.08.2013*

In the first half of the year, 100,000 more tons of oil was produced in Mangistau Region, Kazakhstan, than in the same period in 2012. In the first half of the year, 8.8 million tons of oil was produced in the region, or 101.2% more than in 2012. In the same period in 2012, the region produced 8.7 million tons of oil.

Meanwhile, natural gas production in the region fell 5.7%. From January to July 2013, 1.0911 billion cubic meters of gas was produced in Mangistau Region. In the same period in 2012, the region produced 1.1551 billion cubic meters of natural gas.

Statkraft follows RWE and E.ON, closes gas-fired power plants in Germany

Upstream Online, *18.08.2013*

Norway's Statkraft confirmed that falling wholesale electricity prices impacts on gas-fired power plants in Central Europe, saying on Thursday that it will close two gas-fired power plants in Germany. "Short-term power prices have continued to fall, worsening the margin between power and gas prices," said Yngve Froeshaug, Statkraft's vice-president in a press conference.

Wholesale prices in Germany decreased by 20% in the first six months of 2013. "Due to this, our gas power plants in Knapsack and Herdecke for the time being are out of production," Froeshaug added.

Similarly, E.ON does not see any recovery for its gas division in Europe, planning "unavoidable" closures, unless drastic changes in the business environment. In the last few days, RWE announced its plan to take power stations offline, advocating that the continuing boom in solar energy makes many European stations unprofitable.

Foreign oil firms dominate Yemen block auction

Upstream Online, *19.08.2013*

Yemen has allowed 18 international oil firms to bid for 20 onshore and offshore blocks in the sixth auction issued by its oil ministry, said a Reuters report. State news agency Saba on Sunday quoted Yemen's oil minister Ahmed Dares as saying that 45 foreign firms had presented applications to bid for the blocks, of which nine are onshore and 11 offshore.

Lake of the 45, only 18 had qualified to bid. The auction aims to increase Yemen's oil and gas output through foreign investment, Dares was quoted as saying. According to Reuters, the 18 firms include international supermajors joined to the auction.

Hunt Oil and Gas, Norway's DNO, Circle Oil, Kuwait Foreign Petroleum Exploration Company, Pakistan Oilfields, Dana Gas, France's Total, Austria's OMV, UAE-based Crescent Petroleum and Pakistan Petroleum The qualified firms will now review the technical information available about the 20 blocks, the minister said. Yemen is a small producer with proven oil reserves of about 3 billion barrels as of 1 January 2013, according to the US Energy Information Administration.

Oil reserves and production are sourced from two areas, the Marib-Jawf basin in the north, and Say'un-Masila basin in the south. The government has estimated the Masila basin holds about 84% of the total. The impoverished country is struggling to tame insurgency and rebuild its economy after years of conflict. Its oil and gas exports have been repeatedly disrupted by attacks on pipelines by Islamist militants or disgruntled tribesmen since anti-government protests created a power vacuum in 2011. This has led to fuel shortages and a sharp reduction in revenues.

Gazprom reports Q4-2012 average export price of $12.6/mmbtu

Upstream Online, *21.08.2013*

Our colleague Mikhail Korchemkin from East European Gas Analysis dropped us a note after our publication of our article US LNG Exports: The Numbers May Tell a Different Story. Mikhail commented that in the last couple of weeks, several estimates of the export price of Russian gas appeared in the media, most of them are in the range of $10-12/MMBtu.

However, a report from Gazprom puts the average price of gas exported out of the former Soviet Union in Q4-2012 at $402.3/mcm or $12.6/MMBtu. A copy of the report can be found HERE, with the necessary conversion factors can be found in the end of the report.

Announcements & Reports

► *EMRA Activity Report 2012 (in Turkish)*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=626

► *Eastern Mediterranean Regional Analysis Brief*

Source : Energy Information Administration
Weblink : http://www.eia.gov/countries/analysisbriefs/Eastern_Mediterranean/eastern-mediterranean.pdf

► *Energy Statistics of Non – OECD Companies*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=626

► *Energy Balances of Non – OECD Companies*

Source : International Energy Agency
Weblink : http://www.iea.org/w/bookshop/add.aspx?id=626

Upcoming Events

► *3rd Erbil International Oil and Gas Exhibition*

Date : 2 – 5 September 2013
Place : Erbil – Iraq
Website : http://www.erbiloilgas.com/

► *Oil and Gas Conference and Exhibition 2013*

Date : 3 – 6 September 2013
Place : Aberdeen – UK
Website : http://www.offshore-europe.co.uk/page.cfm/Link=1/t=m/goSection=1

Supported by PETFORM

► *All Energy Turkey* ***(in Turkey)***

Date : 11 – 12 September 2013
Place : Istanbul – Turkey
Website : http://www.all-energy-turkey.com/?lang=tr

► *Global Gas Opportunities Summit* ***(in Turkey)***

Date : 1 – 3 October 2013
Place : Istanbul – Turkey
Website : http://www.fleminggulf.com/conferenceview/Global-Gas-Opportunities-Summit/209

► *21st Kazakhstan International Oil & Gas Exhibition and Conference*

Date : 1 – 4 October 2013
Place : Almaty – Kazakhstan
Website : http://www.kioge.com/2013/upstream2013.html

► *22nd World Energy Congress*

Date : 13 – 17 October 2013
Place : Daegu – South Korea
Website : http://www.daegu2013.kr/eng/index.do

► *Deep Offshore Technology International Conference & Exhibition*

Date : 22 – 24 October 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/deep-offshore-technology.html

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► EIF International Energy Congress and Fair (in Turkey)

Date : 24 – 25 October 2013
Place : Ankara – Turkey
Website : http://www.enerjikongresi.com/en/

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► The Economist European Energy Summit (in Turkey)

Date : 30 – 31 October 2013
Place : Istanbul – Turkey
Website : http://cemea.economistconferences.com/event/european-energy-summit#.UfJAK40vlbF

Supported by PETFORM

► 15th CIS Oil and Gas Transportation Annual Meeting (in Turkey)

Date : 30 October – 1 November 2013
Place : Istanbul – Turkey
Website : www.theenergyexchange.co.uk/cispipes

► Gas to Power Turkey 2013 (in Turkey)

Date : November 2013
Place : Istanbul – Turkey
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition

► World Shale Gas Conference & Exhibition

Date : 4 – 7 November 2013
Place : Texas – USA
Website : http://www.biztradeshows.com/trade-events/world-shalegas-exhibition

► Abu Dhabi International Petroleum Exhibition and Conference

Date : 10 – 13 November 2013
Place : Abu Dhabi – UAE
Website : http://www.adipec.com/page.cfm/Link=1/t=m/goSection=1

► European Unconventional Gas Summit 2014

Date : 28 – 30 January 2014
Place : Vienna – Austria
Website : http://www.theenergyexchange.co.uk/event/european-unconventional-gas-summit-2014#tab-country1