Oil & Gas Bulletin
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TPAO and Shell to drill deep in Black Sea

Today's Zaman, *14.02.2013*

After several unsuccessful attempts made in recent years by some of the world's energy giants, the Black Sea is once again on Turkey's agenda for oil and gas. TPAO and Shell have concluded a deal to explore for gas and oil in the western Black Sea.

As per the joint management agreement signed in the presence of Turkey's Energy Minister Taner Yildiz, Shell is to collect and analyze three-dimensional data of an area of 1,500 square kilometers, block number 3,920, which lies in the westernmost part of the Black Sea. The partners are also to drill at least one well within three years.

TPAO and Shell both hold a 50 percent share in the venture. For the deep-water exploration to be conducted in the western Black Sea, Andy Brown, upstream international director of Shell, said, "We see potential to drill for either gas or oil in the region," at a press conference in Ankara. Shell is estimated to spend nearly $200 million per each deep-water well and already gave Turkey $5 million for the signing of the contract as well as a letter of guarantee worth $150 million. Energy Minister Taner Yildiz also expressed hope that deep-water exploration being conducted off Turkey's Mediterranean coast in cooperation with Shell would prove fruitful. The results will become clear at the end of 2013, Yildiz added. Turkey, which paid $60 billion last year for energy, has stepped up efforts to meet its needs from domestic sources as much as possible in recent years. In the last 10 years Turkey's oil production has increased by 27 million tons, achieved through the efforts of both public and private companies.

In 2012, TPAO drilled 57 wells for oil and struck oil in one-third of them. Though admitting that these wells have low production capacities, the minister said, "If it weren't for the increase achieved in the last 10 years, we would have had to pay $35 billion more for oil in that same time period." In order to facilitate the conduct of more expert exploration in the seas surrounding Turkey, the country recently bought a seismic research vessel that can carry out the two and three-dimensional seismic surveys that help locate exploitable oil reserves. Turkey paid $130 million for the vessel, the Barbaros Hayrettin Pasa, named after the renowned 16th-century fleet admiral of the Ottoman navy, and the vessel is getting ready to set sail to collect seismic data in the western Black Sea.

In response to a question over whether the vessel would head for the Mediterranean in reaction to rival drilling activities launched by the Greek Cypriot government, Yildiz stated: "Research activities in both the Black Sea and the Mediterranean are important. We are not acting provocatively." Turkey was nevertheless widely understood to be acting to secure for the Turkish Cypriots a share in the natural resources that are located in regions currently controlled by the Greek Cypriot government. The recently purchased vessel is to set sail in a ceremony in which Prime Minister Recep Tayyip Erdogan will also participate.

In recent years, some other energy giants of the world such as BP, Exxon and Petrobras also searched unsuccessfully for oil in other parts of the Black Sea. Chevron, said the energy minister, paid Turkey a $100 million fine for having backed out of a drilling deal. The cancelled efforts by those firms suggest that the government's years-long search may be less based on the high possibility of easily extractable reserves and more on the distant hope that such reserves will be found in the future. The government has spent around $12 billion from its own coffers over the last 60 years on its own survey and exploratory well work.

Late last year it looked like TPAO's efforts had paid off when the firm announced that one well had tapped a natural gas deposit in the Istranca region, off the coast of İstanbul in the Black Sea. The government nevertheless has hesitated to make future declarations about that well, instead focusing its attention on the shale gas reserves believed to be located throughout the country's southeast. It has also been suggested that it would begin exploratory drilling for natural gas deposits in that region, stating that it has even considered drilling in the conflict-torn region of Hakkari.

Yildiz: Oil revenues should be shared in Cyprus

Hürriyet Daily News, *10.02.2013*

Greek Cyprus should either give up exploratory drilling operations or distribute all the revenues obtained from the drilling operations between both sides of Cyprus, Turkish Energy Minister Taner Yildiz said during a press event in the Central Anatolian province of Kayseri.

Yildiz stated that oil and gas research conducted by Greek Cyprus in the Mediterranean was contrary to international law, as the water in question lies in an undetermined exclusive economic zone between the two sides. "Turkey will not cooperate with companies who participate in oil and gas research there until the conditions are clarified," he said.

Yildiz also added that the Energy Ministry has had talks with the Italian multinational oil and gas company ENI. Yildiz said TPAO would continue its operations in authorized regions of the island. Greek Cyprus signed an agreement on Feb. 6 with French Total to conduct exploratory drilling for gas and oil in two blocks off its southern shore. Turkey protested against Nicosia's energy search, beginning its own exploratory drilling off the breakaway north region of the island.

Zorlu Group pushing Israel to approve gas exports

Today's Zaman, *14.02.2013*

Zorlu Group is lobbying Israeli authorities to approve a possible gas sale to Turkey despite icy relations between the two nations. Israel's Haaretz claimed that Zorlu is planning to build an undersea pipeline from Israeli-owned offshore gas rigs to Turkey's south coast, which will be shortest and cheapest gas pipeline project Turkey has ever been part of.

The daily reported that the Turkish conglomerate has been working in recent months to convince the Israeli government and Israel's Leviathan gas field partners to approve energy exports to Turkey.

Turkey downgraded its relations with Israel following a raid by the latter on the Mavi Marmara, a ship that was part of an international aid flotilla that was attempting to breach an Israeli blockade of Gaza. Turkey said that relations between the two countries would only return to normal if Israel offered a formal apology for the resulting killings and paid compensation to the families of the victims. Israel has only expressed regret, saying that its soldiers had acted in self-defense. Months-long diplomatic efforts to mend relations have failed to produce an agreement.

Turkey imposed sanctions on Israel but commercial ties with the country are not affected. Turkey did not impose a trade embargo on Israel but suspended ongoing defense projects and purchases from Israeli defense firms. Turkish contractors have undertaken more than 100 projects in Israel so far, worth a total of nearly $600 million. The largest Turkish investment in Israel is in the electric power plants the Zorlu Group is in the process of constructing. The group of companies has undertaken to build four power plants in Israel thus far. Zorlu's plan is to lay an undersea pipeline from the Leviathan field 130 kilometers off Haifa to Turkey's south coast. The pipeline would deliver between 8 billion and 10 billion cubic meters of gas annually. The Zorlu Group has assets worth $1 billion in Israel. It is still unclear how Turkish authorities will react to a possible pipeline between Israel and Turkey as Turkey vowed to boost naval patrols in the eastern Mediterranean last year in a deepening diplomatic feud with Israel and Greek Cyprus over gas finds.

Turkish Prime Minister Recep Tayyip Erdogan said last year that Turkey would make its presence felt in the eastern Mediterranean at a time when Israel is looking to exploit the two offshore gas fields and partner with Greek Cyprus to build energy facilities. The Leviathan gas drill, 130 km (80 miles) off the port of Haifa, is the world's biggest deep water gas find in the past decade. Israel could earn at least $150 billion in gas revenues. Turkey does not recognize the Greek Cypriot government and has complained bitterly about its energy deals with Israel. Lebanon has accused Israel of breaking international law by exploring for gas without an agreement on the maritime border between the two countries, which are formally at war. The report also included claims that an aide to Israeli Prime Minister Harel Locker was recently in Turkey to explore a deal on gas exports to Turkey, but a spokesman for the Israeli prime minister's office denied the reports.

Yildiz: Any gas project with Israel requires Erdogan's approval

Today's Zaman, *15.02.2013*

Turkey's energy minister has said any joint project between Turkish companies and Israel requires the approval of Prime Minister Recep Tayyip Erdogan.

Taner Yildiz told CNBC-e news channel in an interview that some conditions must be established to carry Israeli gas to Turkey, without elaborating on the type of conditions. He said if these conditions, which will be put forward by Erdogan, are not met, Turkey won't begin any gas project with Israel. It was not clear whether the energy minister was referring to state deals with Israel or if this also included private companies.

Qatar, Turkey inching closer to LNG deal

Oil&Gas Eurasia, *12.02.2013*

A high level Qatari delegation will visit Turkey this month in in a bid to finalize a deal between the two countries for long term import of liquefied natural gas from the Gulf state to the Asiatic European country.

H.Emre Yunt, Turkish Ambassador to Qatar, said that his country would like to see the arrangement signed as soon as some issues on the pricing of the commodity are settled. The volume of Qatari LNG import to Turkey can at least be doubled from its current level if the long term agreement is put in place.

The ambassador explained the negotiations for the LNG agreement are ongoing and the issue was high on agenda at the meetings of Turkish Prime Minister Recep Tayyip Erdogan had with the Qatari leadership during his visit to Doha last week. The disclosure by the ambassador came on the heels of reports last month that Turkey was seeking to buy an additional 6 bcm of LNG including some from Qatar under long term contracts to meet its growing energy needs.

Delek steps up in Cyprus' Block 12

Natural Gas Europe, *12.02.2013*

Delek Group signed an agreement for increased participation in exploration rights off Cyprus' southern shore.

Delek Drilling and Anver Oil and Gas Exploration, which own majority rights in Israel's nearby Leviathan and Tamar fields, will take a 30 percent interest in exploration being carried out by Noble Energy in Block 12. In December 2011, Noble said it had discovered gas reserves in Block 12 ranging from 140-230 bcm of gas. Greek Cypriot Commerce Minister Neoclis Sylikiotis told that the signing provided a "new era of Cyprus-Israeli strategic cooperation which includes economic and political dimensions."

Sylikiotis said the deal paves the way for Cyprus and Israel to pool and export gas reserves after processing them at a facility in Cyprus. The latest deal move comes less than a week after Greek Cyprus signed an agreement with Total to permit exploratory drilling for gas and oil in blocks 10 and 11 located west of the gas field discovery by Noble Energy. Total announced it would conduct a series of 10 exploratory drillings for gas and oil over the next three years.

Several Israeli based companies had been in the running to secure rights to drill for oil and gas in Greek Cyprus' economic waters, with some reports suggesting that one-third of the 15 bidding companies were from Israel, including Alon Natural Gas Exploration, which was involved in the discovery of the Tamar natural gas field off Israel's coast. Alon has a 25% stake in a consortium of companies that bid for a license to search for and produce offshore natural gas in Cyprus, in blocks 10 and 11. The consortium includes Sigma Exploration, a group of American and Greek Cypriot companies, which holds the remaining shares.

Israel's ILDC Energy failed in its bid to secure an interest in block 9 which was won by a consortium which includes ENI and KOGAS. The two companies also obtained permits for blocks 2 and 3, for which they paid 150 million euros. Israeli based Cyprus Opportunity, a publicly traded partnership for gas and oil exploration held by Helman-Aldoby, a sister company of Israel Opportunity, along with the Norwegian company AGR, are still in the bidding for a permit, with no final decision yet taken. Block 8 is believed to be doubtful for hydrocarbon prospects, nevertheless, the two companies applied for the permit in the hopes of geological continuity. Sylikiotis said that having countries such as France, the United States, Israel and Italy involved in the island's hydrocarbon exploration acted as a "political shield" against Turkish threats.

Charles Ellinas, who heads the newly established Cyprus National Hydrocarbons Company, estimates that Cypriot waters hold at least a total of 60 trillion cubic feet (or the equivalent of 1.7 trillion cubic meters), enough to satisfy domestic consumption for decades - and Cyprus' ambition to become an energy exporter - and EU's growing demand.

SOCAR to sign Turkish refinery financing within a month

Reuters, *14.02.2013*

SOCAR will sign a preliminary deal with a group of lenders within a month to help finance a $4 billion Turkish refinery, the head of its Turkish unit said, which would provide needed capacity and compete with Turkey's one refiner.

In December, SOCAR selected a consortium of Tecnicas Reunidas, Saipem, GS Engineering & Construction and Itochu to build the refinery at Aliaga on the Aegean coast in western Turkey. Construction is expected to be completed by 2016. Turkey currently imports nearly all of its oil products, while sole refiner Tüpras operates four plants across the country.

"Excluding financing costs, the total cost of the refinery will be $4 billion. Of that we will provide $1.9 billion from our own equity," Socar Turkey Chairman Kenan Yavuz said. He said total investment in 2013 would be $800 million, which will come out of the $1.9 billion planned from its own equity. The refinery will have a capacity to process 10 million tonnes of crude a year. Tüpras has total annual capacity of around 28 million tonnes.

SOCAR, which owns Turkish petrochemical company Petkim , has so far invested $200 million from its equity in the Socar Turkey Aegean Refinery project in areas such as engineering and infrastructure. "By the end of 2013, we will spend another $800 million from our own equity. Thus we will have completed some 20 percent of the project by end-2013 from our own equity," he said. Yavuz said the company held meetings with lenders in London on Feb. 4 and in Istanbul on Feb. 6, most of them export credit agencies, to discuss financing the more than $2 billion in remaining costs. "We will sign a preliminary agreement on financing with interested lenders within one month," he said. Along with the cost of financing, the total investment will be $4 billion to $5 billion, he added.

SOCAR owns 81.5 percent of the Aegean refinery project at Aliaga, while Turkey's Turcas Petrol owns the remaining 18.5 percent. The plant will target annual production of 500,000 tonnes of jet fuel, 6 million tonnes of diesel, 500,000 tonnes of petroleum coke, 300,000 tonnes of liquefied petroleum gas and 1.6 million tonnes of naphtha, company documents showed.

Envoy: US start to see Turkey as Iraq energy bridge

Hürriyet Daily News, *13.02.2013*

Turkey has been considered as a link to Iraq's energy for US, the US ambassador to Turkey has said, praising the strategic location of the country and boosting bilateral trades between two parties.

The United States considers Turkey a bridge to Iraq's energy and sees that very positively, Francis Ricciardone, the U.S. ambassador to Ankara, said yesterday during the U.S.-Turkey Smart Grid Workshop in Istanbul. "Energy has always led our economic relationship. We are beginning to describe Turkey as bridge to Iraq's energy. We're very optimistic about that," Anatolia news agency quoted him as saying at the workshop.

He said conducting joint energy projects was important in his speech and added that such relations have been much more vivid compared to the past. The relationship will continue to rise with the fresh energy that comes with U.S. President Barack Obama's second term in office, he said. The ambassador's statements came amid rising tensions between Baghdad and Ankara over the latter's assertive energy ties with the Kurdish Regional Government (KRG) in Iraq. These ties have aroused objections from the U.S. as well. Baghdad has been saying it alone has the authority to control exports of the world's fourth-largest oil reserves and deals outside of its authority are illegal.

Ricciardone praised Turkey's progress in the energy field and its strategic geographical location, which enables implementing critically important projects for both Turkish and European markets. The Smart Grid project of Turkey, funded by the U.S. Trade and Development Agency to provide a cheaper and safer electricity network, is only applicable because of Turkey's strategic importance, he said. "In the 1990s when I was here, we were working on carrying Caspian energy and the Baku-Tiflis-Ceylan (BTC) oil pipeline. Now here, we're discussing really important energy alternatives prompted by Turkey's strategic geographical location for both Turkey's and European markets."

The transmission and development of smart grids will not contribute just to bilateral trade and gear up investments but will also provide employment for Turkey and bring Turks and Americans together, he added. Ricciardone said the attack on the U.S. Embassy in Ankara would not be able to spoil the good relations of the two countries. Turkey and the U.S. will continue to enhance their bilateral trade relations as a response, he said. Turkey's exports to the U.S. have surged 72 percent, while the U.S.' to Turkey surged by 65 percent between 2009 and 2012, elevating Turkey-U.S. trade volume to over $20 billion in 2012, he said, referring to the figures.

Turkey’s Iranian oil purchases fall by one-third in one month

Hürriyet Daily News, *14.02.2013*

Turkey imported 29 percent less Iranian crude oil in December than November, data from the Turkish energy watchdog showed, as the country followed a pledge to cut purchases as part of Western trade sanctions against Iran.

Iranian crude imports dropped to 82,849 barrels per day or 350,385 tons from November’s 116,000 bpd or 474,784 tons, according to data from the Energy Market Regulatory Authority (EPDK). This brought Turkey’s total Iranian oil imports to 7.56 million tons in 2012, or 151,829 bpd, a drop of around 15 percent from 2011 and from volumes contracted with Iran, which were around 180,000 bpd.

Once reliant on Iran for more than half its crude oil imports, Turkey has reduced its purchases as the United States and European Union have tightened sanctions on the trade with Tehran. Turkey obtained an initial waiver from the United States on Iranian oil imports for 180 days from June 11 after Ankara made an initial 20 percent import cut before the EU sanctions came into effect last July. The exemption was renewed in early December for another 180 days.

The United States and many of its allies say Iran is enriching uranium for weapons purposes, while Iran says its program is for peaceful purposes. Iranian oil has fallen to 39 percent of Turkey’s total crude oil purchases from 49 percent in 2011, according to data from the Turkish Statistical Institute and the energy watchdog. The statistics office stopped providing a country-by-country breakdown for crude oil imports at the end of 2012.

Turkey made it clear it would not stop buying Iranian oil, but it has intensified efforts to diversify its suppliers. The International Energy Agency (IEA) estimates that Iran lost over $40 billion in export revenue in 2012, or about $3.4 billion per month. Iranian oil output will likely fall further from its lowest in three decades as the West tightens sanctions on the Islamic Republic, depriving Tehran of hard currency revenues, the Western energy agency said.

Turkey's second nuke plant to cost $25 billion

Hürriyet Daily News, *14.02.2013*

Turkey's second nuclear power plant, slated to be built in the northern province of Sinop, will cost around $25 billion, Turkish Energy and Natural Resources Minister Taner Yildiz said. "The second nuclear power plant will require an investment worth between $22 billion and $25 billion," he said.

Turkey needs to diversify its energy resources with sources such as nuclear power. Several countries have asked to build the nuclear power plant, which will possess four units, he said. Yildiz underlined that they had received new offers from countries and companies as the competition heats up.

The country generated 4,100 more megawatts of power last year, bringing the total to 58,000 megawatts, he said. Turkey's energy demands are increasing because it is a growing country, said Yildiz, adding that they aimed to satisfy such needs through domestic renewable energy resources.

Shah Deniz II to reach Europe in 2019

Upstream Online, *13.02.2013*

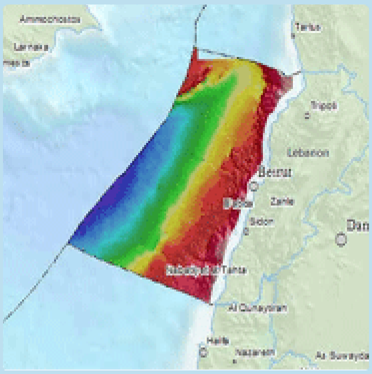
Gas from Azerbaijan's Shah Deniz II project is now expected to reach Europe in 2019, according to a senior executive at Azeri state player Socar, in the latest of several varying timescale predictions for the mega-project.

Speaking to a conference in Baku, Socar first vice-president Elshad Nasirov said that "production at Shah Deniz II will start in 2018". "The pipeline will be filled and gas will reach European borders by 2019," Nasirov said. Nasirov also said Socar would invest $3 billion into the Shah Deniz II project in 2013 and would make a decision on spending an additional $20 billion in October.

Shah Deniz II had originally set late 2017 as a target date, though Socar's managing director Rovnag Abdullayev recently said the gas would not reach Europe until the second quarter of 2018. Al Cook, BP Azerbaijan vice-president, said in January that providing all necessary agreements were achieved, "we will target 2018 for first gas".

Lebanon kicks off offshore licensing round

Upstream Online, *15.02.2013*



Lebanon's Minister of Energy and Water has announced the start of the pre-qualification phase for the country's first offshore licensing round.

Applications are being accepted by the Petroleum Administration until 28 March, with pre-qualification evaluation due on 18 April. Lebanon's offshore area, which spans 22,730 square kilometres, has never been explored for hydrocarbons. The round will focus on areas close to the borders of Israel and Cyprus. The ministry has opened a data room in Beirut offering new and historic 2D and 3D seismic data on the unexplored play.

Yanukovich to seek Turkmen gas, ease reliance on Russia

Oil&Gas Eurasia, *11.02.2013*

Reuters reports that the supply of Turkmen gas to Ukraine will be on the agenda during a visit to Turkmenistan by Ukraine's president, whose government is struggling to reduce its dependence on expensive Russian gas.

President Viktor Yanukovich's visit will take place on Feb. 12-14, his office said. Ukrainian Foreign Minister Leonid Kozhara, who travelled to Turkmenistan last month to prepare the visit, has said gas will be discussed. Turkmenistan used to sell gas to Ukraine in the late 1990s and early 2000s, shipping it through Russian pipelines. But since 2009, Ukraine has been buying the fuel only from Gazprom.

The price of Russian supplies has been rising steadily, becoming a burden on the state budget and the economy, because a 2009 contract between Gazprom and Ukraine's Naftogaz linked it to global energy prices. Finding another supplier could be a quick solution for Ukraine, but only if Kiev and Ashgabat agree on a price and Moscow allows such shipments. Ukrainian officials say that a new free trade agreement signed last year by the Commonwealth of Independent States, a club of ex-Soviet republics, obliges Russia to allow shipments of Turkmen gas to Ukraine at competitive rates. But Moscow has yet to comment officially on the idea.

PwC: Shale oil could boost global GDP by $2.7 trillion a year

Reuters, *14.02.2013*

Worldwide shale oil production could add $2.7 trillion to the global economy annually by 2035 by slashing the price of crude by as much as $50 a barrel, PwC said.

Shale oil production could surge to 14 million barrels per day, or as much as 12 percent of total oil output from around 1 percent now, as it expands from its U.S. base over the next two decades, the world's largest accounting firm said in a report. That could lift global gross domestic product by between 2.3 percent and 3.7 percent per year by 2035, according to the report, "Shale oil: the next energy revolution".

"Lower global oil prices due to increased shale oil supply could have a major impact on the future evolution of the world economy by allowing more output to be produced at the same cost," John Hawksworth, chief economist at PwC and co-author of the report, said. Bigger flows of shale oil will not increase overall consumption substantially, because demand is not heavily dependent on price, but it will cut the cost of fuel, Adam Lyons, director of PwC's oil and gas strategy team, said. "One effect will be to cut the need for expensive, environmentally destructive extraction techniques like the Arctic and tar sands," he added.

The rapid growth in shale oil has not been factored into price projections by the two major international oil agencies - the U.S. Energy Information Administration (EIA) and Paris-based International Energy Agency, the report said. Current global oil demand amounts to 80-90 million barrels per day (bpd), and the agencies estimate it will increase to around 110 million bpd by 2035. "Their projections ... are arguably conservative as they are based only on resources about which there is already a high degree of certainty," the report said. "Past experience of shale oil and shale gas suggests that these resource estimates are likely to be revised upwards significantly over time."

If the Organization of Petroleum Exporting Countries cuts production in response to the extra supply, oil prices will fall to around $100 per barrel in today's money by 2035, the report said. If OPEC does not cut production, oil could fall to around $83 per barrel in today's money by 2035, PwC estimated, or $50 less than the EIA's 2035 real-terms forecast price of $133. Brent crude oil is currently trading around $119 per barrel. Lower oil prices will feed into stronger GDP growth, adding $1.7-$2.7 trillion per year, or $230-$370 per person, PwC said. The level of support will vary greatly, however, from country to country, it said. "Large net oil importers such as India and Japan may see their GDP boosted by around 4 to7 percent by 2035 in our alternative scenarios, while the U.S., China, Germany and the UK might gain by around 2 to 5 percent of GDP," Hawksworth said.

Nabucco and TAP gas pipelines could both be built one day

Reuters, *13.02.2013*

Both of the projects vying to pipe Azeri gas to the European Union can be built but not yet, a senior official from one of them said.

The governments of Albania, Greece and Italy on Wednesday signed an agreement, confirming their support for the Trans Adriatic Pipeline (TAP), one of two projects in competition to reduce EU dependence on Russian energy. “There will be 10 billion cubic metres of gas available from Shah Deniz phase II. In that context, there can’t be two large-scale pipelines built at the same time,” TAP External Affairs Director Michael Hoffmann told Reuters.

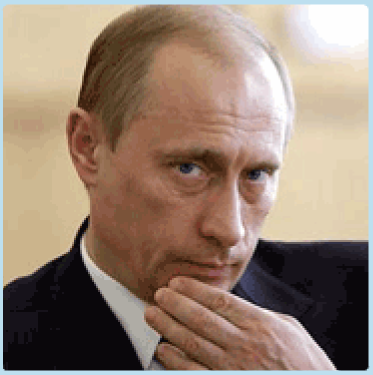
“But we can have two pipelines in a sequential situation. It will only be a matter of time before more gas comes on stream from Azerbaijan, though this may possibly take another five to 10 years.” TAP is proposing a route through Albania and Greece into Italy, while the rival Nabucco West project would ship gas along a different path from Turkey’s western border into a hub in Austria from whence it could be distributed. Heavily indebted nation Greece is particularly in need of the kind of investment an energy pipeline would bring and Greek Prime Minister Antonis Samaras attended Wednesday’s signing ceremony in Athens.

The European Commission is project-neutral, saying its only concern is that a route, which it refers to as the Southern Gas Corridor, will be opened up to make EU supplies more secure and diversified by providing a link to the Caspian region. European Commissioner Guenther Oettinger in a statement welcomed the signing of Wednesday’s intergovernmental agreement as “an essential step”. TAP’s shareholders are Swiss energy company Axpo (42.5 percent), Norway’s Statoil (42.5 percent) and E.ON Ruhrgas of Germany (15 percent). Its rival Nabucco West includes Austria’s OMV, Hungary’s MOL, Turkey’s BOTAS and Romania’s Transgaz .

The Shah Deniz consortium, which comprises BP, Statoil, Azeri energy company SOCAR and Total, has a 50-percent equity option in both rival projects. It is expected to choose one of the two pipeline contenders by mid-2013. Greece, Italy and Albania had signed a preliminary agreement to back TAP in September last year.

Putin signals gas export liberalization

Oil&Gas Eurasia, *15.02.2013*



The Wall Street Journal reports that Russian President Vladimir Putin gave the clearest indication yet that he's willing to put an end to Gazprom's monopoly on natural-gas exports by allowing rival companies to ship LNG abroad.

The move is being considered because Russia continues to lag behind other exporters in tapping the high-value LNG export market. Russia only accounts for 3.6% of the global LNG market, Putin said at a meeting of top government and energy-firm officials at his residence on the outskirts of Moscow. "If we don't carry out active policies, we risk completely surrendering this market to competitors," he said.

Other Russian producers such as Novatek and Rosneft are increasing their natural gas output, but have so far been limited to selling it on Russia's domestic market, where prices are much lower than for exports. Gazprom operates Russia's only LNG plant, on the Pacific island of Sakhalin, in a joint venture with Royal Dutch Shell and Mitsui. Novatek, Russia's second-largest natural gas producer, last year requested rights to export LNG from a project in the Yamal region of Siberia in 2016, in a joint venture with France's Total.

Statoil to build $16 billion oil hub on Europe's Northern Tip

Oil&Gas Eurasia, *13.02.2013*

Reuters reported that Norway's Statoil will spend up to $16.3 billion to build a new oil hub near the northern tip of the European continent, banking on finding more oil in an ambitious Arctic exploration campaign.

Statoil, a pioneer in Arctic oil and gas production will bring its huge Skrugard and Havis finds in the Barents Sea into production by the end of 2018 and plans an onshore terminal that will cope with more crude once work in the area takes off. "This is part of the ambition of making northern Norway the country's next big petroleum region," Oeystein Michelsen, Statoil's development chief for Norway said.

Statoil plans to explore nine new prospects in the Arctic Barents Sea over the next two years with four near Skrugard, hoping to find more oil to tie into the development. Oil at the new terminal will be stored in two mountain caverns near Veidnes, 1,400 km (870 miles) north of Oslo, before loading into tankers. The two fields, lying in the same license, hold up to 600 million barrels of oil equivalent and production is seen at around 200,000 barrels per day, making it one of Norway's top fields. It could start producing in the fourth quarter of 2018 and Statoil plans a floating platform in waters up to 390 metres deep.

Romgaz signs Black Sea option agreement with OMV Petrom and ExxonMobil

Natural Gas Europe, *15.02.2013*

This week the Romanian government has announced that Romgaz has signed a participation agreement with OMV Petrom and ExxonMobil for the exploration and exploitation perimeters from the Black Sea. Romgaz will hold a 10% of the exploration and exploitation operations in the Black Sea, the Midia perimeter, located on the continental shore of Romania.

Present at the signing ceremony, the Prime Minister Victor Ponta stated that this agreement offers Romgaz "the possibility to acquire 10% of the benefits related to the exploitation of this area."

"I want to stress that the perimeter that is the object of this agreement is in the neighborhood of Neptun, of which I have heard it represents an extraordinary potential," said Ponta. "It is a strategic option," pointed out Ponta. At the end of the signing ceremony, Ponta said that Romgaz will be listed on the stock exchange in October, as convened in the negotiations with the IMF.

This is not the first partnership of this type for Romgaz. In November 2012, Romgaz took over a participation of 10% in two exploration and production projects of hydrocarbon from the Black Sea, of which, 8% was from Lukoil Overseas, a branch of the Russian group Lukoil and 2% from Vanco International. In November 2008 ExxonMobil Exploration and Production Romania Limited and OMV Petrom signed an agreement by which ExxonMobil acquired a participation of 50% in the high depth area of Neptun perimeter. Since that time, the two companies have worked together to acquire 3D seismic data and to evaluate the hydrocarbon potential in the Neptun perimeter. The Neptun area has a surface of around 9.900 square kilometers in waters with a depth between 50 and 1.700 meters.

In October 2012, the consortium ExxonMobil and OMV Petrom has purchased part of Midia block located in the Black Sea from Sterling Resources. In February of last year, OMV Petrom and ExxonMobil Exploration and Production Romania announced a significant gas discovery in their exploitations from the Black Sea. The preliminary estimates evaluate the natural gas deposit to 42-84 billion cubic meters, which is equivalent to 3 to 6 times the yearly consumption of Romania.

The gas extraction in the Black Sea is scheduled for the end of the decade and the exploitation, estimated to last 10 years, could ensure the energetic independence of Romania with respect to natural gas. The companies that produce oil and natural gas currently pay royalties between 3.5% and 13.5% of production, depending on the type of the hydrocarbon deposit. These royalty levels were established in 2004 and are valid until December 2014, being established by the privatization contract of the company Petrom with the Austrian group OMV. The drilling operations made by the two companies in the Black Sea begun at the end of 2011.

The execution of the option by Romgaz to aquire 10% of the benefits related to the exploitation of this area is conditioned by the completion of the transfer agreements for the exploration and production rights for a part of the Midia perimeter from the current grant owners is shown in a statement by OMV Petrom. According to the statement, in October 2012 ExxonMobil Exploration and Production Romania Limited (EMEPRL) and OMV Petrom have signed a transfer agreement with Sterling Resources Ltd and Petro Ventures Europe B.V. for the acquisition of a participation of 85% for the rights of hydrocarbon exploration and production related to a part of Midia XV perimeter in the Romanian area of Black Sea.

The transfer agreement is not yet finalized, and the conditions for its legal execution, including the approvals of the relevant authorities, are pending completion. When the transfer agreement will produce legal effects, the participation quotas will be: EMEPRL – 42.5%, OMV Petrom – 42.5% and Gas Plus International B.V. (co-owner of the grant for the Midia perimeters) will retain its participation of 15%. Based on the agreed terms, Romgaz has the option to acquire a participation of 10% in Midia Deep from EMEPRL and OMV Petrom. The intent of Romgaz to enter the agreement is caused by the completion of the transfer agreement and by the announcement of a commercial find. The Midia Deep area is near Neptun perimeter.

“This represents a new step in our efforts to sustain Romania’s goal to explore and develop offshore resources, to attain the national energy goals,” stated Mariana Gheorghe, CEO OMV Petrom. At the same ceremony, John L. Knapp, general manager of EMEPRL said: “We are delighted to proceed in this direction, in the same time acknowledging that the offshore high depth exploration implies high risk investments that need stability and fiscal predictability as well as a good investment environment”. Corin Cindrea, general manager Romgaz, stated that “the signing of this option agreement allows the expanding of our operations in the Black Sea helping us to achieve the strategic goal of our company to increase its resources and reserves portfolio”.

EMEPRL will be the operator of the oil operations in the deep areas of the Midia perimeter. EMEPRL and OMV Petrom are partners in activities on the Romanian shore of the Black Sea, where the two companies have announced, last year, a gas deposit find.

Announcements & Reports

► Analysis on Issues Related to Competition under the Energy Charter Treaty

Source : Energy Charter
Weblink : http://www.encharter.org/fileadmin/user_upload/Publications/Competition_study_2012_ENG.pdf

► OPEC Monthly Oil Market Report (Feb 2013)

Source : Organization of the Petroleum Exporting Countries
Weblink : http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_February_2013.pdf

Upcoming Events

► East Mediterranean and North African Gas Forum

Date : 26 – 28 February 2013
Place : Rome – Italy
Website : http://www.emnagasforum.com/

► 6th Annual Unconventional Gas Conference

Date : 6 – 7 March 2013
Place : London – UK
Website : http://www.smi-online.co.uk/energy/uk/unconventional-gas

► 6th International Petroleum Technology Conference

Date : 26 – 28 March 2013
Place : Beijing – China
Website : http://www.iptcnet.org/2013/

► LNG17 – International Conference and Exhibition on Liquefied Natural Gas

Date : 16 – 19 April 2013
Place : Houston – USA
Website : http://conferencehound.com/conference/lng17-international-conference-and-exhibition-on-liquefied-natural-gas/53874

► *Offshore Technology Conference*

Date : 6 – 9 May 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/908

Supported by PETFORM

► *Tight and Shale Gas Summit 2013* ***(in Turkey)***

Date : 15 – 16 May 2013
Place : Istanbul – Turkey
Website : http://www.wplgroup.com/aci/conferences/eu-eug2.asp

► *12th Moscow International Oil & Gas Exhibition*

Date : 25 – 28 June 2013
Place : Moscow – Russia
Website : http://mioge.com/about/upstream.aspx

► *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

► *Texas Oilfield Expo*

Date : 6 – 7 March 2013
Place : Texas – USA
Website : http://www.gshtx.org/en/cev/906

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

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

► *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

► *World Shale Gas Conference & Exhibition*

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