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Libyan output

The IEA has thrown its hat into the ring on the issue of when Libyan production may return to pre-civil war levels.

■ The Paris-based group has said 1.5-1.6 million bpd may be reached in 2014. The process of ramping production up will be slow, the IEA said, although the rebel Transitional National Council (TNC) is more optimistic. *(Page 2)*

■ Undeterred by Libyan instability, New Zealand Oil & Gas has struck a deal to explore an area just over the maritime border, off Tunisia. *(Page 6)*

Subsalt Gabon

Brazil's Petrobras has struck a deal with Ophir to take stakes in two blocks offshore Gabon.

■ Ophir, which is to list in July, said the deal would focus on the area's subsalt potential. *(Page 6)*

Spain and Sonatrach

Gas Natural has agreed to pay Sonatrach US\$1.9 billion to cover historic losses for the Algerian company.

■ Fitch welcomed the deal, which also involves Sonatrach taking an equity stake in Gas Natural. *(Page 9)*

For analysis and commentary on these and other stories, plus the latest oil and gas developments, see inside...

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Edited by Ed Reed

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COMMENTARY

IEA predicts slow return for Libyan production

Libyan output will hit pre-conflict levels only in 2014, according to the IEA, as a host of difficulties will slow a return to Africa's top reserve holder

By *Alfonse Dubere*

- The situation in eastern Libya will stabilise but the return of output will be “very slow”
- Eni believes its lost production will be regained within a year, although other companies are less confident
- The Benghazi administration needs cash desperately and is in talks with companies on this

Libya's experience of the “Arab Spring” has been exponentially harsher than its North African neighbours, Egypt and Tunisia, with no peace in sight after around four months of armed rebellion against forces loyal to Libyan President Muammar Ghadaffi.

Despite help from Western powers in the form of air strikes, the rebels have struggled to make ends meet as damage to energy infrastructure caused by the civil war has brought production to a near-halt in what used to be a major OPEC oil producer in North Africa. Output, before the February eruption of violence, was 1.5-1.6 million barrels per day of oil.

Libyan crude production now runs at less than 200,000 bpd and is unlikely to recover to pre-civil war levels until 2014, according to a recent yearly report from the International Energy Agency (IEA).

The report said oil production faced a “long haul” to make a full recovery in the wake of the civil war gripping the country.

More optimism has come from Eni's CEO, Paolo Scaroni, who has predicted a return to normal output levels in a year's time. Officials in Libya's rebel Transitional National Council (TNC) have said that, while producing fields, refineries and other crucial installations have been damaged, their pipelines are still intact.

The Paris-based IEA said on June 16 it expected production to continue at “marginal” levels throughout the remainder of this year, predicting that the rebel-led TNC would “perhaps [be] able to export some crude in coming months under NATO protection.” This compares with the 1.3 million bpd that Libya exported before its civil turmoil, much of

which went to Italy and Germany.

Report, which forecasts hydrocarbon market trends up to 2016. More supply is expected to become available for export “as the situation at least stabilises in the eastern region, but with a very slow ramp-up in the country's production.”

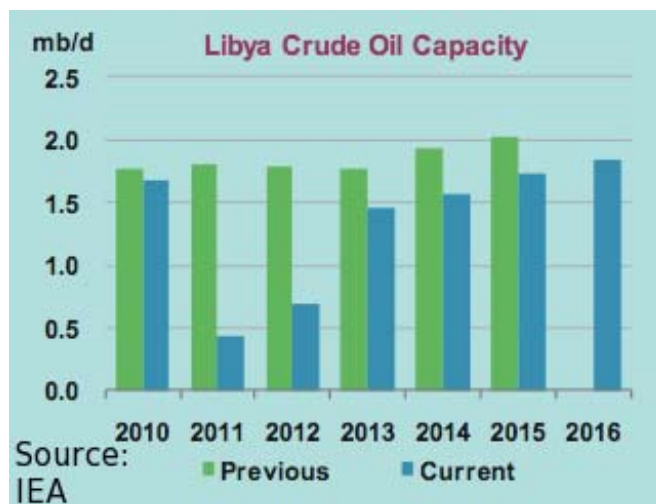
The IEA suggested about 50% of Libya's pre-disruption production would have resumed by the end of 2012. “By next year, the political dynamics should be settled, one way or another, and by 2013 capacity [should be] restored to just below pre-crisis levels,” it forecast. By 2014 the IEA sees output back near pre-war levels, with a full recovery by 2015.

Against the background of the ongoing military stalemate, tightening international oil markets can now only sit and wait for the return of Libyan crude supplies. “A long, protracted stoppage is looking increasingly likely,” the energy watchdog predicted.

The IEA argued the rehabilitation of oil production capacity in Libya was likely to be “painfully slow” for a variety of reasons, not least the heavy dependence of Libya's oil industry on foreign companies.

No fewer than 35 foreign oil and gas companies were active in Libya, including BP, Royal Dutch Shell, Spain's Repsol, France's Total and Italy's Eni, which is the largest single investor there.

All Western companies repatriated their staff when the civil unrest began, and many will be slow to return before the situation on the ground has become completely safe. ►►



which went to Italy and Germany.

“Hopes that a quick end to the unrest would leave the oil sector relatively unscathed have faded now,” the West's energy watchdog said in its latest Medium-Term Oil Market

COMMENTARY

Other reasons cited by the IEA include the potential need to renegotiate existing upstream contracts, the terms of which were generally considered by the foreign explorers to be unattractive.

The IEA also said the waxiness of much of Libya's light, sweet crude could also cause significant problems to oil equipment and wells that are shut in for a long period.

Eni optimism

Eni could lose about 200,000 barrels of oil equivalent per day in Libya this year if the unrest continues, its CEO said last month. The company's Libya production reached 280,000 boepd in 2010.

Scaroni is nonetheless hopeful that the energy situation in Libya will return to normal by 2012 and expects a new government will co-operate with foreign firms in the country.

"When we look a year from now, we look with optimism," he said, quoted by Reuters on June 15. Scaroni went on to say the company had no plans to replace Libya with another supplier.

"We think that everything will return to normal in Libya ... any government that comes to power in Libya will have to re-start production working with the companies that already know the country," he said.

However, Total's head of strategy, Jean-Jacques Mosconi, said the company had "no visibility" on when output from Libya would resume, Bloomberg

reported. Total's production of about 55,000 bpd was halted in March.

At Hess, the company's CEO, John Hess, said on April 27 his company's Libya operations were likely to remain shut down for the rest of 2011.

TNC plea

The rebel government itself has said some oilfields may take as long as a year to return to production because of the damage done by the fighting, according to the TNC's president of foreign investments and sovereign assets, Mahmoud Badi.

The official told Bloomberg the rebels needed armoured cars, helicopters and weapons in order to secure oilfields so they could resume crude production and processing operations, highlighting that four out of five of the country's refineries were shut and the Ghadaffi-controlled Zawiyah facility was operating only partially.

He said the 20,000 bpd Tobruk refinery and 10,000 bpd plant at Sarir "might start within weeks, or one to two months if we provide security," estimating that peace would also enable crude output of about 100,000 bpd.

Funding is now a pressing need. "Oil sales have been stopped because there has been aggression [at] the oilfields and the producing fields were destroyed," Badi said in an interview in Abu Dhabi. "We were only able to sell one cargo for US\$90-100 million and after that we

were not able to," he added, referring to a tanker loaded with about 1 million barrels from rebel-controlled territory that was marketed in April by Qatar's state-owned company.

The TNC is seeking US\$3.5 billion to cover its budget for six months, as sales of crude have stopped since oilfields were destroyed, said Badi.

The cost of importing fuel for rebel-held cities is US\$300 million per month, according to Badi, who said this had been covered by countries that used to be customers of Libyan oil and companies that produced or sold crude for Libya, including Eni, Total and Vitol.

Rebel officials are visiting friendly Arab and European countries for credit lines and loans, on top of the pledges of some US\$1.2 billion that the TNC has received from countries such as France, Italy and Qatar, he said.

Cash crunch

A more urgent message came on June 18 from the TNC's oil and finance minister, Ali Tarhouni, who accused the West of failing to keep up its promises to deliver urgent financial aid. The minister said the economy in eastern Libya was in tatters and his authority had completely run out of cash after months of fighting.

"We don't have any [cash]. We are running out of everything. It's a complete failure. Either they [Western countries] don't understand or they don't care. Nothing has materialised yet. And I really mean nothing," he told Reuters in an interview in the eastern rebel stronghold of Benghazi.

Although Tarhouni said he did not "expect us to produce oil any time soon," he said the rebel government had been holding direct talks with foreign companies – such as Germany's Wintershall and France's Total – on future co-operation. The minister said he had no qualms about dealing with those entities that had earlier worked closely with Ghadaffi's government.

"We need help, we [have] said we respect and abide by all contracts ... In terms of commerce and companies, I have no enemies," he was quoted as saying. ■



Source: IEA

COMMENTARY

Egypt moves to revitalise and rebuild

Companies have demonstrated a willingness to invest in Egypt despite uncertainty over how a new democratically-elected administration will shape up

By Christopher Coats

- Cairo has made efforts to restore investor faith in the country and the potential for exports
- Eni has set out a bold plan for Egypt, investing cash and drilling wells
- Apache is working on a plan to investigate unconventional resources in Egypt

Months after popular protests led to the toppling of the Hosni Mubarak government, slowing Egypt’s economy, the North African state is working hard to rejuvenate its energy industry and has no shortage of interested partners to make this happen.

The Egyptian protests have resulted in a dramatic change of government and have opened up the prospect of real democracy following decades of authoritarianism.

However, in the process, the resulting instability has led to a slowing – or outright stopping – of various hydrocarbon projects across the country.

While some have slowed as a result of uncertainty about regional security, some have come to a close following direct attacks on project sites or pipelines.

Eager to resuscitate one of the country’s most important industries, Egypt’s transitional government has worked toward re-establishing existing agreements and making investment more attractive to international firms.

While not as dependent on hydrocarbon revenues as some African states, Egypt boasts the continent’s third largest natural gas deposits, with proven reserves of 2.2 trillion cubic metres, producing 61.3 billion cubic metres in

2010, according to BP.

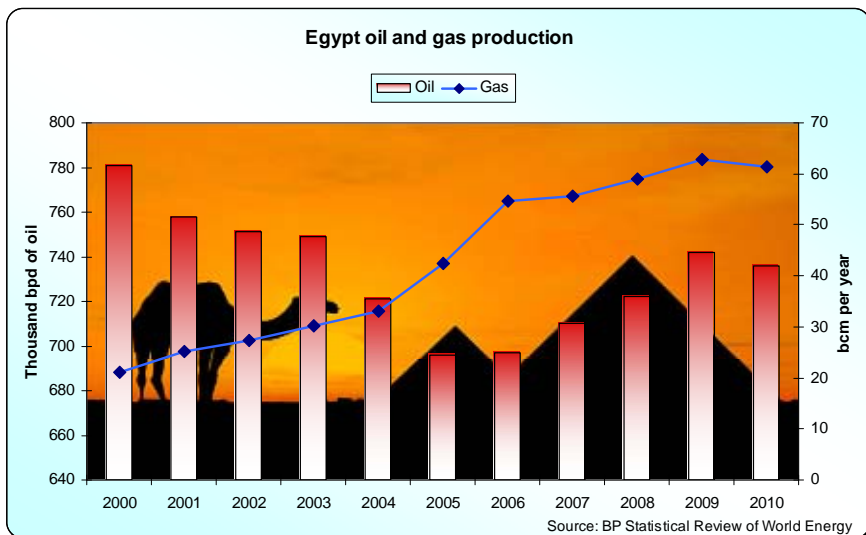
The country remains months away from elections and leadership, but Egypt’s transitional government has been working with foreign companies to restart delivery pipelines damaged during the unrest, invite new companies in and aid in the expansion of others.

For their part, the leadership of international firms present in the region appears confident that sustained investment in the politically transformed country is necessary and safe – for now. In addition to efforts to re-boot the country’s oil and gas infrastructure, the transitional government is also working towards rebuilding investor faith in Egypt’s political institutions with regard to the energy sector.

In addition to allegations of the misuse of political authority, Mubarak and his family are alleged to have abused the country’s hydrocarbon market to defraud the government to the tune of millions of dollars in unaccounted funds.

According to Reuters, companies are remaining vigilant about immediate policy decisions but are cautiously confident that existing, international legal protection should be sufficient to safeguard assets.

The key test will be what changes occur after September, when parliamentary elections are due to take place. ►►



COMMENTARY

Gas exports

Intent on getting products moving again, local companies, such as the East Mediterranean Gas Co. (EMG) are working to repair transport lines damaged during the political unrest. After three attacks in three months on facilities halted exports to the east, the company said it was steadily rising flows of natural gas to a promised 35% of ordered amounts to Jordan and Israel.

However, shipments to the Jewish state continue to meet stiff political resistance from a resurgent Muslim Brotherhood. Israel relies on Egypt for approximately 40% of its natural gas needs. The latest attack occurred on April 27, when a section of a pipeline, near the Sinai town of El-Arish, was damaged.

Eni

Two weeks ago, Eni, the Italian energy giant, announced its intent to refocus efforts on Egypt, specifically in the

country's western half, with 12 exploration wells over the next two years. The announcement came as part of a wider endeavour involving a US\$3 billion investment in the country over the next 24 months.

The move also signals one of the first substantial energy investments in a post-Mubarak Egypt.

Announced following a meeting in Cairo, the project is aimed at exploiting the country's gas reserves and is also intended to strengthen Egypt's domestic energy workforce. The investment plan includes training programmes. Eni claims output amounting to around 500,000 barrels of oil equivalent per day from Egypt.

Competition

Continuing the trend of trying to transport the success of the US shale efforts across the globe, Apache Corp. announced in May it would drill two

unconventional wells on its Egyptian acreage. Work may start on these later this year.

Planned for Egypt's Western Desert, the wells will focus on the US company's East Bahariya area, which may hold 700 million to 2.2 billion barrels of oil. Any success with unconventional efforts would add to Apache's presence in the country.

In an effort to shore up losses accrued as a result of the region's instability in Tunisia, Libya and Egypt, Ireland's Petroceltic has announced plans to seek farm-in and new licence opportunities in Egypt during the coming months. The minnow has unallocated capital to spend in the third quarter of this year.

Companies are willing to invest in Egypt despite the uncertainty of what form the next government will take. Despite this, there are some concerns over potential populist moves under a new administration. ■

PIPELINES & TRANSPORT

Shell declares force majeure on Bonny Light for June, July

A series of leak and fires causing production cutbacks along Royal Dutch Shell's Trans-Niger Pipeline (TNP) has led to the Anglo-Dutch super-major announcing force majeure on its Nigerian Bonny Light crude oil loadings for June and July.

Declaring force majeure at noon on June 13, the company was released from contractual deliveries owing to actions beyond its control. Shell has yet to advise customers of an updated schedule.

The company's main Nigerian unit, Shell Petroleum Development Company (SPDC), said saboteurs using hacksaws had caused the leaks. Although production had restarted on June 12, loading programmes at the export terminal were adversely affected.

The original shipping plan was for 243,333 barrels per day of Bonny Light this month and 204,839 bpd in July, according to loading programmes seen by Bloomberg News. Bonny is one of Nigeria's top oil crudes, popular with refiners in Europe and the US.

Previous disruptions to its supply have resulted in raised world oil prices but Reuters quoted a West African trader as saying "some barrels" remained in the market place and that there was "no shortage of crude" on June 15. Expectations were that the production cutbacks would not have an impact on Nigerian exports.

A Shell spokesman said the leaks and fires showed a "worrying" trend at the company's various facilities, making

reference to "more than 35" sabotage incidents. Shell previously declared force majeure on Bonny exports for loading in December 2010 and January 2011 because of a pipeline leak.

"No matter how much we improve our performance, until the activities of oil thieves and illegal refiners are brought to an end, the vast majority of oil spills in the Niger Delta will continue," said Shell's vice president for health and safety in sub-Saharan Africa, Babs Omotowa, according to a Reuters' report.

Crude oil theft, known locally as "bunkering," is rife in the Niger Delta. Some estimates suggest that this has reached 100,000 bpd, often smuggled within otherwise legitimate shipments. ■

INVESTMENT

Ophir strikes Gabonese subsalt deal with Petrobras

Ophir Energy has struck a deal to hand over stakes in two blocks offshore Gabon to Brazil's state-owned Petrobras. The two companies are to focus on the blocks' subsalt potential, which is largely untested in West Africa. The Brazilian company is to take 50% of Ophir's interests in the two production-sharing contracts (PSCs), covering the Mbeli and Ntsina blocks. The deal is subject to approval from the Gabonese authorities.

In exchange for the stakes, Petrobras is to stump up cash for a work programme, including the acquisition of at least 2,000 square km of 3-D seismic. Ophir, which is planning to list in London in July, said the seismic would focus on the subsalt potential.

Once the programme has been

completed, Petrobras has the option to continue or to withdraw from the PSCs. Should it choose to carry on working with Ophir on the two blocks, it will pay more than its share of the first and second exploration wells. The Brazilian company also has the option of becoming the operator of the blocks. Water depths in the blocks ranges from 180 to 2,400 metres. Ophir's managing director, Nick Cooper, noted Petrobras' deepwater subsalt experience. "We shall be seeking approval to acquire new 3-D seismic data focused specifically on the [subsalt] play at the earliest opportunity."

A statement from Petrobras said the acquisition of stakes in the Gabonese blocks was in line with its 2010 strategic plan, part of which is focused on

assessing the subsalt around the Atlantic Ocean. West Africa, the Brazilian company said, "has geological structures considered comparable to those discovered in Brazil and has great potential for the discovery of significant volumes of oil in fields located in deepwater."

Ophir also has two other blocks, Manga and Gnondo, offshore north Gabon. Petrobras also has acreage in Namibia and Angola.

Harvest Natural Resources announced a subsalt find offshore south Gabon, in the Dussafu Marin block, earlier in June. The company said it had discovered a net oil column of 27.4 metres. ■

NZOG to explore offshore Tunisia

New Zealand Oil & Gas (NZOG) has signed a prospecting agreement with the Tunisian authorities and the country's state-owned petroleum company, Entreprise Tunisienne d'Activites Petrolieres (ETAP), for a permit in the southern Gulf of Gabes. The deal covers the Diodore block, 1,236 square km of relatively shallow waters of less than 100 metres, surrounded by discovered and

producing oil- and gas fields.

Initially granted with exclusive rights for two years, there is no commitment to drill a well and the deal, which marks NZOG's first entry to Tunisia, includes a priority right to apply for a subsequent four-year exploration permit.

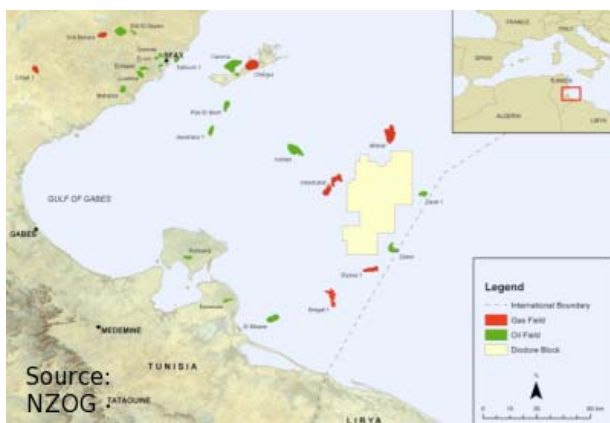
In a statement issued on June 15, NZOG said it would open an office in the capital, Tunis, and intended to appoint an "experienced explorationist" as country manager, having already "engaged very capable local representatives."

After several visits to the North African state, NZOG's CEO, David Salisbury, said the company already had good links to government agencies and companies with a presence in the region. NZOG's

immediate focus is to process and analyse existing data. It will also acquire 350 km of new 2-D seismic. The explorer estimates commitment costs to be around US\$3 million.

"This is a further step in a long-term growth strategy. We are already in discussions with other companies regarding their Tunisian interests," Salisbury said. "Establishing an initial foothold in Tunisia allows us to focus on identifying further opportunities for exploration or asset acquisition."

NZOG has been assessing Tunisian opportunities since 2008 as part of its strategy to grow its business in new areas outside New Zealand. The company noted the North African country's recent moves towards a more open democracy and the combination of "good prospectivity, established exploration and production activity levels, reasonable fiscal terms and ease of doing business." ■



Source: NZOG

INVESTMENT

Mozambique seeking exploration bids for Maniamba basin

Mozambique will solicit bids for oil and gas exploration in the country's Maniamba Basin, the state-owned newspaper Noticias reported on June 16.

The Instituto Nacional de Petroleo's (INP) chairman, Arsenio Mabote, said in the report that several companies had expressed an interest in the offshore and onshore development of the region.

The resource-rich former Portuguese colony of Mozambique has major proven gas reserves, but does not have the technical and financial capacity to exploit them. Gas was discovered in Mozambique in 1962, when Gulf Oil drilled a successful well in the Pande field in the southern province of Inhambane, but years of crippling war,

which ended in 1992, prevented investment for several decades.

Mozambique has already issued tenders for Sofala in the central province and for Rovuma in the north, and government officials are now hopeful that the Maniamba Basin can follow suit, based on evidence of coal outcrops, which offer potential for gas.

"We have [awarded] contracts on a competitive basis in order to promote transparency and provide opportunity to those who actually have the best proposals," Mabote was quoted as saying.

The Rovuma basin has attracted significant attention, after Anadarko Petroleum made major gas discoveries at

the Windjammer and Barquentine wells. Involved alongside Anadarko are an international cast, including India's Bharat Petroleum Corporation, the UK's Cove Energy, Japan's Mitsui & Co. and Indian conglomerate Videocon.

The US company recently contracted TransOcean's Deepwater Millennium drillship to join the exploration and appraisal programme in the Rovuma Basin. Cove Energy said the ship would start work in the fourth quarter of this year, alongside the Belford Dolphin drillship, but would be used for appraisal work and well flow testing, allowing the Dolphin to focus on exploration. ■

PERFORMANCE

Total expects first oil from Pazflor in fourth quarter

France's Total expects Pazflor, a field located within Block 17 off the coast of Angola, to begin producing crude oil in the fourth quarter of this year.

According to Total's strategy chief, Jean-Jacques Mosconi, oil will start flowing at Pazflor in October. The field is expected to reach its peak capacity of 220,000 barrels per day not long after that, he said.

"Its schedule is for October this year, and it's a deep offshore field of 220,000 bpd of production, so it will reach the plateau pretty soon – in less than six months," Reuters quoted him as saying.

Total and its partners have already installed the infrastructure facilities

needed for production, he added.

According to previous reports, the investors finished installing a floating production, storage and offloading (FPSO) vessel at the field in May.

The FPSO, which is one of the largest vessels of its kind, is capable of handling 220,000 bpd of oil and 4.25 million cubic metres per day of natural gas. It also has a storage capacity of 1.9 million barrels. Daewoo Shipbuilding & Marine Energy (DSME) built the FPSO, and it has also signed a deal to provide a similar unit for CLOV, also in Block 17.

Reuters noted last week that the Pazflor project was expected to boost Angola's oil yield by about 15% on

current levels. In May, it noted, the African country produced about 1.52 million bpd of crude.

Pazflor, which covers an area of more than 600 square km, is located about 150 km from shore in waters ranging from 600 to 1,200 metres deep. It includes the Acacia, Hortensia, Perpetua and Zinia deposits.

The field is operated by Total E&P Angola, a wholly owned subsidiary of Total, which holds a 40% stake in the field. The other investors in the project are Statoil with 23.33%, Esso Exploration Angola (Block 17) with 20% and BP Exploration (Angola) with 16.67%. ■

PERFORMANCE

Apache racks up Faghur finds

Apache Corp. has made a number of finds in Egypt's Faghur Basin, some on land acquired from BP in late 2010. Of the 10 wells Apache has drilled in Faghur this year, it has made eight new discoveries. Work is under way on three additional wells – Mandulis-1X, Neilos-1X and Faghur North-2X – with eight more exploration wells planned for the area in 2011.

Apache's gross operated production in Egypt is around 215,000 barrels per day of oil and 25.2 million cubic metres per day of gas. The Faghur Basin contributes around 40,000 bpd.

The company's AG-96 development well, in the Abu Gharadig concession, was tested at 3,347 bpd of oil and 28,000 cubic metres per day of gas from the Lower Bahariya Formation. This find should lead to the drilling of several more wells by the end of this year.

Other discoveries in the basin include the West Kalabsha-I-4, the Faghur

North-1X, the Faghur South-1X, the Huni-1X and the Neith North-1X.

The West Kalabsha-I-4 flowed at 7,150 bpd of oil and 110,000 cubic metres per day of gas, from 24 metres of net pay in the Jurassic Safa sands. The Safa sands in the Faghur South-1X were also tested and flowed at 2,768 bpd of oil and 113,000 cubic metres per day of gas.

The Tayim West-1X well, on the West Kalabsha concession, is the first Paleozoic success by Apache in the region, with the find separate from the Jurassic and Cretaceous finds.

Apache's vice president for Egypt, Tom Voytovich, said the "AEB, Safa and now Paleozoic reservoirs [have now proved] to be prolific oil and gas producers. These recent discoveries support the multi-pay potential of this oil-prone area of the Western Desert."

The official went on to note the benefits of drilling wells targeting areas with stacked pay.

Apache also recently made its first find in its most western block with the Siwa-D-1X on the Siwa concession. This well confirmed the existence of Jurassic and Cretaceous plays and opens up the way for further exploration.

Around 1,040 square km of 3-D seismic was recently completed on Apache's operated Sallum concession, in the west of the Faghur Basin, with another 1,698 square km on the east of the basin, on the Khalda Offset, South Umbarka and Shushan areas.

Apache struck a US\$7 billion deal with BP in July 2010, covering US, Canadian and Egyptian assets. The Egyptian assets included operations in the Faghur Basin, in the Western Desert. Apache paid US\$650 million for the four development leases and one exploration concession in Egypt, with proven reserves of 20 million barrels and net production of 6,016 bpd and 311,500 cubic metres per day. ■

Candax outlines production plans

Candax Energy recorded no revenue for the first quarter of the year and a loss of C\$600,000 (US\$609,000). The company, which holds a modest amount of production in Tunisia, has undergone a tough rehabilitation programme but management appears somewhat confident of improvements to come.

Results for the second quarter are set to be stronger, as a lifting occurred in mid-April, generating US\$2.7 million of revenue for Candax.

Net production in the first quarter was 174 barrels of oil equivalent per day, down from 265 boepd in the same period for the previous year. The reduction was blamed on natural decline from the Ezzaouia field and the "disappointing" investment programme in 2010.

Candax's current net output has reached 430 barrels per day. Production

from Ezzaouia has improved during the second quarter, following a sidetrack drilled on the Ezzaouia-2 well and optimisation work on other wells, and Candax's share has increased to 320 bpd. The sidetrack was described as "very encouraging," with output of 400 bpd and a low water cut. Seismic is being studied on this field to plan future wells or sidetracks.

El Bibane, meanwhile, has stable production of around 150 bpd gross. A simulation study is to be completed shortly on this field, after which it will be redeveloped.

The company's major shareholder extended it a loan of US\$10 million, of which it still has US\$2 million unspent. Capital expenditure in the first quarter was C\$400,000 (US\$405,000).

Candax's president and CEO, Richard

Norris, said the company had completed its debt restructuring during the first quarter, "which has provided Candax [with] renewed financial flexibility to study its assets properly in order to design the optimal re-development programmes."

Norris went on to describe data from Robbana as "very exciting, with indications that the volume of oil in place, at 25 million barrels, may be considerably larger than previously expected." Seismic is to be re-processed on this area, to be followed by a waterflood programme.

Negotiations are continuing on farming out Candax's asset in Madagascar. The company has a 60% stake in Block 1101, while the rest is held by Afren, which acquired East Africa Exploration (EAX). ■

POLICY

Gas Natural, Sonatrach settle differences

Gas Natural and Sonatrach have resolved their dispute over gas prices, with the Spanish company agreeing to pay US\$1.9 billion to the state-owned Algerian firm. The deal, announced last week, is expected to involve Sonatrach acquiring a minority stake, of 3.85%, in Gas Natural.

The settlement is contingent on approval from the Algerian authorities.

A note from Fitch Ratings affirmed Gas Natural's outlook and said the agreement was "considerably more favourable than the worst-case scenario that may have contributed to a ratings downgrade." The ratings agency affirmed the Spanish company's long-term issuer default rating at A- and removed it from

Rating Watch Negative.

Fitch also said the settlement resolved uncertainty about Gas Natural's position in the Spanish gas supply market.

The dispute between the Algerian and Spanish companies was focused on gas prices paid between 2007 and May 2011. Algerian officials had complained that Gas Natural's refusal to pay higher prices had led to losses of around US\$600 million per year.

International arbitration in August 2010 ruled Sonatrach had been justified in raising prices for gas exported to Spain, via the Maghreb-Europe Gas (MEG) pipeline. At the time, Gas Natural said it did not agree with the decision, but the announcement last week has

brought this dispute to an end.

The prospect of Sonatrach taking a stake in Gas Natural and future joint ventures together was also seen positively by Fitch, which said this might improve the Spanish company's business profile. The equity is worth around US\$700 million.

Gas Natural has successfully sold off assets and carried out refinancing, with cash and liquidity available.

In addition to the deal providing Sonatrach with access to European consumers, it also renders the Algerian company able to increase its role around the world, with Gas Natural also carrying out operations in Latin America. ■

Khartoum threatens Juba with transportation block

Negotiations on how to continue oil production in Sudan following the secession of the South have broken down amid violence and threats of further military action. Teams from Khartoum and Juba have been negotiating in Addis Ababa.

Under the current deal, which is set to end on July 9 when South Sudan becomes independent, Khartoum receives half the revenues of oil produced in the South. Khartoum has threatened to block South Sudan from accessing pipelines and refineries unless a quick-fix solution is hammered out ahead of independence.

"We have sent a letter to South Sudan, to inform them that they cannot use the pipelines or the refinery or the [Red Sea] port after July 9, unless we reach a deal about the price of renting this infrastructure," Sudanese Finance Minister Ali Mahmud told AFP,

signalling possible trouble ahead for the country's oil industry.

"Sudan will lose 36.5% of its income from July 9 because this is the percentage of oil revenue that the government gets from the oil produced in the South," he said.

The Khartoum and Juba teams in the Addis Ababa talks, brokered by the African Union, both need a compromise that will allow the oil to continue to flow through the northern infrastructure. Sudan produced 486,000 barrels per day of oil in 2010, of which three-quarters came from the South.

The negotiations are being held in an environment of suspicion and mistrust following the re-emergence of violence, with Khartoum's armed forces seizing Abyei, allegedly in response to an attack from South Sudanese troops, and threatening intervention in South Kordofan.

Sudanese President Omar al-Bashir has attributed hostilities to work intended to flush out a militia group said to be allied to the Southern Peoples Liberation Movement (SPLM), the ruling party in South Sudan.

The mistrust and fear of instability could send strong signals for decelerated growth for leading oil companies in Sudan, including China National Petroleum Corp. (CNPC), Malaysia's Petronas and India's Oil and Natural Gas Corporation (ONGC).

Threats to block South Sudan from accessing oil infrastructure in the North come months after the region, set to be Africa's youngest nation, approved plans to build a US\$2 billion oil refinery. Plans have also been discussed to ship the oil south-east, to Kenya's coast. Such plans will take considerable time to materialise, though, leading to substantial short-term worries. ■

POLICY

Uganda allocates budget cash for refinery work

Uganda's government has allocated 14.7 billion shillings (US\$6.2 million) from its 2011-12 budget for preliminary work at a refinery project in Kabale, Hoima.

A feasibility study into the Ugandan project was completed in 2010. According to the Ugandan budget, the initial funds will be used for the structuring, promotion and selection of developers and investors for the refinery.

"Uganda is eagerly looking forward to the development of this refinery so as to secure optimum benefits from its oil and gas resources," said a senior official with the country's Petroleum Exploration Production Department, Robert Kasande.

The refinery is expected start production at a rate of 20,000 barrels per

day by 2015, with later upgrades planned to boost capacity to 60,000 bpd in the long term. There is also a possibility that this may rise to 120,000 bpd in the future.

Ugandan demand for refined products is around 11,000 bpd, while total demand in East Africa is roughly 60,000 bpd, which is growing at a rate of 5% per year. The country's government recently said it intended to focus on the regional market in order to stimulate economic growth and increase industry skills in its neighbours.

"The refinery project will provide [for] long-term planned exploitation of the oil reserves in Uganda. It will also encourage stable extraction for the fields

and discourage a short-term, high-production approach that could be encouraged by a pipeline project," said the head of the energy ministry's petroleum unit, Gerald Banaga, earlier this year. "It will improve journey times and improve [their] reliability. This generally encourages economic growth. The benefits of this would be seen in Kenya, Rwanda, Burundi, Tanzania, as well as Uganda."

The only oil refinery in the East Africa region is in Kenya's port city of Mombasa. This facility's future is uncertain following the plans for a Ugandan refinery, and an upgrade plan was recently thrown into disarray. ■

PROJECTS & COMPANIES

CNPCIT spuds Niger well

A subsidiary of China National Petroleum Corp. (CNPC) has begun drilling the Facai-1 exploration well in Niger. The announcement came from Chinese National Petroleum Corporation International Tenere's (CNPICIT) partner, TVI Pacific.

The well is located in the Tenere block, which covers 71,155 square km in the northern part of the Termit Rift Basin.

TVI said CNPICIT had been active in the southern part of the basin, appraising oil discoveries and drilling new exploration wells "with the aim of reaching oil reserve volume threshold to justify an export pipeline."

The statement from TVI, on June 13, said the Facai well was around 110 km north of the West Fachi-1 exploration

that was drilled by the two companies in 2007. The Facai well had been planned to be drilled in May 2008 but conflict between Nigerien government forces and Tuareg led to delays.

The companies had hoped to begin drilling Facai-1 in the first quarter of this year. TVI did not explain what had caused this further delay.

Facai-1 is to be drilled to an estimated depth of 3,700 metres and is intended to test Cretaceous sandstones in an anticlinal trap. The well will take around 60-90 days to reach total depth. TVI said seismic data indicated hydrocarbons were present in the targeted reservoir zone.

TVI holds its 20% stake in the Tenere block via TG World Energy, which it acquired via a share issue in mid-March.

CNPICIT carries TVI for all of its share of drilling costs in the Facai-1 well.

CNPC also holds the Agadem block, which lies to the south of Tenere. The deal on Agadem was affirmed by the Nigerien junta, following a coup in August 2010. The Chinese company is reported to have made two discoveries in Agadem.

In tandem with its exploration, CNPC is also working on a refinery and pipeline plan for Niger, with the first phase due to be completed this year. Ground was broken for the Zinder refinery in October 2009. It is to have capacity of 20,000 barrels per day.

Niger held peaceful elections in March and the junta was replaced by a civilian government, led by Nigerien President Mahamadou Issoufou. ■

NEWS IN BRIEF

General issues

OPEC needs to increase production

The International Energy Agency (IEA) in Paris has again called upon the Organisation of Petroleum Exporting Countries (OPEC) to increase production in view of the damaging implications for the global economy if the organisation fails to boost output. In its latest oil market report, the energy watchdog noted that although OPEC crude supply increased by 210,000 bpd in May, it remained down by 1.25 million barrels per day because of the Libyan crisis. With global demand expected to hit 89.3 billion bpd over the year, driven by the energy thirst of China and India, the “call” on OPEC oil is set to rise by 400,000 bpd, revealing a “clear need” for the group to boost supply, according to the IEA. A phalanx of OPEC members led by Saudi Arabia has mooted raising official production levels to help stabilise oil prices inflated by the global economy recovery and the sudden collapse of Libyan supply. But at a meeting in Vienna last week – which was afterwards denounced by the Saudi oil minister, Ali al-Naimi, as “one of the worst meetings we’ve ever had”, an opposing faction including Iran and Venezuela vetoed the plan.

IEA, June 21, 2011

OPEC to haul in US\$1 trillion as risk of double-dip recession grows

The cartel of oil-producing countries will have US\$1 trillion in revenues for the first time this year, benefiting from high prices that may cause a “double-dip recession.” Forecasts from the US government showed that the Organisation of Petroleum Exporting Countries (OPEC), whose key members include Saudi Arabia and Iran, will collect a third more in revenues because prices have averaged US\$111 per barrel

this year. But Fatih Birol, chief economist of the International Energy Agency, said that the current price of US\$120 per barrel could be the catalyst for a global economic crisis on the scale of the one experienced in 2008. “If you don’t see any softening of the prices, there is a risk of derailing the economy, of a double-dip,” Birol told the Reuters Global Energy and Climate Change Summit. “We all know what happened in 2008. Are we going to see the same movie?”

THE TELEGRAPH, June 15, 2011

North Africa

ABB wins power substation orders in Algeria

ABB, the leading power and automation technology group, has won orders worth about US\$42 million from Sonelgaz (Societe Nationale de l’Electricite et du Gaz), the national power utility of Algeria, to build three new substations and upgrade four existing ones in the northern region of the country. One of the new substations will power a solar panel factory that is being built close to the capital, Algiers, while the replacement of two power transformers at an existing substation will support the doubling of its power capacity. As part of the turnkey project, ABB is responsible for the design, engineering, supply, build-up and commissioning of the substations, including civil works. The project is expected to be completed by 2013. “The new substations and the upgrades will significantly enhance distribution capacity and help meet growing industrial and residential demand for electricity in the country,” said Peter Leupp, head of ABB’s Power Systems division. “The technologies deployed will also help strengthen grid reliability and improve power stability in the region.” Some of the main products to be supplied include power transformers, high- and medium-voltage air- and gas-insulated switchgear, instrument transformers, surge arresters

as well as auxiliary and telecommunications systems. ABB will also install substation automation systems compliant with the global IEC 61850 communications standard and fitted with the latest protection and control equipment. Substations are key installations in the power grid that facilitate the efficient transmission and distribution of electricity. They include equipment that protects and controls the flow of electrical power. ABB is the world’s leading supplier of air- and gas-insulated substations covering a range of voltage levels up to 1,100 kilovolts.

ABB, June 20, 2011

Ghadaffi fighting uphill fuel battle

The longevity of the Ghadaffi regime could be much shorter than people expect. The hardline Libyan leader, currently fighting against rebel forces in the east and NATO forces, is not able to find enough fuel to keep on fighting for a long time. As analysts already have said, history has shown a prolonged conflict will be decided most of the time by the supply factors on the ground. A shortage of fuel, as German Field-Marshal Rommel discovered in 1942, can be fatal to a military campaign in North Africa. The ongoing aerial bombardments by NATO have resulted in a situation where Muammar Ghadaffi’s regime is running on empty. His military forces, now deploying civilian vehicles on the front line in the hope of confusing NATO’s pilots, have priority in using the gasoline and diesel still available to the colonel. But it may soon run out. Civilians are facing extreme shortages, as prices have gone up to US\$8 per litre, about 50 times the price in Benghazi, the rebel stronghold in the east. This situation is increasing overall pressure on the Ghadaffi regime, as limited supplies exist. A trickle of oil from fields in the regime-held south-west feeds the refinery at Zawiya, on the coast near Tripoli. Aerial surveillance shows heat coming from the plant but it is probably operating at no more than 30% of its capacity of 120,000 bpd. ▶▶

NEWS IN BRIEF

Analysts expect that if rebel forces are able to conquer the Az Zawiyah refinery, the end for Ghadaffi is near. Current supplies to the refinery already are extremely low, as the main feed pipeline to Zawiyah passes through rebel-held land near the Nafusa Mountains. It would not take extreme measures to close the pipeline. However, in contrast to normal military wisdom, Western governments have persuaded the rebels not to touch either this pipe or a nearby natural gas pipeline which helps keep Tripoli's lights on. Other sources of fuel are dwindling. Rebels said that Tunisians have helped them shut down most of the traffic of fuel-laden trucks entering Libya in the west, though some may still be getting in from Algeria. Observers are also watching the situation around Brega, which is still heavily defended by Colonel Ghadaffi's forces. If Brega were to fall, the rebels would try to reopen it as an export hub for gas as well as oil – and Sidra and Ras Lanuf would probably fall too. The overall supply, even by seaborne fuel, has almost been stopped.

OILNEWS, June 16, 2011

Libya war to reduce EU gas overhang by 4.8%

The civil war in Libya will reduce the EU's gas overhang by 4.8% to 15.2 billion cubic metres in 2011, Deutsche Bank said on June 17. The revised figure, down from an initial deferred-gas overhang expectation of 20 bcm, is a result of the prolonged Libyan conflict, which is forcing Italy to resort to Russian gas supplies to make up for the cut in supply from North Africa. "Combined with the lower volumes of Dutch and Norwegian gas to Italy that we are now assuming over the course of this year, our revised base case is now projecting a remaining EU deferred-gas overhang of 15.2 bcm at the end of 2011, against our estimate of the total EU overhang of 20 bcm at the beginning of 2011," Deutsche Bank said in a report to clients. "As a result, we now see EU gas prices re-converging to oil-indexed levels by early

2014 rather than mid-to-late 2014 previously," the bank said. Deutsche Bank said the revision was necessary because the Libyan conflict was taking longer than initially expected, and because gas flows from the Netherlands and Norway into continental Europe had dropped. "In addition to a deficit of Libyan gas, we have observed lower import rates of gas from the Netherlands and Norway," Deutsche said, adding "over the observed period from February 22 to June 15, 2011 flows have been lower by 1.7 bcm compared with 2010, which would amount to 5.5 bcm on an annualised basis." Although Deutsche Bank said it expected Dutch and Norwegian flows to normalise from 2012 onwards, it had also modelled a more extreme sensitivity case, should these flows not resume. "Under this scenario, we do not think that Russia would be able to cover the entire shortfall," and that Italy would therefore have to buy about 1.1 bcm from spot gas markets in neighbouring countries, such as France, Germany or Austria.

REUTERS, June 17, 2011

Suncor will not return to Libya while Ghadaffi in charge

The head of Suncor Energy said the Canadian oil giant will not return to Libya while the Ghadaffi regime remains in power. Rick George also said the Alberta-based company may announce a write down of its operations in the war-torn country as early as next month. Suncor said it expects a production cut of 30,000 barrels per day of oil because of continuing unrest in the North African country. Libya accounted for just 1% of Suncor's earnings in 2010. Through its merger with Petro-Canada in 2009, Suncor inherited the Libyan oil properties as well as natural gas operations in Syria, where production remains unaffected despite violent clashes between the Damascus government and protesters.

THE CANADIAN PRESS, June 14, 2011

Sudan facing financial issues owing to split

Sudan's minister of finance, Ali Mahmoud, has warned that Sudan's national revenues will fall by more than a third after losing the South's oil output when the country splits. This means Khartoum will have to cut state spending and find other sources of income. On July 9, the South is expected to secede from the North. The total issue has not yet been resolved, as increased military confrontations have been reported on the borders, while the issue of the oil sector management is also yet to be resolved. While most of Sudan's oilfields are in Southern territory, its pipelines and refineries are in the North, meaning the two will need to co-operate to keep crude flowing. They have not yet agreed how much the South should pay to use the infrastructure. The Sudanese budget will be hit severely by the end of the South's petroleum returns. Mahmoud expects this could result in a 36.5% of Northern budget revenues. The minister said that 73% of the country's oil came from the South and 27% originated in the North. The disputed Abyei region represents just 1% of Sudan's oil, he added. To counter part of the threatening financial crisis, Khartoum, already has prepared a three-year economic programme to try to ease the effects of the split.

DAILY STAR, June 16, 2011

Northern army masses in Sudan oil state

Satellite images taken on June 17 showed Northern Sudanese military vehicles, including heavy transport and artillery, massing in the capital of the conflict-stricken Southern Kordofan state, a monitor said. Fighting between the Northern military and Southern-aligned groups has spread across the key north-run oil state since June 5. Tens of thousands have fled the violence, according to the UN. ▶▶

NEWS IN BRIEF

The clashes have also raised tensions at a sensitive time in Sudan, with the South less than three weeks away from becoming an independent state following a January referendum. "New imagery ... confirms that the Sudan Armed Forces, or SAF, control the town of Kadugli in Sudan's tense border region of South Kordofan, and that thousands of civilians have been displaced," the Satellite Sentinel Project (SSP) said in a report. The images "show a massing of SAF artillery, light vehicles, and heavy transports of the kinds used to carry tanks, troops, and munitions." Set up last year by Hollywood actor George Clooney and other activists, the SSP said it seeks to head off renewed fighting and atrocities in Sudan by publishing commercial satellite images collated and analysed with the help of a UN agency.

REUTERS, June 19, 2011

JEM rebels attack airport in South Kordofan

The rebel Justice and Equality Movement (JEM) carried out an attack on the airport of the oil rich area of Heglieg saying it wanted to warn petroleum companies to stop facilities to the Sudanese army. Located in South Kordofan state, the Heglieg oil fields are operated by the Greater Nile Petroleum Operating Company, a consortium of China National Petroleum Corporation, Petronas Carigali Overseas of Malaysia, ONGC Videsh (the overseas arm of ONGC) of India and Sudan's oil company, Sudapet. In a statement signed by Fidaail Mohamed Rahoma, a member of JEM Military High Command, the rebel groups said that a small military contingent belonging to the JEM Kordofan branch made a successful attack at Heglieg Airport on June 9.

SUDAN TRIBUNE, June 13, 2011

West Africa

Angolan crude exports to slip

Angola is scheduled to export less crude

oil in August than July, provisional loading programmes from trade sources showed. Traders also reported that some Nigerian crudes were expected to come under pressure as there are relatively ample remaining supplies for July. A preliminary loading schedule showed exports of 1.58 million barrels per day (bpd) on 51 cargoes in August, including six shipments of Cabinda, eight of Dalia and five of Plutonio. That would be down from July's total expected to average 1.7 million bpd. Traders said it was too early for any offers or spot trades for August cargoes, although the slight decline in exports could lend values some support. Some grades are looking relatively long for July. Five cargoes of Agbami are still available, traders said. Offers were heard around dated plus US\$1.20. Traders also said that sellers were not showing offers for IBO crude as participants are awaiting a revised loading programme from Shell after this week's force majeure declaration. A trader said relatively small delays of two to three days were expected at most.

REUTERS, June 16, 2011

Chad pipeline sees CNPC oil

One of China's main international oil companies, CNPC, reported that it has successfully achieved flow through its recently constructed pipeline in Chad. The company reported that on June 9 crude oil successfully arrived at the end station at N'Djamena from Ronier oil field in central Chad. This is seen as a milestone, which is part of Chad's 1Mt/a productivity construction project following the upstream oil production plant's operation on April 26. The Chad Crude Pipeline has been built by China Petroleum Pipeline Bureau. The Chad Crude Oil Pipeline will provide an energy channel that runs through Chad from north to south.

PA, June 16, 2011

Azurite production in line with Q1 for PA

The production of the offshore Azurite field in Congo is on line with

expectations. In a statement oil company PA Resources reported that the last production well on the Azurite Field was commissioned as communicated on June 8 and is presently being monitored after initial clean-up. The current production is at the same level as Q1 2011 production. PA Resources has over the last couple of days performed a lifting from the Azurite Field priced at approximately US\$114 per barrel. The company holds a 35% working interest, while operator Murphy Oil has a 50% stake and Societe Nationale Petroles du Congo holds the remaining 15%.

PA, June 15, 2011

Nigeria told to increase energy supply

The United Nations Development Programme (UNDP) has said if Nigeria plans to increase electricity generation from 3,500 MW to 190,000 MW, it must increase its public energy supply. The UN Resident Representative, Dooudu Toure, said this in Abuja at the signing of an MOU between the UNDP and Bank of Industry (BOI) on Access to Renewable Energy in Nigeria. "For Nigeria to realise its long term targets of increasing operational electricity generation from 3,500 to 190,000 MW by 2020, it will require substantive increase in public energy supply," he said. Toure added that the world today was focusing on alternative sources of energy production to drive their economies.

BUSINESS DAY, June 17, 2011

IOCs not hit by Nigerian PIB delay

There are strong indications that the major oil producing companies in Nigeria may not delay their ongoing upstream projects because of the non-passage of the Petroleum Industry Bill. The last Nigerian National Assembly could not pass the bill despite promises made to that effect and there have been fears that majors could delay the completion of projects because of uncertainty over the proposed law. ►►

NEWS IN BRIEF

The new National Assembly has yet to discuss the bill, which was close to being passed before the end of the last legislature. However, analysts are suggesting that the new National Assembly may want to rework the bill because many of the provisions are controversial. But there are signs that the non-passage of the bill will not affect ongoing investments in the oil sector as the government has been in discussions with oil majors and other investors to allay their fears over the delays in the passage of the bill.

PUNCH, June 16, 2011

Samsung, LADOL to build FPSO platform

Nigeria may be reaching some of its Local Content policy targets with the start of a partnership between an indigenous Nigerian oil and gas logistics provider, LADOL, and Korean-based engineering and construction giant Samsung. The two companies have reached an agreement with regards to the establishment of an integration facility in the country. The US\$250 million Floating, Production, Storage and Offloading (FPSO) platform, is expected to blaze the trail as first of its kind Africa in greenfield project development in the region's oil and gas industry. The Lagos Deep Offshore Logistics base (LADOL), where the project is to be sited, is said to be the only indigenous logistics services provider in the country, strategically located off the Apapa seaports in Lagos.

VANGUARD, June 16, 2011

OPL 289 stake farmed out by AsherXino

Oil junior AsherXino reported that it has reached an agreement with an unnamed party to farm out an 8% working interest in its Nigeria offshore concession OPL 289. Based on the available information, the deal, which is valued at US\$10 million, is still to be discussed with Nigeria. AsherXino already has executed another farm-out, worth US\$7.5 million. This deal was a farm-in agreement for a

40% working interest in the Nigeria offshore concession, upon payment of a required signature bonus of US\$12,500,000 to the Nigerian government. The remaining 60% of the concession is held by the Nigerian local partner in compliance with Nigeria's local content law.

PA, June 17, 2011

NNPC hits 100,000 bpd production

Nigeria's national oil company, NNPC, reported that its subsidiary NPDC has reached production levels of 100,000 bpd. NPDC, which is the upstream part of NNPC, aims to increase its reserves and production base to over 1.5 billion barrels and 250,000 boepd, respectively, by 2015. The main production boost has come from the expansion of NPDC operations via the assignment of equity interests, especially with international oil companies (namely Shell) selling blocks.

PA, June 17, 2011

Oil benchmark price 2011 not realistic Nigeria

Nigeria's oil benchmark price for the budget is not realistic according to the Governor of the Central Bank of Nigeria (CBN), Mallam Sanusi Lamido Sanusi, who indicated that he does not agree with the US\$75 per barrel benchmark for oil price in the 2011 budget. Sanusi, who was quoted by Reuters, insisted that the recently passed budget of 4.485 trillion naira (US\$28.6 billion), was based on an unrealistic benchmark for oil price of US\$75 per barrel, and could put pressure on the country's money supply. "That benchmark clearly does not portend very good signals for money supply. It looks like we are going to have pressures from the money supply side," he said. The banking watchdog was apparently concerned about the recent jump in inflation rate, despite stringent restrictive measures implemented to checkmate the rising level in the prices of goods and services. A report last week showed that Nigeria's headline inflation rose to

12.4% year-on-year in May, from 11.3% in April, whereas the CBN is aiming for single digit inflation by the end of the year.

THIS DAY, June 21, 2011

NNPC to operate Shell's OML 30

Nigerian National Petroleum Corporation (NNPC) will take over the operation of the four oil blocks, which Shell and its other joint venture partners, Total and Eni, are divesting at present. NNPC holds controlling stakes in all the blocks. Officials have said that the corporation's oil producing subsidiary would "assume the status of operator of all oil blocks that Shell and other partners are divesting from." Reuters reported that Shell is on the brink of agreeing the sale of its share in four Nigerian oil blocks it operates, some of which have attracted bids of over US\$1 billion, but any transaction needs the approval of the majority shareholder, NNPC. Poland's Kulczk Oil Ventures, which is part of a consortium that has a deal for one block, understood that one of its bidding partners would take over from Shell as the operator of the fields, a spokesman for the company said.

PUNCH, June 21, 2011

Oando profits increase by 5%

Nigerian oil company Oando reports that it has, despite posting lower earnings, seen profit after tax and revenue grow to US\$77.9 million and US\$2.5 billion respectively, for the year ended December 31. This means profit after tax grew by 5% and 12% respectively. Gross profit was US\$364.6 million. The Nigerian company stated that part of its performance is due to the commissioning of the 12.15 MW Akute power plant, which has helped the Lagos Water Corporation to achieve a 300% increase in its existing capacity use, through the delivery of 24 hours uninterrupted electricity supply to its two main water treatment plants at Iju and Adiyin, in Lagos. ▶▶

NEWS IN BRIEF

Further, the growth in customers connected to the gas distribution network, full-year production from oil mining licence (OML) 56 and crude oil prices, among other factors, boosted the company's financial performance. The company will focus at monetising the strategic investments in upstream, rigs and natural gas pipeline assets. Growth in the upstream portfolio would also be enabled through strategic acquisitions of producing or near-term assets. Oando said it will continue investments in OML 90, which is located in Nigerian continental shelf and deep offshore, and collaborate with relevant partners to develop upstream assets owned by Equator Exploration, a subsidiary acquired during 2009.

CREAMER MEDIA, June 15, 2011

NESG seeks passage of PIB

The Nigeria Economic Summit Group (NESG) has said that the delay in the passage of the Petroleum Industry Bill (PIB) into law may hinder some of the economic reforms that have been outlined by the President Goodluck Jonathan's administration. NESG Director-General, Frank Nweke, predicted this in a interview with **THISDAY** at the sidelines of a forum organised by the Centre for Corporate Governance in Lagos. He also expressed concern that the non-passage of the bill by the last National Assembly members will not afford Nigeria the opportunity to determine the actual value it generates from the petroleum sector. According to Nweke, the bill was also going to set out a new fiscal regime that will ensure sustainable funding for the Nigerian National Petroleum Corporation (NNPC) and Joint Venture Companies (JVCs).

THIS DAY, June 14, 2011

Energia's production hits 1,800 bpd

Indigenous oil and gas conglomerate Energia said current production from its Emuebendo oil well, located on Oil Mining Lease OML 56 in Kwale, Delta State, is now at about 1,800 barrels per

day of oil equivalent. Although the well is capable of producing up to 2,500 bpd, the company said it is restricting output to 1,800 bpd because it is producing only from one well and with a small storage facility. Energia is a group of indigenous oil services companies in joint venture with Oando, which has 45% equity, while the group retains a 55% operating majority stake. Members of the Energia Group include Oil Data, Xenergie, Sowsco, Ciscon, Arib Oil and Weltek, all of which brought in their individual expertise and capacity to bring the well to production. The Managing Director of the group, Felix AV, told journalists last week in Lagos that bringing production to this level from an abandoned well within just two years of acquiring a licence as a Marginal Field Operator, was not an easy task.

VANGUARD, June 10, 2011

IPMAN urges Nigeria to deregulate diesel, kerosene imports

The Independent Petroleum Marketers Association of Nigeria (IPMAN) has urged Nigeria's government to deregulate importation of diesel and kerosene to ensure availability of the products. Olumide Ogunmade, Chairman of IPMAN in the Western Zone, made the suggestion in an interview in Lagos on June 13. He said that the scarcity of the products would continue if NNPC remained the sole importer and that importation of the products could not be a lasting solution. "Government should ensure full deregulation of kerosene to avert frequent scarcity, usually encountered by marketers," he said. "The present importation of kerosene by NNPC is a temporary measure to ease scarcity in the market," Ogunmade added.

DAILY CHAMPION, June 15, 2011

Bayelsa community poised for showdown with Agip

The people of oil-rich Osifo community in Sagbama Local Government Area of

Bayelsa State, Nigeria, have said that unless oil major, Agip Oil, signs an independent Memorandum of Understanding (MoU) with them, they will resort to both legal and violent actions to disrupt their operations. The people said they own over 25 oil wells in their community and that the Joint MoU signed by the Nigerian Agip, operating in Asamabiri/Biseni Cluster 2 location on July 14, 2011 was unacceptable to them. They also complained of gross neglect and lack of adherence to simple socio-corporate responsibility to the community over the years in spite of several representations from the community. The community, led by Frank Aweh, Chief Ikadueme, Raphael Ozegbe and the Council of Elders, in a statement in Warri, added that despite having taken Agip before a Federal High Court in Port Harcourt over the neglect, the company had refused to effect any payment, claims and other entitlement due to them.

VANGUARD, June 20, 2011

Southern Africa

Mixed fuels compulsory from 2012 in Mozambique

As from 2012, Mozambican fuel suppliers must mix biofuels with the diesel and petrol that they sell to motorists. The initial regulations for the mixed fuels, approved by the Council of Ministers (Cabinet), set targets for a mixture of 10% ethanol and 90% petrol, and 3% biodiesel with 97% conventional diesel. According to Energy Minister Salvador Namburete, cited in Maputo daily Noticias, these figures were established by taking into account Mozambique's installed capacity for producing biofuels. The targets may look modest – but the government expects this measure to knock US\$22 million off the annual fuel import bill. Currently imported fossil fuels are costing the country around US\$500 million per year.

MOZAMBIQUE INFORMATION AGENCY, June 10, 2011

NEWS IN BRIEF

East Africa

Kenolkobil to ship oil in August

Kenyan oil marketer KenolKobil has won the open tender to supply petroleum products for the industry in the month of August 2011. The oil marketer said in a statement that the cargo totalling 1.2 million barrels is for refining at the Kenya Petroleum Refinery to meet requirements for domestic market and neighbouring countries. "KenolKobil has been awarded a Kenya Oil industry crude oil open tender system tender for delivery of two Murban crude oil cargo during the month of August 2011," the statement said. It said it won the tender on the basis of a highly competitive premium which supports government's efforts to reduce petroleum prices.

NAIROBI STAR, June 18, 2011

Kenyan refinery to import own crude oil

Kenya Petroleum Refineries Ltd (KPRL) will from January 2012 start importing its own crude oil for processing and selling to the Kenyan and export markets in order to ease the perennial fuel shortages in the country. Energy Minister Kiraitu Murungi said the model of operations is set to change in the next five months with KPRL importing crude oil and selling products at competitive prices. The business model will change from a toll plant charging processing fees

to a merchant refinery with petroleum products from crude oil refined at Mombasa being sold to marketers at import parity price. "The facility is currently a toll refinery that processes crude oil imported through the open tender system (OTS) managed by the Ministry of Energy on behalf of marketers at a fee," said Murungi.

EAST AFRICAN, June 19, 2011

Aminex spuds Nyuni-2 well in Tanzania

Oil and gas company Aminex reported that it spudded the Nyuni-2 well, offshore Tanzania on June 17. The well was drilled from a surface location on the small Nyuni Island, approximately 30 km off the mainland of Tanzania, to the south of the Rufiji River delta, using the Caroil-6 land rig. The well will target the same Neocomian sandstones which form the reservoirs in the nearby Songo-Songo gas field and in the company's own Kiliwani North gas field reservoir. An additional target is an Aptian/Albian sandstone reservoir logged as gas-bearing in the Nyuni-1 well, which was drilled but not tested in 2004. Aminex said that the Nyuni-2 well was to be deviated to the south-east at an angle of 29 degrees from vertical to target a bottom-hole location roughly 1,200 metres away from the island. Total measured depth is likely to be 3,325 metres and total vertical depth 2,964 metres subsea. It is estimated that drilling to target depth will take 9-10 weeks. The spudding of the well means that there are

now four wells on the Nyuni area by Aminex as operator, and two of the previous wells discovered gas in commercial quantities. At present, the license is held by Ndovu Resources (Aminex), holding 65% (operator), RAK Gas 25%, Bounty Oil 5% and Key Petroleum with 5%.

AMINEX, June 17, 2011

Uganda's government yet to agree on control of oil tax cash

The Governor Bank Uganda (BoU) has told journalists that he is yet to agree with the government over who should have full control over US\$500 million oil money that has been generated in form of capital gains tax. In a 10-minute address to journalists at a news conference held in Kampala yesterday, Mr Tumusiime-Mutebile refuted allegations that oil money had disappeared from the Central Bank. "I would like to state that the US\$500 million (1.2 trillion shillings) foreign exchange reserve is still available with BoU in the government's consolidated account. It has not disappeared as per speculation," Mr Mutebile said. He said the matter, which is still being discussed with the Ministry of Finance, is yet to be agreed upon. As governor, he said, he feels the central bank should have full control over the money because it is in a better position to manage it.

THE MONITOR, June 17, 2011

TENDERS & CONTRACTS

PROJECT	Egypt Exploration Feasibility
Project Sector	Upstream
Location	Africa, Egypt, Offshore Area
Project Holder/Operator	Beach Petroleum / Santos / Dana Gas
Scope of work	FS - Feasibility Study Contracts
Current / Past Phase	Government and local authority approval have been received
Contract Value Estimate	Over US\$185 million
Start up Timing	From 2014 - 2015
Development Stage	Operational Project
Brief	The project is associated with the exploration feasibility of South East July concession
Future & Potential Sales Prospects	PreFEED - Preliminary Design and Engineering Contracts FEED - Front End Engineering Design Contracts EPC - Engineering, Procurement & Construction Contracts EPCC - Engineering, Procurement, Construction and Commissioning Contracts EPCM - Engineering, Procurement, Construction & Management Contracts EPIC - Engineering, Procurement, Installation & Commissioning Contracts
PROJECT	Equatorial Guinea Exploration & Production Project
Project Sector	Upstream
Location	Africa, Equatorial Guinea, Offshore Area
Project Holder/Operator	Roc Oil Company Limited / Atlas Petroleum International Limited / PA Resources AB
Scope of work	EC - Exploration Contracts
Current / Past Phase	Drilling & appraisal works have been done
Contract Value Estimate	Over US\$290 million
Start up Timing	From 2014 - 2015
Development Stage	Potential Project
Brief	The project is associated with Block H exploration & production development at Aleta Prospect gas fields
Future & Potential Sales Prospects	MC - Multi Contracts O&M - Operations and Maintenance Contracts FC - Framework Contracts FS - Feasibility Study Contracts MC - Multi Contracts PMC - Project Management Contracts
PROJECT	Ethiopia Exploration & Production Development
Project Sector	Upstream
Location	Africa, Ethiopia, Oromia Area
Project Holder/Operator	New Age (African Global Energy) Ltd / Africa Oil Corporation / BMEL - Black Marlin Energy Limited
Scope of work	EC - Exploration Contracts
Current / Past Phase	Drilling & appraisal works have been done
Contract Value Estimate	Over US\$145 million
Start up Timing	From 2018 - 2019
Development Stage	Potential Project
Brief	The project is associated with exploration & production development at Ogaden Block 7 oil fields
Future & Potential Sales Prospects	MC - Multi Contracts O&M - Operations and Maintenance Contracts FC - Framework Contracts FS - Feasibility Study Contracts MC - Multi Contracts PMC - Project Management Contracts

TENDERS & CONTRACTS

PROJECT	Gabon Exploration & Production Project
Project Sector	Upstream
Location	Africa, Gabon, Offshore Area
Project Holder/Operator	Pan-Petroleum Limited / Harvest Natural Resources
Scope of work	EC - Exploration Contracts
Current / Past Phase	Drilling & appraisal works have been done
Contract Value Estimate	Over US\$145 million
Start up Timing	From 2011 - 2012
Development Stage	Potential Project
Brief	The project is associated with exploration & production development at Dussafu Marin Block fields
Future & Potential Sales Prospects	MC - Multi Contracts O&M - Operations and Maintenance Contracts FC - Framework Contracts FS - Feasibility Study Contracts MC - Multi Contracts PMC - Project Management Contracts

PROJECT	Nigeria Control System Development
Project Sector	Downstream
Location	Africa, Nigeria, Bonny Island Region
Project Holder/Operator	Shell
Scope of work	EPC - Engineering, Procurement & Construction Contracts
Current /Past Phase	Project had been on the completion stage
Contract Value Estimate	Over US\$115 million
Start up Timing	From 2010
Development Stage	Operational Project
Brief	The project is associated with the development and integration of Bonny terminal
Future & Potential Sales Prospects	MC - Multi Contracts O&M - Operations and Maintenance Contracts PMC - Project Management Contracts LSTK - Lump Sum Turnkey Contracts FC - Framework Contracts

PROJECT	Egypt Fertilizer Construction
Project Sector	Downstream
Location	Africa, Egypt, Al Iskandariyah Region
Project Holder/Operator	Abu Qir Fertiliser & Chemical Co
Scope of work	EPC - Engineering, Procurement & Construction Contracts
Current /Past Phase	Project had been on the completion stage
Contract Value Estimate	Over US\$245 million
Start up Timing	From 2010
Development Stage	Operational Project
Brief	The project is associated with the development of Egypt fertiliser complex
Future & Potential Sales Prospects	MC - Multi Contracts O&M - Operations and Maintenance Contracts PMC - Project Management Contracts LSTK - Lump Sum Turnkey Contracts FC - Framework Contracts

TENDERS & CONTRACTS

PROJECT		Nigeria Downstream Project
Project Sector	Downstream	
Location	Africa, Nigeria, Rivers Region	
Project Holder/Operator	Shell	
Scope of work	EPC - Engineering, Procurement & Construction Contracts	
Current /Past Phase	Project had been on the completion stage	
Contract Value Estimate	Over US\$495 million	
Start up Timing	From 2010	
Development Stage	Operational Project	
Brief	The project is associated with the development of Cawthorne Channel oil & gas facilities	
Future & Potential Sales Prospects	MC - Multi Contracts O&M - Operations and Maintenance Contracts PMC - Project Management Contracts LSTK - Lump Sum Turnkey Contracts FC - Framework Contracts	
PROJECT		Libya Fertiliser Feasibility
Project Sector	Downstream	
Location	Africa, Libya, Al Jufrah Area	
Project Holder/Operator	Yara International ASA/Libya National Oil Corporation	
Scope of work	FS - Feasibility Study Contracts	
Current / Past Phase	Planning consent had been applied	
Contract Value Estimate	Over US\$4.9 billion	
Start up Timing	From 2012 - 2013	
Development Stage	Operational Project	
Brief	The project is associated with the feasibility of AMOC refinery expansion	
Future & Potential Sales Prospects	PreFEED - Preliminary Design and Engineering Contracts FEED - Front End Engineering Design Contracts EPC - Engineering, Procurement & Construction Contracts EPCC - Engineering, Procurement, Construction and Commissioning Contracts EPCM - Engineering, Procurement, Construction & Management Contracts EPIC - Engineering, Procurement, Installation & Commissioning Contracts	
PROJECT		Kenya Pipeline Development
Project Sector	Midstream	
Location	Africa, Kenya, Nairobi Region	
Project Holder/Operator	Kenya Pipeline Company	
Scope of work	EPCM - Engineering, Procurement, Construction & Management Contracts	
Current /Past Phase	Job contracts had been won	
Contract Value Estimate	Over US\$40 million	
Start up Timing	From 2012 - 2013	
Development Stage	Operational Project	
Brief	The project is associated with the development of Nairobi to Eldoret oil pipeline	
Future & Potential Sales Prospects	MC - Multi Contracts O&M - Operations and Maintenance Contracts PMC - Project Management Contracts LSTK - Lump Sum Turnkey Contracts FC - Framework Contracts	

TENDERS & CONTRACTS

PROJECT		Libya Pipeline Construction
Project Sector		Midstream
Location		Africa, Libya, Tarabulus Region
Project Holder/Operator		Libya National Oil Corporation / JGC - Joint Gas Company / ETAP - Entreprise Tunisienne d'Activites Petrolieres
Scope of work		PMC - Project Management Contracts
Current /Past Phase		Job contracts had been won
Contract Value Estimate		Over US\$240 million
Start up Timing		From 2010 - 2011
Development Stage		Potential Project
Brief		The project is associated with the construction of Libya to Tunisia gas pipeline
Future & Potential Sales Prospects		MC - Multi Contracts O&M - Operations and Maintenance Contracts LSTK - Lump Sum Turnkey Contracts FC - Framework Contracts CC - Consultancy Contracts
PROJECT		Nigeria Pipeline Project
Project Sector		Midstream
Location		Africa, Nigeria, Offshore Region
Project Holder/Operator		Nigeria Government
Scope of work		EPC - Engineering, Procurement & Construction Contracts
Current /Past Phase		Job contracts had been won
Contract Value Estimate		Over US\$140 million
Start up Timing		From 2010 - 2011
Development Stage		Potential Project
Brief		The project is associated with the development of Calabar-Adanga gas pipeline
Future & Potential Sales Prospects		MC - Multi Contracts O&M - Operations and Maintenance Contracts PMC - Project Management Contracts LSTK - Lump Sum Turnkey Contracts FC - Framework Contracts
PROJECT		Morocco Pipeline Project
Project Sector		Midstream
Location		Africa, Morocco , Chao uia - Ouar digha Area
Project Holder/Operator		SAMIR - Societe Anonyme Marocai ne de l'Industrie de Raffinage
Scope of work		EPC - Engineering, Procur ement & Const ruction Contracts
Current /Past P hase		Project had been on tendering & bidding phases
Contra ct Value Estimate		Over US\$170 million
Start up Tim ing		From 2011 - 2012
Deve lopment Sta ge		Operational Project
Brief		The project is associa ted with the develo pment of Mohamma dia refinery to Ouazza n e gas pipeline
Future & Potential Sales Prospects		MC - Multi Contracts O&M - Operations and Maintenance Contracts PMC - Project Manag ement Contracts LSTK - Lump Sum Turnkey Contra cts FC - Framework Cont racts

NEWSBASE INFORMATION

HEADLINES FROM A SELECTION OF NEWSBASE MONITORS THIS WEEK

Oil and Gas Sector

AsianOil

Petronas has awarded Subsea 7 the contract for installation work at the Kumang project offshore Malaysia.

ChinaOil

China became the world's top energy consumer in 2010, according to BP's latest global energy review.

EurOil

Total has discovered gas at the Norvarg prospect in Norwegian production licence PL535 in the Barents Sea.

FSU OGM

Russia is set to import 2 bcm of gas from Azerbaijan this year, double the 2010 amount.

LatAmOil

Brazil's OGX expects to sell stakes in its Campos Basin and Parnaiba Basin assets before the end of the year.

MEOG

Saudi Aramco has issued three new tenders to carry out more frontier seismic work.

NorthAmOil

Goodrich has bought a stake in the Tuscaloosa Marine shale, but there are concerns over production rates.

Unconventional OGM

Analysts have forecast that the Bakken shale could produce around 25 billion barrels of oil equivalent.

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