Talos is on the money off Mexico

TALOS Energy has hit big with the first pure exploration well drilled by a private operator off Mexico, a find being called significant not just for its billion-barrel volumes but as a key step towards fulfilling the promise of the country’s energy reforms in the upstream sector.

Israel hits the gas
Energy minister keen to replace North Sea declines.

BP faces twin tasks
Bob Dudley on company aims to supply energy and reduce emissions.

Brazil reform
Investments could swell with regulation changes.

Women take charge
Calls for oil and gas industry to address gender imbalance.

QGEP sounds in
Lincoln Guardado reflects on challenges facing energy industry.

Opec breaks ice, reaches out to US shale industry

Iran aims to cash in on huge gas potential

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Talos lands on the money with Zama hit off Mexico

‘Significant’ find for both company and for Mexico as first pure exploration well drilled by a private operator comes up trumps

KATHRINE SCHMIDT
Istanbul

Talos Energy has hit big with the first pure exploration well drilled off Mexico, a find being called significant not just for its billion-barrel volumes but as a key step towards fulfilling the promise of the country’s energy reforms in the upstream sector.

The US independent partnered with Mexican private equity firm Sierra Oil & Gas and UK-listed Premier Oil to become the first consortium to win exploration blocks in the country’s inaugural Round 1.1 in 2015.

Two years later their first probe, Zama-1, logged up to 856 feet of net pay in a gross oil-bearing interval of 1100 feet and was drilled in 546 feet of water by the moored floater Ensco 8503.

In-place resources are estimated by Talos at between 1.4 billion and 2 billion barrels, ahead of pre-drill estimates, while Premier couched the figure as “well in excess” of 1 billion barrels, with resources potentially running into a neighbouring block.

Talos, backed by private equity and specialising in US Gulf assets, knew that as a small company it had to move early if it wanted to try its hand at exploration in Mexico.

And the company credits both the country’s post-reform hydrocarbon policy, as well as the diligent efforts of its geologists and geophysicists, in sniffing out the ultimately hydrocarbon-rich Upper Miocene fairway.

“It’s just one of those rare moments where you have an idea of what something could be... and it unfolded exactly like that story,” Talos chief executive Tim Duncan told Upstream in an exclusive interview after the find was announced on Wednesday.

According to Wood Mackenzie, in addition to a historic Mexican context, the find was among the biggest shallow-water discoveries in the world in the past 20 years.

“The Zama discovery by Talos is the most important achievement so far of Mexico’s Energy Reform,” said senior Latin America analyst Pablo Medina.

On top of this, Zama is the first find by a private company in Mexico in almost 80 years.

Mexico’s National Hydrocarbons Commission regulator also lauded the size and “importance” of the find.

“We believe this discovery represents exactly what the energy reforms intended to deliver: new capital, new participants and a spirit of ingenuity that leads to local jobs and government revenues for Mexico,” Duncan said.

The discovery was also a rare bright spot for a global exploration sector that has been battered by low oil prices, reduced activity and a recent string of lacklustre wildcats, with analysts calling it “major”, “significant” and “very positive” for the companies involved.

Premier Oil shares were trading up around 30% in London following the news, while Tudor Pickering Holt also marked the news as a positive read for Riverstone Energy Ltd, the private equity parent that invests in both Talos and Sierra.

Talos operates with a 35% share, with Sierra on 40% and Premier on 25%.

BMO Capital Markets predicted recoverable volumes of about 400 million barrels, while Tudor Pickering Holt ascribed a value of $850 million assuming recovery of 25% and value of $2 per barrel.

“This will help investors to remember that investing in E&P is not only about making a directional bet on oil price,” GMP FirstEnergy said in a note.

Next, the company will take about a month to drill to a deeper target at 14,000 feet, after which the rig will return to the US Gulf for work on a company project there.

Appraisal work is set to follow next year, and there is still evaluation to be performed on the discovery expected to continue through 2017.

That said, “you’d be hard-pressed not to call it commercial,” Duncan told Upstream of the discovery.

“I think you’ll see us talking about a final investment decision and an infrastructure decision quickly after 2018. It’s shallow water, so I think three to five years after a final investment decision you can expect production,” he added.

While the company is keeping all development options on the table and Mexico has used large floaters for shallow-water discoveries in the past, Duncan reckons there is both sufficient interest in midstream activity as well as hydrocarbon potential to merit new pipeline infrastructure and fixed facilities.

ENI has boosted the in-place resource estimate for its Amoca field off Mexico and plans to speed up its development plans after success at its latest appraisal well, write Katherine Schmidt.

The Italian major now estimates its discovery has in-place resources of 1 billion barrels of oil equivalent, and aims to be the first international major to initiate new production in Mexico since energy reforms to open the sector.

ENI said the Amoca-3 well hit 1345 feet of net oil pay in several high-quality Pliocene reservoir sandstones with oil of 25 to 27 degrees API.

The probe was drilled to 4833 metres by the drillship jack-up West Castor in 25 metres of water.

The company plans to submit a development plan this year targeting early production of 30,000 to 50,000 barrels of oil per day with the start of operations planned for early 2019.

The well has been suspended but will be used for production later. A 46-metre stretch of the Cinco Presidentes formation flowed at a rate of 6600 barrels per day during a production test.

The wells of ENI, which operates the block alone, were appraisals of discoveries already made by part of Area 1 assigned in Round 1.2 targeted at development acreage.

Planned next is more drilling, with a further appraisal at the Mizton discovery.

“The Amoca field, which is located at a water depth of only 25 meters, represents an optimal opportunity for a phased development approach with a low breakeven,” chief executive Claudio Descalzi said.

“It is an ideal project in this low oil price environment.”
**OIL MARKETS**

*IEA says demand will grow*

THE International Energy Agency (IEA) expects demand for oil to continue increasing in coming years, a forecast said to be contrary to the views of some other consultants, writes Amanda Battersby.

“We think oil demand will continue to grow in years to come, unlike some others who think oil demand will peak and then go down,” said IEA executive director Fatih Birol.

He told delegates at the 22nd World Petroleum Congress in Istanbul that others cite the increase in the number of electric cars as the reason for oil demand being set to wane. “Some people say that because of... electric cars, we are going to see the end of oil sometime soon and the demand will go down.”

The Paris-headquartered agency does not agree, according to Birol. “Because oil demand growth is not coming from cars. It is coming from trucks, then ships, jets and number four — (the) petrochemical industry,” he said.

Last year electric cars accounted for 1% of total car sales worldwide. However, Birol noted that looking over the next 20 years, even if electric cars were to account for one out of every two cars sold, global oil demand would still continue to grow. “It will grow maybe a bit slower than in the past but it will continue to grow. Therefore we still need investment, we still need supply, we still need the oil of Opec and non-Opec countries.”

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**Opec breaks the ice and reaches out to US shale**

*Oil producers group takes steps to ‘meet with our colleagues’*

AMANDA BATTERSY

Istanbul

Opec, for the first time, has reached out to US shale producers with a view to deepening the dialogue between the on-paper rivals.

“We went out of our way to meet with our colleagues in this important industry in the US and have kick-started this dialogue with them,” Opec Secretary General Mohammed Barkindo told the audience at Wednesday afternoon’s plenary session at the 22nd World Petroleum Congress in Istanbul.

He admitted that the two producing “groups” probably had limited knowledge of each other’s business prior to that meeting. “They are operating in a very short-cycle project sector of the industry, whereas we have long cycle, but we all belong to the same market,” said Barkindo.

“We thought it was very important for us to reach some understanding... we all have a shared responsibility to ensuring stability in this market.”

“Because, at the end of the day, when we first met in Houston with all the leading producers from all the shale basins, we realised that we were all impacted by this cycle in very negative numbers.”

Barkindo said that these US shale producers were forthcoming on the financial issues with which they were struggling to contend in the current market.

The US shale producers and Opec agreed that, going forward, there is a need for both to be conscious of their shared responsibility to ensure stability in this market.

“This is a shared responsibility that requires shared and joint action,” said Barkindo.

Although he described the business relationship between Opec and US shale producers as a “work in progress”, Barkindo said the cartel intended to deepen its discussions and would continue this energy dialogue with them. “As an organisation, we do not necessarily see the shale industry as an extraneous component of the oil industry,” said Barkindo.

“The shale revolution, if you would like to call it that, in the US played a very critical role in meeting demand at a time when the energy landscape was facing severe difficulties, particularly in some of the major producing countries,” he told delegates. “We should not forget the role this shale industry played in ensuring security of supply and ensuring stability in the market,” he added.
# Thursday 13 July

### 08:00 – 09:30 Plenary 9: Partnering For Success

**Session Chair:** Ferenc Horváth, Executive Vice President, MOL, Hungary  
**Keynote Speakers:**  
- Sheikh Mohammed bin Khalifa Al Khalifa, Minister of Oil, Bahrain  
- Zeeshan Syed, Executive Vice President Corporate Development and International Relations, ICORE, Canada  
**Location:** Plenary Hall

### 09:30 – 10:30 Plenary 10: Strategies for a new reality

**Session Chair:** Sanjiv Singh, Chairman, Indian Oil Corporation, India  
**Keynote Speakers:**  
- Peter Coleman, CEO, Woodside, Australia  
- HE. Seyed Mohammad Hossein Adeli, Secretary General, Gas Exporting Countries Forum (GECF)  
**Location:** Plenary Hall

### 10:30 – 10:45 Coffee Break

### 10:45 – 11:45 Ministerial Sessions

**USA:** Sylvester Turner, Mayor of Houston  
**Location:** Hall 1

### 10:45 – 11:45 Expert Workshops

**EW06 Perspectives of the Petroleum Industry in the Future Energy Mix**  
**Location:** Hall 6

### 11:00 – 13:00 Interactive Poster Plaza

- **Block 1:** F5 Geoscience technology and innovation  
- **Block 2:** F11 Products of the future. Oils and products storage and transportation  
- **Block 3:** F15 Best practices in the management of safe operation of gas assets  
- **Block 4:** F20 HSE and operations integrity — keeping pace

### 11:45 – 12:00 Break

### 12:00 – 13:00 Technical Programme

- **Block 1:** RT6 Upstream portfolio development in cyclic business environments?  
- **Location:** Hall 1

### 12:00 – 13:00 Expert Workshops

- **EW07 Best Practices in Offshore Exploration & Production in times of Crisis**  
- **EW08 Growing Demand for Energy and the Environment: The Role of Biofuels**  
**Location:** Hall 2

### 12:30 – 14:30 Lunch Buffet

### 13:00 – 13:15 Break

### 13:15 – 14:00 WPC EXCELLENCE AWARDS CEREMONY

**Location:** Plenary Hall

### 14:00 – 15:45 Strategic Sessions

- **ST8 YP session: Break-Throughs: The Intersection of Industry and Technology**  
  **Moderators:** Laura Garcia, WPC Young Professionals Committee  
  **Speakers:** Csaba Zsoter, Head of Group Feedstock Supply & Trade, MOL Group  
  **Location:** Hall 1

- **ST9 Technology and innovation**  
  **Chair:** Janeen Judah, 2017 President of the Society of Petroleum Engineers (SPE), USA  
  **Speakers:** Maurice Nessim, President, WesternGeco, Schlumberger, USA  
  **Location:** Hall 2

- **ST10 IOR/EOR**  
  **Chair:** Dr. Iván Martén, Global Leader Energy Practice Senior Partner and Managing Director, Boston Consulting Group, Spain  
  **Speakers:** Ana Todosijević, Head of Enhanced Oil Recovery Program, Wintershall Holding GmbH, Germany  
  **Location:** Hall 3

- **ST11 Methane management in Extractive Industries (UN)**  
  **Chair:** Scott Foster, Director, Sustainable Energy Division, UNECE, Switzerland  
  **Speakers:** Bjorn Hamso, Programme Manager, Global Gas Flaring Reduction Partnership (GGFR), The World Bank Group  
  **Location:** Hall 4

### 14:15 – 15:45 CEO Panels

- **CEO 9 WPC Leadership: promoting responsible operations and sustainable solutions**  
  **Chair:** Manoelle Lepoutre, Senior Vice President, Civil Society Engagement, Total, France  
  **Speakers:** H.E. Abdullah Bin Hamad Al-Attiyah, Chairman, Abdullah Bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development, Former Deputy Prime Minister and Minister of Energy & Industry, Qatar  
  **Location:** Hall 5

### 15:45 – 16:00 Coffee Break

### 16:00 – 17:30 Closing Ceremony

**Location:** Ceremonial Hall

Ceremonial Handover from Turkey, Host of 22nd WPC to USA, Host of 23rd WPC
Iran sets sights on cashing in on huge gas potential

IRAN is hoping to use its massive production potential to become a significant player in the international natural gas market next decade.

Deputy Minister of Petroleum for Trade & International Affairs Amir Hossein Zamaninia told a Wednesday session at the World Petroleum Congress that by 2021 Iran's uncommitted natural gas production capacity could climb as high as 365 million cubic metres per day.

Zamaninia said that this production potential, backed by Iran's abundant reserves base when combined with its location close to the major growing markets of China and India, will combine to boost Iran's position in the sector. These factors mean Iran can play “an important role in the future energy market, particularly the global gas market”, he said. “In terms of oil, Iran is a heavyweight with 110 years of experience, but in the gas market we are the new kid on the block.”

Zamaninia added that Iran is also trying to do as much as it can to make the best use of its natural gas resources at home. He said Iran has prioritised switching power stations from running on liquid fuel to using natural gas. In 2014, 43% of Iranian power stations were using liquid fuels but that share has already been reduced to just 14% with the amount of gas being used in the sector rising to 62 billion cubic metres of gas per year from 36 Bcm over the same period.

He added that Iran is also targeting zero flaring by 2021 and will not license any new projects without such a policy. Iran is also targeting investment in energy efficiency and it has identified as much as $20 billion of potential projects in that sector, he added, saying that such schemes will have to make use of updated technology.

He said Iran has identified eight projects for this year that are intended to make use of up to 32 Bcm of natural gas that will substitute for gasoline. These include plans to convert close to 20,000 buses, 140,000 taxis and more than 10,000 trucks to run on natural gas. Iran has also increased to 91% the share of Iranian families that are supplied with piped gas to their homes, with that total reaching as much as 95% in cities and 89% in rural areas.
Israel underlines its natural gas ambitions

Energy Minister confident that new reserves off his country will be able to replace those from North Sea as it declines

ANAMARIA DEDULEASA
Istanbul

Israel is pushing ahead with its plans to become a “significant natural gas exporter” in the near future, as work advances on two possible pipelines from the country into Europe, and more offshore fields are being brought online.

Speaking at the World Petroleum Congress in Istanbul, Minister of National Infrastructure, Energy & Water Resources Yuval Steinitz said he believes the new reserves found in the region’s deep waters will replace the declining reserves from the North Sea. As a result, “the situation in the region regarding energy is changing rapidly”, he said.

“The real change is that in the eastern Mediterranean several significant discoveries have been found and more are expected in the next few years, as we explore the area further,” Steinitz said.

Two of Israel’s large discoveries are the already producing Tamar field, with more than 320 billion cubic metres in place, and the Leviathan field, with between 500 Bcm and 600 Bcm.

The wider region is also home to the Zohr field off Egypt and Aphrodite off Cyprus. Additionally, Steinitz said that Israel’s waters are home to between 6 billion and 7 billion of barrels of oil, and around 200 Bcm of gas still to be discovered, according to government research.

“We want to build a pipeline from Israel to Turkey,” he said. “A longer 2200-kilometres pipeline from Israel to Italy is also in the works, with links to Cyprus and Greece that will allow us to export natural gas to countries in Europe. We believe today we already have enough gas to justify these two pipelines, and if we count future discoveries, even more so,” Steinitz said.

The minister already signed an initial memorandum of understanding with Italy to promote this cross-Mediterranean pipeline.

“The Israel-Italy pipeline is a very ambitious and challenging project. But the European Union and the European Commission have already started the initial feasibility study,” Steinitz said.

“The study found this project is technologically feasible and would cost between $6 billion and $7 billion, which is less expensive than building another liquefied natural gas facility in Israel or Cyprus. “A more detailed feasibility study will start now, about where to place the pipeline and other details. This is expected to be concluded in 2018. If we see further positive results, by the end of 2018, we hope to be able to reach an agreement that will enable the construction of the pipeline, which will be a private sector project,” the minister said.

“We also had a very good meeting with Turkey, and we hope to be able to conclude an agreement about the Israel-Turkey pipeline before the end of this year.”

ISRAEL is also pursuing new offshore exploration opportunities as it recently extended the deadline for its first offshore round from July until November, hoping to attract more bids.

“One effort is encouraging the other,” Steinitz said. “Companies take time to decide whether or not to search for natural gas in deep water, because oil and gas prices are low, and such projects could be expensive.

“It’s not easy to bring companies to explore in the eastern Mediterranean, but these companies should be able to see the huge European market we can access with the projects that will allow us to export gas via pipelines and not via a LNG facility,” he said.

Israel’s plan is to keep enough natural gas to cover its domestic consumption for the next 30 years, and export the rest.

“We just started to reorganise our exclusive economic waters for exploration. In the near future, in the next few years, we will see future discoveries here that will increase our reserves and will enable us to export more,” Steinitz said.

ISRAELIAN giant Statoil expects to reveal initial results from an onshore unconventional well under way in Turkey as part of a new joint venture before the end of the year, chief executive Oyvind Eidsvold.

The major and Canadian partner Valeura Energy have already drilled the wildcat in the Banazli exploration licence in the Thrace basin of north-west Turkey to a total depth of about 4200 metres.

Valeura chief executive Jim McFarland told Upstream on the sidelines of the World Petroleum Congress in Istanbul that the well took about 60 days to reach total depth.

“We will be casing shortly, and the bigger programme is the completion, so it will be probably two to three months before we have got definitive data,” McFarland said.

McFarland said the partners are pretty much on budget at the well, which had a budget of about $13 million for drilling.

They will do a separate budget for completion, fracking and testing, with the partners currently working with a number of contractors on that.

The completion phase is set to be “pretty extensive”, McFarland said, as there will be more than one frac involved. Results are expected some time in the fourth quarter, he estimated.

Statoil in May farmed into Valeura’s Banazli licence, with an option to earn a 50% stake in the deeper formations by investing in a multi-phase exploration programme.

The deal includes shooting about 500 square kilometres of 3D seismic and an optional well, which McFarland said would likely follow next year.

“If fully earn 50% they have to drill two wells and do seismic. If they don’t there is no partial earning. So I would expect that they would follow through.”

That well would also drill to 4000 metres or more.

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BP ‘ready’ to meet dual challenges of global energy need

Supermajor aiming to play its part in providing key resources while also adapting to the realities of climate change and a move to a low carbon world

KATHRINE SCHMIDT
Istanbul

TODAY’s energy industry faces tough challenges in meeting global energy needs and adopting to the realities of climate change, but BP is ready to dive into the task, its chief executive Bob Dudley said at the World Petroleum Congress in Istanbul.

Demand is continuing to grow, “driven by fast-growing economies like Turkey”, Dudley told a plenary session. “We need to respond by making our businesses fit with a low carbon world,” he said.

First, by providing more energy than ever before, and second, reducing carbon emissions more than ever before. There are no quick fixes, no overnight solutions.” Operational excellence, as well as key partnerships, will be crucial in achieving the task at hand, Dudley continued.

The company aims to simplify by “doing less, not more” and roll back bureaucracy, aiming to use “common sense at a large scale” across the organisation.

Technology, where “what used to take weeks can now literally take minutes”, will also be crucial Dudley said.

Renewables will play a role and are seeing a “competitive” business case in some circumstances, according to Dudley. So will natural gas, which is being produced by six of the seven major projects the company is bringing online this year.

As for the host nation, projects such as the TurkStream and Tanap pipelines will deliver resources from Russia, Azerbaijan and the Caspian Sea into Europe.

“Turkey is helping write that story as one of the great transport hubs of the world,” Dudley added.

He concluded: “There’s a transition under way, and we’re going to be part of it.”
**INVESTMENT**

**Brazil ready to benefit from regulatory change**

Country could account for as much as 10% of the world’s spending in exploration and production due to sweeping reforms initiated by the government

*FABIO PALMIGIANI*

Istanbul

INVESTMENTS in the Brazilian oil and gas industry have the potential to increase in coming years and reach a tenth of the world’s total capital expenditure, as the country opens up its private sector spending with a series of initiatives to attract new players and have a more diverse market.

Over the past 12 months, Brazil has completely revamped its regulatory framework in a bid to improve competitiveness.

The country passed new legislation allowing that companies other than Petrobras can also operate upcoming pre-salt assets to be offered.

Brazil also set up a bidding calendar through to 2019, reduced local content requirements and is opening up its downstream and gas sectors in ways never seen before.

The current government is making these changes because it believes it is in the country’s best interest:

“This is a welcome move in the right direction that gives us hope and optimism,” said Milton Costa Filho, secretary general of the Brazilian Petroleum Institute.

He said Brazil currently represents less than 5% in global exploration and production investments, but despite challenges related to the low oil price environment, there are still many opportunities in the country.

“We can easily attract more than 10% in light of our huge potential. We have to take advantage of the opportunities that Mother Nature has given us,” Costa Filho told a ministerial session in the 22nd World Petroleum Congress in Istanbul.

He highlighted that average production from a single well in the Santos basin pre-salt province of about 25,000 barrels per day of oil equals 40 onshore wells in non-conventional plays in the United States.

Brazil is currently the 10th largest oil and gas producer in the world at 3.3 million barrels per day of oil equivalent, and the largest in Latin America for the first time, after surpassing both Mexico and Venezuela.

“There is potential for growth beyond that,” Decio Oddone, director general at the Brazilian National Petroleum Agency (ANP), said in the same session.

Exploration activities in Brazil have gone through a rough cycle in recent years, in part due to a five-year hiatus in licensing rounds, while the administration of former President Luiz Inácio Lula da Silva was approving regulatory changes to try to further strengthen Petrobras’ grasp in the pre-salt play.

“In its peak, there were 173 announced discoveries in Brazil in 2012. This year, there has been only six small discoveries,” said Oddone.

Oddone expects things to change in the coming years with the 10 bid rounds scheduled to take place between 2017 and 2019, which will inject new life in the exploration sector.

Pre-salt output from the Santos and Campos basins will continue to grow, and is seen expected to top production from post-salt horizons.

According to the ANP, production from the pre-salt zone reached 1.572 million boepd in May, just shy of post-salt output of 1.740 million boepd. “Many wells we have in the pre-salt are producing more than 30,000 boe/d,” Oddone said while mentioning the challenges of drilling in Brazil’s pre-salt play.

“In the Santos and Campos basins, we have a thick and large salt layer that in some cases can stretch for over 2000 metres. People like to say it is a wall. It is not the famous Game of Thrones wall, but it is still a wall.”

**Welcome move: Milton Costa Filho, secretary general of the Brazilian Petroleum Institute**

Photo: TOLGA SEZGIN

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**Peregrino EPC job is awarded**

**APPLY Leirvik** has been awarded a coveted contract worth around Nkr400 million ($48 million) to supply the living quarters module for Statoil’s Peregrino 2 platform in the Campos basin off Brazil, writes Steve Marshall.

Work under the engineering, procurement and construction contract will be carried out at the shipyard company’s Stord yard, with delivery scheduled for the third quarter of 2019.

The accommodation module will have 120-bed capacity, recreation areas, a helicopter deck, lifeboats and other facilities.

This will be the first complete delivery of an aluminium module from Apply’s Stord yard to the international market, with engineering and project planning work to start immediately. It is the latest award on the $4 billion Peregrino 2 project after Dutch player Heerema Fabrication Group recently landed the deal to build the 9000-tonne jacket for the planned third wellhead platform to be installed at the Peregrino field.

The Statoil-operated heavy oil field currently includes two WHPs tied back to a single floating production, storage and offloading vessel. The third WHP will also be tied back to this floater.

UK company Wood Group is providing detailed engineering and design for the third WHP. The second phase of the Peregrino project will tap the Peregrino South-East structure, with start-up scheduled for the end of 2020.

WHP-C will provide additional capacity for between 40,000 and 45,000 barrels per day from Peregrino South-East.

**QGEP agrees sale of stake**

Brazilian independent QGEP has agreed to sell its 10% stake in Santos basin block BM-S-8 to Norway’s Statoil for $379 million, the seller disclosed in a stock market filing, writes Gareth Chetwynd.

Statoil already operates block BM-S-8 after acquiring a 66% stake in the area from Brazil’s Petrobras in July 2016, for an agreed sum of $2.5 billion.

As with the acquisition from Petrobras, Statoil will pay half the agreed fee up front, and the other half when unification agreements covering the giant Carcará discovery is in place.

About half of the Carcará structure lies on open acreage, and this area will be offered to the market in a pre-salt unitisation bid round in October 2017. Statoil is expected to bid.

“We will be part of the proceeds from the BM-S-8 sale to pay a special dividend to QGEP shareholders, the company said.”
Algeria targets changes to regulatory structure

Country aiming to create an attractive upstream sector for foreign investment as it looks for partnerships

EOIN O’CINNÉIDE
Istanbul

ALGERIA is looking to push through regulatory changes as soon as next year to help attract foreign investment into its oil and gas industry, with the upstream sector a particular focus.

State giant Sonatrach is busy trying to tie up partnerships with foreign players as the Opec member state aims to capture $53 billion of capital investment in exploration and production from 2017 to 2021, with $27 billion alone envisaged for the drilling and development of 1,800 wells.

Chief executive Abdelmoumen Ould Kaddour, who is still relatively new to the post, acknowledged that the country must make its regulatory regime more attractive to outside investors if its ambitious upstream and downstream expansion plans are to be realised.

Ould Kaddour said plans are also to change the taxation system to help both existing and prospective projects, but more far-reaching measures are also in the pipeline.

“In parallel (to the proposed taxation law changes), we are also working on improving existing clauses. “This is happening right now and our expectation is that by next year we will have a new hydrocarbon law, which will be more attractive that the existing law,” the chief executive said at the World Petroleum Congress in Istanbul on Wednesday, ranked by Algeria Energy Minister Mustapha Guitouni.

“To (change) the existing law, I think it is going to take a minimum of one year. But the sooner we can have it in place the better,” Ould Kaddour continued.

In an exclusive interview with Upstream earlier this week, the Sonatrach boss said the company and its partners needed to develop a “new vision” for the E&P sector. “Definitely there is a need for developing a new relationship,” he said, adding that: “the first step is that we need to talk to each other.”

Since coming to office earlier this year, Ould Kaddour has prioritised sorting out the company’s arbitration cases with partners, with much headway already made.

On Wednesday, he said Sonatrach was on the verge of striking fresh deals in the E&P sector, although remaining mum on the details. “We expect to sign three more contracts for oil and gas production,” he said.

A “new vision” for the E&P sector, where the company is hunting partners with deep-water experience.

“Definitely there is a need for developing a new relationship,” he said, adding that: “the first step is that we need to talk to each other.”

In the downstream sector, Sonatrach has plans to build three more refineries — each with capacity of 5 million tonnes per annum — with hopes that a final investment decision can be made on two by the end of this year or early next year.

Security lessons learned

ALGERIAN Energy Minister Mustapha Guitouni is confident the Opec member nation has bolstered its security defences sufficiently to attract foreign investment having learned harsh lessons from the deadly In Amenas terrorist attack in 2013, writes Eoin O’Cinnide.

State oil player Sonatrach is targeting overseas companies for strategic tie-ups, particularly in the upstream sector, with security of operations likely to be one area of concern for any prospective investors.

Asked what was the current state of security in the country, Guitouni said there is no problem with security that is particular to Algeria, although acknowledging the threat posed by Salafist militants and insurgents in the wider Maghreb.

Sonatrach chief executive Abdelmoumen Ould Kaddour did, however, acknowledge the ongoing threat of insecurity to oil and gas operations in Algeria, but said the country had effective plans in place to combat terrorism.

“We are going through a very complex situation. But for us in Algeria, through that extremely sensitive experience, we have improved a lot our security plan. We have learned all of these lessons with our partners,” Ould Kaddour said.

An attack on the In Amenas gas plant in southern Algeria in January 2013 left dozens of workers and militants dead. The nearby In Salah gas plant also came under rocket fire in March last year, although there were no injuries. Al Qaeda’s North Africa affiliate, al Qaeda in the Islamic Maghreb, later claimed responsibility for the assault.

“I was in In Amenas two weeks ago. We had the chance to see the president of BP yesterday and he is satisfied with all of the measures that we have taken,” Ould Kaddour said.

“So it is a problem and we are tackling it the right way - I hope.”
Sector needs to act

WOMEN are being “overlooked” in the oil and gas industry, creating a massive gender imbalance worldwide and risking the future workforce of the sector, according to a report from the Boston Consulting Group (BCG) and the World Petroleum Council, writes Anamaria Deduleasa.

The study, released at the World Petroleum Congress in Istanbul, revealed that women account for only 22% of the industry’s workforce, one of the lowest among major industries. “Although men and women start out on an equal footing, women rarely reach the top of the organisation. This is not due to a lack of ambition, but because there is a shortage of qualified female candidates,” according to the report.

Women also rarely reach the top ranks in oil and gas companies. Among women who are still working in the industry after 15 to 20 years, most have a less than 20% chance of landing a senior executive job, the research revealed.

Additionally, the study showed that the percentage of women in the industry’s workforce drops over time and falls particularly sharply—from 22% to 17%—between middle management and senior leadership career stages. “This trend will not change unless chief executives make gender diversity a higher strategic priority, as men working in the industry care about gender balance more if they perceive their chief executive to do so,” it said.

BCG’s Katharina Rick, one of the authors of the report, said: “Despite in-depth analysis, we could not find any statistically significant difference among companies in different countries and regions. "This consistency reflects the powerful influence of the industry’s current culture. This culture needs to change materially if the industry hopes to make meaningful strides towards gender balance. “Unless companies commit to a critical mass of women across all roles meaningful progress towards gender balance in the industry will not occur,” Rick said.

Research was based on detailed interviews of more than 60 male and female senior industry executives worldwide and a survey of around 2000 male and female industry professionals.

RECENT shifts in technology, demographics and globalisation are causing an effective impact on the landscape when it comes to the future workforce in the oil and gas industry, writes Fabio Palmigiani.

During a panel at the 22nd World Petroleum Congress in Istanbul, oil industry players agreed that training the next generation of engineers and workers will be a mighty challenge. “Training has become a global reality. There have been about 500,000 departures over the past two years in the oil and gas industry, and little recruitment,” said Didier Housin, chief executive of France’s research and training institute IFP Energies Nouvelles.

“We forecast a strong demand in training due to the increasing complexity of projects, rapidly changing technologies and the evolution of the jobs themselves.” Milton Costa Filho, secretary general of the Brazilian Petroleum Institute, predicts there will be fierce competition for talented people in the future.

“The future workforce will be more mobile, productive and capable because of the advances in technology. Companies can react by adopting workforce planning, talent acquisition, use of social media, retention and benefits,” he said.

“However, oil companies historically are slower to react to changes in the business environment than in other sectors, largely because senior managers tend to be older and more conservative.”

American Petroleum Institute vice president of global industry services Lisa Salley said one major issue to attract new talent is that the oil industry is often perceived by young students as a non-friendly one.

“There is a reputation that the oil industry is bad for the environment, so the best way to attract the new generation begins in schools,” she told the panel.

Louise Kingham, head of UK’s
make sure things change is by not putting up with it,” he added.
During the same session, Ivan Martin, head of energy at BCG, and one of the authors of the report, also had strong warnings about the gender imbalance.
“We need talent to compensate for the declining workforce, and we have to attract women by creating a positive environment for them. We have to be able to then retain these women at mid-management level and senior level,”

Energy Institute, said women must play a larger role when it comes to the future of the oil and gas industry.
“It is inappropriate that still only 13% of the senior workforce in the oil and gas industry in 2017 is made of women.
“That is a discouragement for future generation,” said Kingdom.
“Also, companies need to offer career opportunities and invest in their own personnel, whether you expect to have that person working for you for five, 10 or 25 years.”

For Houssin, the reality is that the attractiveness of the oil and gas sector has been declining due to strong competition from aeronautics and the financial sector. Houssin said: “The battle for attracting talent is under way. Training has to evolve, taking into account the impact of digital technologies, innovation, creativity and entrepreneurship.”
Costa Filho said: “The future workforce is not tomorrow’s issue, but today’s reality.”

But it’s important that women participate, and even go beyond that and volunteer for different assignments that their superiors do not think of giving them,” she said.

“In India, the government offers support for women to be able to take two years break and then come back in the company at the same level. However, this is mostly in public companies, we’re trying on the private ones, as well,” Shukla added.

Kazakhstan gas issue

THE Kashagan field in Kazakhstan’s portion of the Caspian Sea will only achieve plateau production of 390,000 barrels per day in 2018, due to issues with the gas injection system.
A source from North Caspian Operating Company (NCOC), speaking on the condition of anonymity, said Kashagan is forecast to produce 300,000 bpd by the end of 2017, with output currently running at 20%, 000 to 215,000 bpd.
NCOC’s focus is on ensuring that gas injection facilities are working safely because they have to re-inject hydrogen sulhide-rich gas into the high-pressure oil reservoir.
Tests on the gas-injection equipment are under way. If this equipment does not work in the field, the gas will have to be flared.
However, the Kazakh authorities have imposed strict limits on how much gas can be flared before oil companies are fined.
DAY three was busy at the Bridge Auditorium with many activities at the Young Professionals Lounge for students and young professionals attending the Congress. The huge response to the Fine Tune CV was continued.

Oil talks also invited talented individuals to present their area of expertise. From Turkish Petroleum Sezer Sevinc spoke about Geomechanics and Mehmet Cicek on Unconventional Reservoir Characterization and Permeability Upscaling with Digital Rock Physics. Sila Bozok from Shell spoke about the Regional Trilemma of the EU.

Students and young professionals had a technical tour to Saudi Aramco, Halliburton, Total and Polish Oil & Gas, where they had the opportunity to exchange ideas and knowledge on the entire petroleum value chain and job perspectives.

In the afternoon, after an intensive and successful networking lunch, the auditorium welcomed panelists to discuss the Future of Energy Supply, what is the role of Unconventional.

Moderated by Joanna Desjardins (WPC Canada), the session addressed the perspectives of the non-conventional developments with the insights from Christophe Armandel (Total) and Cem Karatas (Turkish Petroleum).

The 2nd Mentoring Cycle of +10 Mentors and +40 Mentees globally has come to an end and its achievements and challenges have been discussed followed by the live networking sessions from the Mentoring cycles, which was well received by the audience.

The launch of the 3rd Mentoring programme has been successful and the applications for the next cycle have been invited.

Today, don’t miss the discussion at 10:00 on “Gender Diversity in Petroleum Industry: Journey to Leadership” moderated by Gul Ugurluer (WPC Turkey) with the insights from Tor Fjaeran (World Petroleum Council President), Dr Pinar Oya Yilmaz (ExxonMobil), Milton Costa Filho (IBP) and Burcu Gunal (Turkish Petroleum) at the Bridge Auditorium.

The session will be followed by the outcomes on the YP Survey conducted this year with the result presentation by Laura Garcia Chiquero (WPC YP Committee).

At 2:15pm, in ST8, Wim Thomas (Shell), Dr Saleh AlSaleh (Saudi Aramco) and Laura Garcia (WPC YP Committee) will discuss the current technological breakthroughs occurring in the industry in the YP special session, moderated by Csaba Zsoter (WPC YP Committee).

Please visit the Young Professional Lounge for more updates on the Program and further details.

Vijay Anne
For the WPC Young Professionals Committee

Special - Today in the SR Global Village
‘What Makes You...?’ is an interactive public installation panel designed to engage the visitor to the SR Global Village at the 22nd WPC. Using different colour threads to connect key elements on the panel, participants create multiple patterns that will form a colourful weave of personal reflection. Inspired by Dorota Grabkowska & Kuba Kolec, the designers of ‘What Made Me’ project.

World SR Projects Initiative
Find out more about corporate initiatives on Social Responsibility!!! Our World Social Responsibility Projects Initiative showcases these projects on this rotating globe in the SR Global Village.

We are creating a database of social responsibility projects by oil and gas companies around the world. Add your project at the SR Global Village and mark them by a flag on our unique globe.

SR PANELS
The Social Responsibility Programme will feature a number of presentation panels at the Bridge Auditorium located next to the SR Global Village stand. Selected companies are invited to share their experiences and provide case studies of practical engagement and joint projects with local communities and other stakeholders. Sessions are open to all attendees of the 22nd World Petroleum Congress and visitors to the World Petroleum Exhibition. Ethics & Human Rights and Environments Panels concluded yesterday with the participation of distinguished moderators and speakers.

Today in the Bridge Auditorium
- July 13th, 13:00-14:00
  Climate Change: An industry response
- July 13th, 14:00-15:00
  Local Community Engagement
On the eve of WPC 2017, Upstream surveyed many of the leading figures in the international oil & gas industry on topical issues shaping the sector. Lincoln Guardado, chief executive of Brazil’s QGEP, gives his view

GUARDADO: One of the oil and gas industry’s challenges is to invest in actions that mitigate greenhouse gas emissions from its operations and the use of its products, while still meeting the world’s energy needs.

The historic climate change agreement, signed by nearly 200 countries in December 2015, gives the industry the base line and consistency from which companies in this sector can operate going forward. On top of that, investors expect oil companies to have a credible plan for managing the low-carbon transition.

As we shift the sector to look forward on being energy providers, I strongly believe that this movement will stay strong and investments in this sense will rise, independently of the US’ position.

UPSTREAM: Is gas becoming more attractive than oil for companies and, if so, what implications does that have for the business?

GUARDADO: Yes, Brazil has an important market for gas and the announcement of the Gas to Grow initiative is one of the positive signs of the government to make the industry more competitive and attractive for the companies. QGEP holds a 45% stake at the Manati field, one of the largest non-associated gas producers in Brazil, and always evaluates growth opportunities in the country.

UPSTREAM: Can large-scale, multi-billion-dollar conventional oil and gas developments, including in deep waters, compete for capital against short-cycle shale and unconventional developments in the US and beyond?

GUARDADO: Yes. Taking into consideration their long-term vision regarding reliable production, the rate of production of those fields is normally much bigger than shallow waters and onshore.

UPSTREAM: What financing challenges does the industry face, and will addressing such challenges involve more mergers and acquisitions?

GUARDADO: The biggest challenge for the oil and gas industry in Brazil is to reduce costs in a low price environment and to allow the right conditions for companies to reduce costs and reach break-even, with more competitiveness and predictability in the fiscal terms. The government should keep an eye on the regulatory framework, adopting rules in line with the international market.

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UPSTREAM: Where do you expect the oil price to be by the end of this year? And by 2020?

GUARDADO: We work with a mix of estimates for the price of a barrel of oil, and our projection for the end of 2017 is around $60 per barrel.
New models needed to drive more investment

Chiyoda chairman Katsuo Nagasaka highlights challenges facing the industry in sustaining production and reducing carbon dioxide emissions

AMANDA BATTERSBY
Istanbul

THE world could be a facing a supply shortage of oil and gas in the latter half of the 2020s if investment in sustaining production is not stepped up, according to Chiyoda chairman Katsuo Nagasaka.

Boosting investment will require new business models across the whole value chain to improve profitability by reducing costs. There also needs to be a risk-sharing between stakeholders, Nagasaka told the 22nd World Energy Congress in Istanbul.

“A harder challenge is the impact from global warming, which requires reduction in carbon dioxide emissions,” he said.

Japan has already reduced its share of oil in the primary energy mix from a high of 76% to around 45% today, while gas is expected to become more important in the next few decades, Nagasaka told delegates.

“This is due to its availability... and reduced CO emissions,” he said.

However, Nagasaka cautioned that new investments in liquefied natural gas projects had become “stagnant” under the current economic conditions.

“To confront challenge and materialise investment, it is necessary to implement appropriate business models to reduce costs and share risks among stakeholders,” he said.

Nagasaka added that engineering companies worldwide were focusing on reducing plant costs and construction costs “by working jointly with owners, contractors, vendors and government agencies”.

“However, we never compromise on safety, since safety is our core value and is central to the people concerned in this industry,” he said.

Japan has committed to tackling global warming and the nation is studying a wide range of balanced energy options, while Chiyoda itself today is working on three new technologies to support energy supplies in the medium to long term.

SPERA hydrogen is the technology that is claimed to lead the way towards the “extensive introduction” of hydrogen as a new energy source. Chiyoda is exploring ways to safely and economically store and transport hydrogen in large volumes.

The company is also working on Japan’s first pilot project for the production of renewable jet and diesel fuels.

Chiyoda is also participating in the consortium studying the potential commercial exploitation of methane hydrates, which are said to be “widely abundant around Japan”.

In 1972 the company published its Legacy for the 21st Century, which advocated the need for harmony between industrial development and environmental preservation. Nagasaka said this publication is still valid today.

Chiyoda bills itself as the world’s leading LNG contractor having worked on 40% of such global projects and completed 75 receiving and regasification facilities.

We must never compromise on safety, since safety is our core value and is central to the people concerned in this industry.

Chiyoda chairman Katsuo Nagasaka
Shell buys Turritella FPSO for $1bn cash

Supermajor takes operatorship of US Gulf project in its entirety

LUKE JOHNSON

Houston

ANGLO-Dutch supermajor Shell has exercised its option to buy the Turritella floating production, storage and offloading vessel for $1 billion in cash from a group led by SBM Offshore.

Shell said the purchase of the FPSO — the centrepiece of its Stones development in the deep-water US Gulf of Mexico — will allow the company to “pursue additional efficiencies and achieve cost improvements” on subsea to surface operations.

Shell has previously touted an improved well design at Stones that will result in up to $1 billion in project savings.

Shell owns 100% of the Stones development and by owning the FPSO, it will assume operatorship of the project “in its entirety”, SBM said.

The deal, which was executed under the terms of Shell’s charter, is expected to close in early 2018. "Shell and SBM will work over the next several months to achieve a safe, smooth transition of the vessel operations," Shell said.

The Turritella FPSO has been on hire since 2 September 2016 and is currently producing in the Walker Ridge area of the US Gulf. It is moored in 2896 metres (9500 feet) of water about 320 kilometres off Louisiana.

It is the deepest FPSO development in the world and has a turret with a disconnectable buoy allowing it to weathervane in normal conditions and disconnect from the FPSO upon the approach of a hurricane.

The facility came online last year and is expected to produce about 50,000 barrels per day by the end of this year.

Design capacity of the FPSO is 60,000 bpd and 15 million cubic feet per day of gas.

It is one of only two FPSOs in US waters, along with the BW Pioneer, which is producing from the Petrobras-operated Cascade-Chinook development.

Turritella was converted at the Keppel Shipyard in Singapore from the double-hulled Japanese tanker Captain X Kyriakiou Majuro. Dyna-Mac fabricated the topsides.

SBM has a 55% interest in the joint venture that owns the FPSO. Other partners include Mitsubishi, which owns 30%, and Nippon Yusen Kabushiki Kaisha with 15%.

SBM said it would use its share of the proceeds for project finance redemption, which will decrease the company’s proportional net debt position.

Shell currently has three other US Gulf deep-water projects under construction — Appomattox, Kaikias, and Coulomb phase two — as well as Vito, a potential new hub in the region.

Aker Solutions profits slip on lower market activity

NORWEGIAN oil services company Aker Solutions saw profits slide in the first half of 2017 from the back of lower revenue, writes Josh Lewis.

The company posted a profit of Nkr905 million ($115.5 million) for the first six months of the year, down from the Nkr300 million in net income reported for the first half of 2016.

The drop in profits came as first-half revenues slipped, from more than Nkr13.4 billion in the first half of 2016 to just under Nkr10.6 billion in the first six months of 2017, largely due to lower market activity and some projects nearing completion.

Order intake was also down in the first half of the year, at Nkr7.6 billion compared to Nkr9.4 billion a year ago.

The slowdown in orders has also seen Aker’s orderbook drop from Nkr38 billion as of 30 June 2016 to Nkr30.7 billion at the end of the recent quarter.

Despite the recent slowdown, Aker chief executive Luis Araujo was optimistic on activity increasing in the future.

“We’re seeing a surge in demand for our front-end engineering services, which typically is an early indication of a pickup in activity ahead,” he said.

However, the company is still cautious in its overall outlook with projects continuing to be postponed amid volatile oil prices.

While it expects the current market to remain challenging, the company said there are some signs of recovery, particularly off Norway and in the brownfield segment.

Aker said it is currently tendering for contracts worth a combined Nkr60 billion, the majority of which are in the subssea sector.
On the eve of WPC 2017, Upstream surveyed many of the leading figures in the international oil & gas industry on topical issues shaping the sector. Pakistan Petroleum Ltd chief executive Syed Wamiq Bokhari responds.

**INTERVIEW**

**BOKHARI:** We are always looking at bringing our operating costs down. It is an ongoing process even when prices are high. The prolonged low price environment makes it far more critical that we succeed in reducing our costs to maintain a reasonable profit level. At PPL, we have performed stress tests at various low prices and are prepared to keep growing even in a prolonged low price environment. Other companies are also making similar plans.

**UPSTREAM:** What impact will climate concerns have on the operations of oil and gas companies over the next five years and beyond? Does the US decision to pull out of the Paris accords actually change that outlook?

**BOKHARI:** We all must take responsibility to keep this planet in a good shape. The measures depend on each company’s specific work environment and location, but all have a responsibility. Oil companies have taken many steps in the right direction and hopefully over the coming years this trend will grow further. The Paris accord is a step in the right direction and sooner or later its merits will be better understood by all countries.

**UPSTREAM:** Is gas becoming more attractive than oil for companies and, if so, what implications does that have for the business?

**BOKHARI:** Gas is much friendlier to our environment and is becoming the hydrocarbon of choice. We are seeing the mix of fossil fuels favouring gas. However, a lot of global needs, especially in the petrochemical industry, will continue to rely heavily on oil.

**UPSTREAM:** Can large-scale, multi-billion-dollar conventional oil and gas developments, including in deep waters, compete for capital against short-cycle shale and unconventional developments in the US and beyond?

**BOKHARI:** Shale development is also a capital intensive process. For large-scale high-cost developments, it will be very important to find ways to reduce costs, either through technology development or infrastructure improvements. Our industry is very creative and I am convinced that in time we will pursue all opportunities that are out there.

**UPSTREAM:** What financing challenges does the industry face, and will addressing such challenges involve more mergers and acquisitions?

**BOKHARI:** The industry is learning to be profitable under the new price norm. Activity has already started picking up as the cost structure is improving and more projects are becoming economical. As the activity increases and industry delivers good results under current price scenarios, the confidence of financial markets will also go up. Mergers and acquisitions will always be pursued where efficiencies can be brought in. However, in a depressed oil price environment there are more opportunities to acquire distressed companies, often resulting in a cost to acquire a barrel of oil that is less than the cost of exploration.

**UPSTREAM:** Where do you expect the oil price to be by the end of this year? And by 2020?

**BOKHARI:** Oil prices are difficult to predict but I anticipate that average WTI for 2017 will be around $50 per barrel and by 2020 we may be looking at between $60 to $70 per barrel. We have seen that in the recent past the reaction of oil prices to global political events has become less, and efficiencies are being introduced all across the globe resulting in reduced energy demand. However, the world population is still growing at a high enough rate and more people are coming out of poverty, resulting in a gradual increase in demand. Alternative energies will help meet the increase in demand, but not entirely offset it.
Borr nets jack-up rig debut

**TOTAL DRILLING DEAL**

Start-up contractor ready to roll off Nigeria

**EUROPE**

**Shell to exit Corrib gas project in Irish asset sale**

Supermajor continues its divestment plan by selling upstream stake in Ireland to Canadian investment vehicle

**STEVE MARSHALL**

Oslo

SHELL has struck a $1.23 billion deal to sell its upstream interests in Ireland to a unit of Canada Pension Plan Investment Board (CPPIB) that will mark the Anglo-Dutch supermajor’s exit from the controversial Corrib gas field.

Corrib co-venturer Vermilion Energy will now take over from Shell as operator of the producing field off west Ireland, with CPP Investment Board Europe – a wholly-owned subsidiary of CPPIB – coming onboard as partner through its acquisition of Shell’s 45% interest in the project and other assets.

CPPIB will pay an initial consideration of $947 million and additional payments of up to $285 million between 2018 and 2025, subject to the gas price and production from Corrib, according Shell.

However, Shell is set to record a $1.5 billion impairment loss on the sale of its Irish assets in the second quarter of this year, while also suffering a non-cash foreign exchange charge of $400 million.

The transaction is due for completion in the second quarter of next year, subject to regulatory and partner approvals. It is the latest in a raft of asset sales by the supermajor as part of a three-year $18 billion divestment effort by 2018, with disposals worth a total of $20 billion notched up to date.

Shell’s upstream director Andy Brown said the latest deal “is part of our strategy to reshape Shell and to deliver a world-class investment case” by concentrating its “upstream footprint where we can add most value”.

“I’m confident that Corrib will continue to deliver energy successfullly to the people and businesses of Ireland,” he added.

The gas field project has been a thorn in the side of the departing operator, having triggered local protests over safety and environmental concerns that delayed start-up by about a decade to the end of 2015.

Aside from Vermilion, with an 18.5% stake in Corrib, the remaining partner is Statoil on 36.5%

The acquisition marks a debut upstream investment off Ireland for Toronto-based CPPIB, which manages a fund totalling $316.7 billion.

**Providence begins drilling deep-water wildcat off Ireland**

**PROVIDENCE Resources** has started drilling of a wildcat targeting a pair of deep-water prospects off the west coast of Ireland, writes Steve Marshall.

The 53/6-A well is being drilled by drillship Stena IceMAX to test the Druid and Drombeg prospects located, respectively, in Paleocene and Lower Cretaceous structures in the Providence-operated FEL 2/34 block. The prospects in around 2250 metres of water have been assigned total cumulative in-place unrisked prospective resources of around 5.095 billion barrels of oil, with Druid at 3.18 billion, Drombeg at 1.915 billion.

Drilling of the probe, originally scheduled for the end of June, has been delayed due to mobilisation of the drillship from Las Palmas in the Spanish Canary Islands.

The Stena Drilling-owned high-specification unit, which has dual-derrick and harsh-environment capability, has been chartered at a cut-price dayrate of $185,000 by the London-listed explorer.

Providence said it would provide a further update once the Druid prospect has been reached by the well, which will then continue to the Drombeg target. The licence also holds the pre-Cretaceous Diablo prospect, but this will not be evaluated through the first single vertical well.

Providence has a 56% operating stake in the licence, with partners Cairn Energy on 30% through subsidiary Capricorn, and Sosina Exploration on 14%.

**SOUTH Korea’s Daewoo Shipbuilding & Marine Engineering has reportedly delivered a new-build drillship to the Norwegian rig owner Transocean, writes Josh Lewis.**

South Korean media reported the drillship was delivered on Tuesday but did not name the vessel, with Transocean’s website listing four newbuild ultra-deepwater drillships on order.

The first of those scheduled to start a contract is the Deepwater Pontus, which is due to begin work in the fourth quarter of 2017 with Shell under a 10-year deal on a dayrate of $519,000.

Both drillships are capable of operating in water depths of up to 12,000 feet and drilling to a depth of up to 35,000 feet.

“We are looking forward to establishing our presence as the leading operator of high-specification jack-ups in the years to come,” said Borr chief executive Rune Magnus.

Borr substantially bulked up its fleet earlier this year with the $1.35 billion purchase of 15 jack-ups from Transocean, five of which are still under construction.

Daewoo rig deivery

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The first of those scheduled to start a contract is the Deepwater Pontus, which is due to begin work in the fourth quarter of 2017 with Shell under a 10-year deal on a dayrate of $519,000.

Both drillships are capable of operating in water depths of up to 12,000 feet and drilling to a depth of up to 35,000 feet.

“We are looking forward to establishing our presence as the leading operator of high-specification jack-ups in the years to come,” said Borr chief executive Rune Magnus.

Borr substantially bulked up its fleet earlier this year with the $1.35 billion purchase of 15 jack-ups from Transocean, five of which are still under construction.
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