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The World’s Premier LNG Company
As the largest LNG producer in the world with 62 (F) trains, we work every day to meet our customers’ needs. Driven by safety and efficiency, our workforce takes pride in balancing the diverse and high-caliber workforce to bring innovation to the LNG industry, enabling us to deliver cleaner energy to where it is needed the most.

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QUESTIONS & ANSWERS

Changing the public view of oil and gas

In this the second of a two-part interview with Renato Bertani, president of the 21st World Petroleum Congress and chief executive of Brazilian independent Barra Energia tells Upstream correspondent in Rio de Janeiro Gareth Chetwynd his views on the shale revolution, developing gas markets and tackling the public perception of the oil industry.

Upstream: What are your views on the emergence of the unconventional industry, and how do you see their future development in global and regional markets?
Renato Bertani: Unconventional oil and natural gas resources will be thoroughly discussed in this conference in all aspects.

In principle any conventional petroleum system has also an enormous potential to deliver unconventional oil and natural gas. Therefore, the implications for the industry are truly global, even though at this stage truly commercial scale is only very patchy beyond the US and, to a certain extent, Canada — leaving aside the extra heavy oil sands, which in themselves represent another huge resource base.

It will take time for a broader and global scale development of unconventional because these require massive drilling and fracturing capabilities, a very dense grid of gathering and transportation facilities and the satisfaction of society over concerns about both surface and subsurface environmental impacts.

But ultimately the solutions will be developed and unconventional will become an important component of the world’s energy matrix.

As has happened in the US, unconventionals will play a key role in promoting economic development and wellbeing for societies around the world.

Upstream: Do you see any new ground-breaking industry innovations on the horizon — gas hydrates, for example?
Renato Bertani: Gas hydrates have always been on the industry’s radar, as a result of the huge volumes that have been mapped out.

However, I think that technological and, most importantly, economic constraints will keep the focus of the industry on development of conventional and unconventional resources in the onshore and offshore sedimentary basins.

In my view, the real game changers are the new technologies and ideas that make it possible to extract more hydrocarbons in known producing reservoirs, to find huge oil pools in geological settings where conventional wisdom would dictate that no commercial viability would be plausible, and to improve the economics of low productivity/capital intensive developments of extra-heavy oil accumulations and ultra-low permeability unconventional reservoirs.

Upstream: Is liquefied natural gas about to enter a new era?
Renato Bertani: Yes, I think that LNG has the potential to promote a truly global insertion of gas into the world’s energy matrix and will add a lot of market flexibility to producers and consumers as well.

Combined with the development of unconventional sources of natural gas and other technologies designed to capture stranded gas reserves (floating LNG, gas-to-liquids, etc) we will see a growing importance of natural gas in substituting for cleaner sources of energy and boosting local economies.

Upstream: How does your role at WPC co-exist with your day-to-day duties at Barra Energia?
Renato Bertani: The WPC is a great organisation and it has been an extremely rewarding experience for me to be part of it for approximately 17 years.

It provided me with great networking and, most importantly, an opportunity to learn from our almost 30 National Committees something new almost every week.

However, I should emphasise that I dedicate most of my time to my company Barra Energia, a start-up company with some very exciting projects in offshore Brazil.

I have been able to reconcile both activities by taking advantage of new communication technologies that greatly reduced my travelling needs.

But I should also indicate that this has been possible mostly because I count on highly qualified teams in both the WPC Secretariat and Executive Committee as well as in Barra Energia, to all of whom I am extremely thankful.

Upstream: What do you consider to be the main challenge facing the energy industry today?
Renato Bertani: The main challenge that we currently face in our industry is to gain the trust and support of all segments of society in our business.

Despite all of its successes, often under extremely harsh conditions, in assuring energy supply to the world for over 150 years, the oil industry still has an image problem.

Unfortunately the vast majority of public image surveys qualify the industry as polluting, unsafe, greedy and even corrupt.

We have come a long way in improving the standards of operation, and must continue doing so.

Even though this is all but impossible, our target should be zero tolerance for environmental and safety accidents, and totally transparent and ethical standards in conducting our business.

One of the main objectives of our World Petroleum Congress is to promote these high standards, inform society about our progress and openly discuss our flaws, and engage with all stakeholders.

Other initiatives, like the Youth Forum (the next one will be in Brazil in 2016) and a conference fully dedicated to CSR planned for next year in Norway complement the efforts to deliver our mission, which is to promote the sustainable exploration, production and consumption of oil and natural gas for the benefit of humankind.
Welcome to the 21st World Petroleum Congress

Energy lives here∗
21st WORLD PETROLEUM CONGRESS
PROGRAMME MONDAY 16 JUNE 2014

Plenary Sessions

Opening Plenary – Energy strategies for a growing world 09.00-10.00 (PL-Hall)

Session Chair: H.E. Dharmendra Pradhan, Minister of Petroleum & Natural Gas, India

Plenary Speakers: H.E. Dharmendra Pradhan, Minister for Energy, Russia Federação

Panelists: Mr. Svein Ilebekk, Exploration & Production International, Valeura Energy, Canada,

Mr. Andrey Kuzyaev, Pre-salt development, Petrobras, Brazil,

Dr. Cesar Cainelli, Exploration (Cairn), Norway,

Mr. James Flood, Chair, ExxonMobil Exploration Company, USA

WPC Excellence Awards 13.15-14.00 (PL-Hall)

Plenary Speakers: Mr. Abdalla Saleem El-Badry, Secretary General, OPEC

Igor Sechin, CEO, Rosneft, Russian Federation

Alexey Miller, CEO, Gazprom, Russian Federation

Vagit Alekperov, CEO, Lukoil, Russian Federation

Inaugural Session – Russian Petroleum Industry Perspectives 14.15-15.45 (PL-Hall)

Session Chair: H.E. Arkady Dvorkovich, Deputy Prime Minister for Energy, Russian Federation

Plenary Speakers: H.E. Abdalla Saleem El-Badry, Secretary General, OPEC

Igor Sechin, CEO, Rosneft, Russian Federation

Igor Sechin, CEO, Rosneft, Russian Federation

Inaugural Keynote: Vladimir Putin, President of the Russian Federation

Technical Programme

Block 1. Exploration and Production of Oil and Natural Gas

F01 – New opportunities in old fields 10.15-11.45 (Poster Plaza)

F02 – Exploration and production in the Arctic 16.00-17.30 (Poster Plaza)

RTO1 – Where should we look for new resources? 10.15-11.45 (Room 5)

21 WPC Technical programme

Moderator Panels:

Mr. Tim McFarland, President and CEO, Valea Energy, Canada,

Mr. Didier Holleaux, CEO, GDF SUEZ Exploration & Production International, France,

Mr. Sven Edebeki, CEO, Agora Oil & Gas (Cairn), Norway,

Dr. Cesar Cainelli, Vice President of Exploration, Barra Energia do Brasil Petroleo e Gas Ltda, Brazil,

Mr. Andrey Kuzyaev, Vice President of Lukoil Group, Lukoil Overseas, Russian Federation,

BPK1 – Management of Arctic and deep water mega projects 12.00-13.00 (Block 3)

Chair: Mr. James Flood, Vice President, ExxonMobil Exploration Company, United States

Speakers: Mr. Michel Hourcand, Senior Vice President Development E&P, Total, France,

Mr. Neil Gilmour, Vice President Development, Integrated Gas, Shell, Singapore,

Block 2. Refining, Transportation and Petrochemistry

F03 – Reducing the carbon footprint of fuels and petrochemicals 10.15-11.45 (Poster Plaza)

F10 – Innovative catalytic processes for hydrocarbon conversion 16.00-17.30 (Poster Plaza)

BPK3 – Ensuring prudent operations in refineries 12.00-13.00 (Block 2)

Chair: Mr. Artur Theman, Refining and Marketing Executive Director, INEOS, Croatia

Speakers: Mr. Jean-Luc Karnik, Chief Executive Officer, IFP Training, France,

Prof. Vladimir Kapustin, CEO, VNIPNet, Russian Federation,

Block 3. Natural Gas Processing, Transportation and Marketing

F14 – New developments and future growth in CNG, LNG, CTL, CTL, ETL, CBM, Hydrates – supply and demand 10.15-11.45 (Poster Plaza)

BPK5 – Best practice in hydraulic fracturing 12.00-13.00 (Block 3)

Chair: Mr. Yuzhang Liu, Vice President, Research Institute of Petroleum Exploration and Development, CNPC, China,

Speakers: Mr. Francois Auzerais, Senior Research Advisor, Schlumberger Production Group, Singapore,

Dr. Ken Koyama, Director Scenarios and Resources, OPEC Fund for International Development,

Chair: Mr. Vasily Tchernychev, Advisor, North America, RDS, USA

Speakers: Mr. David MacDonald, Director, Energy Research Centre, Skolkovo Business School

Special Sessions


Session Chair: Daniel Yergin, Vice Chair, HS, and Pulitzer Prize Winner for “The Prize”, USA

Keynote Speaker: Christo Röhl, Group Chief Economist and Vice President, BP, UK

Panel: Bob Dudley, CEO, BP, UK Alexander Novak, Minister of Energy, Russia

SP02 – Arctic development challenges – partnerships among industry & governments 10.15-11.45 (PL-Hall)

Session Chair: Prof. Arastoo Zolotukhin, Counsellor, International Affairs, Research Director, Institute of Arctic Petroleum Technology, St.Petersburg, Russia

Keynote Speakers: Stephen Greenlee, President, ExxonMobil Exploration Company, USA

SP03 – Big data – impact on the industry 10.15-11.15 (Room 6)

Session Chair: Celestine Vettal, VP, Intelligent Energy Products & Technology Baker Hughes, Reservoir Development Services (RDS), USA

Keynote Speakers: Tobias Becker, Senior Vice President, Head of Control Technologies Business Unit, ABB, Switzerland

Fernando Auzerais, Senior Technical Advisor, Production Group, Schlumberger, France

Arjan Devand, Executive Vice President, Technical and Competitive IT (TaciT), Shell

SP04 – Technology - The next wave of upstream innovation 16.00-17.30 (PL-Hall)

Session Chair: Dr. Bernard Seiller, Chair, Expert Group on Resource Classification / VP Reserves, BP

Keynote Speakers: Grégoire Yvignon, Director, Energy Research Centre, Skolkovo Business School

SP06 – WPC – Economics of Energy in a Changing World 16.00-17.30 (Room 6)

Session Chair: Dr. Muhammad Saggaf, President of King Abdullah Petroleum Studies and Research Center (KAPSARC), Saudi Arabia

Keynote Speakers: Zuland van der Westhuizen, Deputy Director Scenarios and Resources, WEC

Svetlana Ikonnikova, Energy Economist, Bureau of Economic Geology, University of Texas, USA

Monday 16 June 2014
RUSSIA/UKRAINE

Gazprom set to turn off the tap

Sudden worsening of relations prompts state gas monopoly to stick to hard line

Vladimir Afanasiev
Moscow

RUSSIA’S state-controlled gas monopoly Gazprom has moved ahead on its promise to halt gas supplies to Ukraine on 16 June after negotiations in Brussels earlier this week ended with no compromise on the price issue.

Meanwhile, a new round of talks, which began this weekend in Kiev, has come under threat following the sudden worsening of relations between Russia and Ukraine after pro-Russian separatists shot down an Ilyushin-76 cargo plane near the Luhansk airport, killing everybody on board.

Gazprom executive chairman Alexei Miller was reported to have walked out of negotiations in Kiev soon after his arrival on 14 June after protesters staged an attack on the city’s Russian embassy, smashing windows and overturning diplomatic cars.

Talks were due to resume early on 15 June, but Miller did not show up, with a new start time set for later that evening, according to reports in Kiev.

In his earlier statement, Miller said that Gazprom will no longer extend the deadline for waiting for Ukraine’s Naftohaz to pay for gas, delivered in November and December.

According to Miller, Gazprom has to receive the payment of $1.95 billion from Naftohaz by 10 am on 16 June to continue uninterrupted Russian gas flows to Ukraine. If no payment is received by then, it intends to halt deliveries until Ukraine sends some funds to Gazprom, switching to what it calls, “the pre-payment system”.

Miller said in the statement that Ukraine has rejected the price offer of $385 per thousand cubic metres of gas.

Miller added that Gazprom is ready to increase gas supplies through Nord Stream and the Yamal-Europe pipelines if there are disruptions to Russian gas transits through Ukraine.

For their part, Ukraine’s top government officials reiterated that they still want a lower gas price, and consider the current Gazprom’s offer as going above the European market level.

Ukraine’s Prime Minister Arseny Yatsenyuk has ordered Naftohaz, ministries and regions to prepare for the Russian gas cut-off next week. Without Russian gas flows, Ukraine will have to rely on its own gas production, imports from Hungary, Poland and Slovakia, as well as existing gas in its vast underground storage facilities in the west of the country.

Yatsenyuk has also asked ministries to speed up filing a suit against Gazprom in the International arbitration chamber in Stockholm, Sweden, as well as revise pipeline tariffs that Naftohaz charges Gazprom for sending its gas to Europe.

According to Naftohaz executive chairman Andrey Kobolev, Naftohaz is prepared to pay about $1.9 billion of debt to Gazprom in case the gas giant agrees to the temporary price of $326 per thousand cubic metres.

The price, which according to Kobolev has been backed by the European Commission, should stay in force for the next 18 months.

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Duffin is all set to overcome

Ahead of the 21st World Petroleum Congress in Moscow, Upstream editor-in-chief Erik Means was given the opportunity to ask Neil Duffin, president of ExxonMobil Development Company, about some of the major challenges facing his company, and the industry at large, in the years to come.

Upstream: How do Arctic developments differ from projects elsewhere in the world?
Duffin: The Arctic is one of the most challenging operating environments, with remote locations, harsh weather, and dynamic ice covers. But, contrary to some claims, it is not unfamiliar territory for our industry.

The Arctic has been the location of major oil and natural gas production for decades.

We are using proven technologies such as extended-reach drilling, ice-resistant platforms, iceberg surveillance and computerized modelling to explore and produce in the Arctic.

ExxonMobil has the industry’s largest remaining frontier for undiscovered, recoverable oil and gas reserves. New drilling and completion technologies have also enabled resources to be reached at measured depths of over 42,000 feet.

The project has drilled eight of the ten longest extended-reach wells in the world.

ExxonMobil research teams, leveraging our imaging capabilities, are exploring opportunities to optimise the seismic data collection process.

Enhancements to seismic data acquisition can minimise survey costs and improve efficiency in challenging operating conditions like the High Arctic, where open-water access is limited for much of the year.

Upstream: Turning to the global scene, what are some of the most intriguing frontier regions that are emerging and capturing ExxonMobil’s eye at present?
Duffin: The Arctic is the world’s largest remaining frontier for undiscovered resources, and ExxonMobil has the industry’s longest history of Arctic experience.

Technology will enable access to a region that potentially holds up to 20% of the world’s remaining endowment of undiscovered, recoverable oil and gas reserves.

Deep-water oil and gas production is expected to grow by more than 150% from 2010 to 2040 and will represent more than 12% of global supplies.

Growth is also likely to be realised in smaller basins across the globe.

New drilling and completion technologies have also enabled growth in production from shale and other unconventional oil and gas reservoirs in North America.

Unconventional drilling activity also leads to growth in natural gas liquids, another important contribution to the growth in global liquids supplies.

ExxonMobil’s Piceance project in Colorado pioneered the capability to place multiple hydraulic fracture zones in a single well, and was first to use efficient pad drilling operations that now characterise all unconventional oil and gas production.

Upstream: ExxonMobil has just started production at Popoea New Guinea LNG and is talking about attractive unit costs per tonne of liquefied natural gas production, as well as the project coming online ahead of schedule. Are there lessons that can be learned from this experience in other countries, such as Australia?
Duffin: Right from the start, ExxonMobil was aware that time was critical to our success in PNG.

Back in 2007, our gas marketers saw a window of opportunity in the rapidly growing LNG market presented by the winding down of older LNG sources around 2013-2015.

Our goal was to bring LNG supplies to the market in this period ahead of other proposed projects in the region.

The gas business is all about relationships — with our communities, our customers, our joint-venturers, our suppliers and governments.

They link suppliers with customers who are often half a world away.

To meet timing objectives, we had to run our engineering, marketing and financing in parallel.

Our gas marketers quickly finalised sales agreements. Our finance team raised, what was at the time, the largest project finance deal in history (in record time in the midst of the global financial crisis).

Also the support of the PNG government and the local communities was important in achieving the early start-up of the $19 billion project.

We also started with a very active early works programme prior to the final investment decision, with an aim to do what we could to reduce the project’s critical path schedule.

We wanted to avoid having our drilling and construction contractors competing for the same limited existing logistics infrastructure in the field.

Upstream: Can you point to a key technological challenge that, if a breakthrough is made, could have a fundamental impact on the upstream oil and gas industry as we know it?
Duffin: Like no other commodity, energy touches every aspect of modern life, providing tremendous benefits.

There has also been a dramatic evolution of energy needs and energy supplies.

In recent decades, even as global energy needs reached unprecedented levels of scale and complexity, technology enabled consumers to choose from an increasingly diverse set of energy sources.

In this lies a simple fact — good, practical options to meet energy needs continue to expand.

The need for energy will continue to grow, and fostering innovation will benefit both individuals and societies.

Energy consumers are continuing to adopt energy-saving behaviours and technologies such as LED lighting, next-generation laptop computers and hybrid vehicles.

Upstream: Does ExxonMobil see gas becoming increasingly attractive as time goes by, and technological advances help to reduce emissions from both oil and gas production?
Duffin: By 2040, we expect to see natural gas surpass coal as the second-largest fuel source, and as a result energy-related carbon dioxide emissions will decline and gradually decline.

Because of rising living standards, the world will see a continued shift toward electricity and natural gas and away from biomass fuels.

Also by 2040, demand for natural gas in the power generation sector is expected to rise by close to 80%.

We anticipate that public policies will continue to evolve to place tighter standards and higher costs on emissions, including carbon dioxide, while also promoting renewables.

As a result, we expect the power sector to adopt combinations of fuels and technologies that reduce emissions.

To reduce carbon dioxide emissions associated with power generation using natural gas and coal, one technology often discussed is carbon capture and storage (CCS).

Since new gas-fired power plants generate about 50% fewer carbon dioxide emissions than coal-fired plants, we expect gas-fired CCS plants will provide lower-cost electricity than coal-fired CCS plants.

However, CCS technology faces substantial economic and practical hurdles.

Upstream: There has been a lot of concern in the industry about cost inflation and the need for cuts over the past half-year, but it now seems rig rates and other costs are coming back down. Does that make this a good time for a player like ExxonMobil, which emphasises investing through the cycle, to push on with new projects?
Duffin: Our new projects are carefully evaluated and selected from our deep and diverse portfolio.

We seek to bring our superior execution capabilities to bear,
the challenges that lie ahead

Deployment of our Fast Drill and proprietary completion technologies have alone yielded 15% to 20% lower costs.

Another example of cost management is our use of next-generation completion technology, known as XFrac. This proprietary technology eliminates the need for multiple plugs that are normally required for hydraulic fracturing, enabling completion at much lower costs, and accelerated production compared to industry’s current approach.

There is also a large rig fleet available and we have been able to drive the cost of our unconventional programmes down on a per-well basis.

To ensure we are not leaving a lot on the table, we look at different engineering solutions, and good procurement and contracting strategies, but without sacrificing quality, whether in terms of materials and services, or whether working with contractors whom we choose in a very deliberate way.

Upstream: Managing large-scale field development projects is a complicated science. What has been ExxonMobil’s recipe for handling such projects that has enabled it to minimise the instances of delays and cost overruns that have beset many other projects?

Duffin: ExxonMobil applies a disciplined approach to investing and cost management. Proven project management systems incorporate best practices developed from our extensive worldwide experience to rigorously manage our global project portfolio from initial discovery to start-up.

Safety is a key area of focus in managing large-scale projects.

Many oil and gas companies use a traditional safety pyramid to evaluate safety incidents. The pyramid represents the actual outcome of events that have taken place — not taking into account potential outcomes. Recognising this challenge, ExxonMobil Development Company refers to this as a “diamond of knowledge” buried within the traditional pyramid. The diamond is a realisation that, on any given day, multiple incidents under different circumstances could have had a much more serious outcome.

The “mining the diamond” approach recognises these higher-risk activities and reacts to the potential outcomes of an incident, as well as the actual outcomes.

For example, our Arctic Projects team at ExxonMobil Development Company analysed its safety incidents in a recent year and found only a small number of actual first-aid or near-miss events could have reasonably resulted in a serious incident with a life-altering consequence.

This analysis helped the project team focus on activities that had the potential for serious outcomes.

Deployment of our Fast Drill and proprietary completion technologies have alone yielded 15% to 20% lower costs.
Maliki vows to re-take cities lost to ‘traitors’

Embattled Prime Minister signals fightback as US and Iran offer help

NASSIR SHIRKHANI

Moscow

IRAQ has pledged to regain control of cities and territories lost to Sunni militants whose military victories have triggered a rally in oil prices.

The US and Iran also offered help to embattled Iraqi Prime Minister Nuri al-Maliki.

The Islamic State of Iraq and the Levant — an al-Qaeda splinter group known as ISIS — captured a large area of land in the north, including the key cities of Mosul and Tikrit, and threatened to advance on the capital Baghdad.

Meanwhile, ethnic Kurds took advantage of the mayhem and moved quickly to take over the disputed oil city of Kirkuk as the Iraqi military fled in the face of the rebel advance. However, Iraq’s main oil producing region of Basra in the south has escaped the fighting, allowing international oil companies to remain in the country.

Maliki has ordered his army to fight back.

“Samarra will be the starting point, the gathering station of our troops to cleanse every inch that was desecrated by the footsteps of those traitors,” Maliki said on Sunday.

The Iraqi army claimed it had regained some of the lost ground, including most of Salaheddin province, which the rebels overran last week in their lightning offensive.

US Defence Secretary Chuck Hagel ordered an aircraft carrier and a部分内容。
INDONESIA

Scandal causes project gridlock

Extra measures to eliminate corruption mean major developments and even contract extensions face further delays

AMANDA BATTERSBY
Moscow

OIL and gas projects in Indonesia worth billions of dollars and even contract extensions face further delays, as these will now require a second review and approval in the wake of the corruption scandal that has rocked upstream regulator SKK Migas.

Each strategic decision including contract extensions and renegotiations in the oil, gas, energy and mining industries will now require oversight from audit and anti-corruption agencies, according to Minister of Energy & Mineral Resources Jero Wacik.

He said that the move was made against the backdrop of the continuing graft investigations by Indonesia’s Corruption Eradication Commission (KPK) that have already claimed the scalp of SKK Migas head Rudi Rubiandini.

Rudi has been jailed after he was found guilty of accepting bribes from Singapore oil trading company Kernel Oil.

“If we are not certain about our decision, either in SKK Migas, the oil and gas directorate or the mineral and coal directorate, there will be a process of consultation with the BPKP [Development Finance Comptroller],” said Jero.

“If the project is strategic, the consultation must also involve the KPK.”

Jero has already been called before the commission as a witness for the KPK’s investigation of the $13 billion Tangguh gas project.

Jakarta Post reported.

SKK Migas acting head Johan-Nes WidJonarko has admitted his office has sought input from the comptroller regarding the investment proposal for the IDD project.

Upstream projects awaiting approval include Chevron’s multi-billion dollar Integrated Deepwater Development off East Kalimantan — the country’s first ultra-deepwater development, which will produce feedstock gas for the Bentang liquefied natural gas plant.

UK supermajor Chevron is also seeking an extension beyond 2020 to one of the production sharing contracts in its IDD project.

SKK Migas acting head Johan-Nes WidJonarko has admitted his office has sought input from the comptroller regarding the investment proposal for the IDD project.

The KPK has already been involved in several oil and gas projects. The planned construction of a third 3.8 million tonnes per annum train at BP’s Tangguh LNG project in Papua has been temporarily suspended at the request of the KPK.

According to the ministry, the KPK halted the project because its funding plan was at risk of violating the existing Oil & Gas Law, the Jakarta Post reported.

Upstream is awaiting comment from UK supermajor BP regarding the status of the $13 billion Tangguh expansion that includes a third train. LNG from this project is both exported and used in the domestic market.

Achieving Seamless Operational Management along The China-Kazakhstan Natural Gas Pipeline

With the implementation of an automated, secure and remotely managed system along the China-Kazakhstan natural gas pipeline, engineers located in distributed locations are now able to communicate and work together seamlessly, preventing latent issues.

Advanced Communications System Required to Overcome Operational Challenges

The Kazakhstan section of the China-Kazakhstan natural gas pipeline measures 1,300 kilometers and was built by the Asia Gas Pipeline (AGP) LLP, a joint venture between the China National Petroleum Corporation (CNPC) and Kazakhstan’s state-owned oil and gas company, KazMunai Gas.

The construction of the pipeline was very challenging due to the rugged terrain, climate, remote location, limited infrastructure, and security concerns. These limitations prevented AGP from adopting conventional practices in pipeline operations such as manual operations and regular onsite inspections. To overcome these issues, AGP would need a reliable communications system that could be accessed through various terminals and provide real-time analysis and troubleshooting features.

Integrating Latest Information and Communication Technology to Build an Intelligent Pipeline

Huawei recommended an integrated pipeline communications solution to enable the simultaneous transmission of voice, data, and video services over a backbone network. The solution could be easily integrated and seamlessly interoperable with equipment from various equipment vendors in the industry, offering a flexible and open platform that could connect to a number of security protection and monitoring systems.

Secure and Reliable Network

For network coverage, an optical network was implemented over an All-IP infrastructure. The network was also supported by a satellite backup solution.

Optical trunk cables were set up by the pipelines to construct the optical transmission. A satellite communications system was also installed to reinforce key links. As a result, the systems were able to support supervisory control and data acquisition (SCADA) system data transmission and daily voice services.

Interstation Communications

As part of the project, a series of communications systems were set up for the control center, compressor stations and valve stations. A convergent conference solution was installed to effectively facilitate daily operations and a trunking communications system was used to enhance the latency, quality and convenience of communications during production scheduling.

Security Protection

To protect the pipeline and station equipment from damage or theft, Huawei provided an intelligent video surveillance (IVS) system, intrusion detection system (IDS), station access control system, and an industrial-grade broadcasting system. With the adoption of these systems, engineers would be alerted about potential problems as the IDS system and an access control system were linked to the IVS system at the pipeline’s key points.

Remote System Management Ensures Real-time Communication Flow

With Huawei’s solutions, AGP has implemented an end-to-end management and control system that ensures uninterrupted communications and access at any time, anywhere along the China-Kazakhstan natural gas pipeline. AGP has reported that the remote control and communications systems for its pipeline stations have been successfully implemented.

The systems will enable the company to monitor and address any problems from Kazakhstan remotely through audio, SMS and emails, to cities in China such as Beijing.
I have been working on my PhD thesis in the working group of Professor Dr Ing Stefan Ernst at the University of Kaiserslautern (TU) in Germany since 2011. The focus of my work is the direct conversion of ethene to propene and butenes over medium pore zeolites. This novel "on-purpose" technology is currently being investigated in laboratory scale.

We use zeolites as well-known catalysts for industrial applications. Several zeolites exhibit high activities and selectivities in hydrocarbon conversions.

The aim of this systematic study is to explore the factors which govern the yield and selectivity of propene and butenes from ethene and to optimise the catalyst properties for this reaction.

Due to the long-term activities of my supervisor Professor Ernst as a member in the programme committee, I heard of the WPC for the first time at the beginning of my PhD studies. This opened my very early insights into the versatile offerings of the WPC.

The promotion of young scientists made an especially deep impression. Now, at the end of my PhD studies, I have the opportunity to present my results at the 21st World Petroleum Congress in Moscow. I like to benefit from the multipurpose offer to expand my knowledge regarding the reported selection of topics.

Furthermore I am interested in the exchange of concepts and discussions with other ambitious scientists. Another important aspect is to seek conversations with representatives of the industry in order to discuss possible future options.

I am especially interested in the relationship with the oil and gas industry. Finally, I expect to have a broader and deeper view regarding the real challenges for the oil and gas industry to cope with the global demand for energy sustainability.

Our research aims to evaluate the potential for the development of sugarcane bagasse-based bio-refineries for the production of high valued bioplatform molecules (bPMs). We ascertain that the deployment of added value products will provide competitiveness to the production of biofuels in regions where they are not currently feasible.

The case study focuses on Campos dis Goytacazes, a former powerful city in the sugarcane industry that faces its twilight nowadays.

AGM is an Africa-focused private oil and gas exploration company working in cooperation with National Oil Companies and indigenous operators to develop hydrocarbon concessions and build strategic national capabilities.

AGM combines extensive operational expertise with world leading technical capabilities in deep water offshore well engineering and drilling.

AGM is committed to building long-term partnerships in the countries in which it operates. Acting as a strategic partner to National Oil Companies and indigenous operators, our focus is to jointly operate and manage oil and gas assets and build technical and operational expertise, which over time would position our business partners to become standalone operators. We are also dedicated to invest in social and community welfare of the countries in which we operate, ensuring local communities benefit from the development their national resources and broadening local participation in the petroleum industry.

In Ghana, AGM entered into a strategic alliance with the Ghana National Petroleum Company (GNPC) to explore and develop the South Deepwater Tano offshore concession. The concession is part of the prolific Tano Basin boasting several discoveries including the >2BBOE Jubilee field. Two exploration wells are planned to be spudded in 2015.

Minexco (S.L.) Limited, another of Minexco Petroleum group of companies, holds and operates Block SL-7A-10 offshore Sierra Leone. An extensive 2D seismic acquisition and reprocessing programme has been conducted over the entire concession area, with plans for a further 3D seismic acquisition program to be conducted later this year.

Have we mentioned that the deployment of added value products will provide competitiveness to the production of biofuels in regions where they are not currently feasible. The case study focuses on Campos dis Goytacazes, a former powerful city in the sugarcane industry that faces its twilight nowadays.
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Mexico’s model is not Brazil

MEXICO’S Pemex will soon have to adjust to new local content policies, but officials are keen to highlight a significant departure from the Brazilian model, writes Gareth Chetwynd.

In Mexico’s case, local content requirements will rise to a modest 25%, much lower than the rates imposed on Brazil’s Petrobras.

“The focus here is to show that Pemex is not responsible for developing local content. We need to compete and we cannot carry this additional load. Pemex will have strategies for working in association with partners under our business model, but the responsibility for developing local industry is a matter for the economy secretariat, not Pemex,” says David Rodriguez, a manager in Pemex’s procurement division.

This pragmatic stance may be welcomed by international contractors, but some remain wary about the plans that Pemex may be hatching for its own international procurement division (PIE).

Pemex surprised many in the offshore sector last year by awarding PIE a contract for the supply of two chartered flotels, ahead of some established players.

Pemex was apparently keen to place orders with Spanish shipyard Hijos de Barco Barreras y Navante, where the oil company acquired a controlling stake through its PMI unit.

However, Mexican sources said the award was also a thinly-disguised move to break the stranglehold on this market enjoyed by Mexican contractor Cotemar.

“There will be more cases where PIE participates in tenders, and the objective will be to build up a foothold in key areas that allows Pemex to guarantee its own security of supply,” says another Pemex source.

The industry is watching closely to see Pemex’s next move, with a major investment in a new Mexican shipyard clearly in the pipeline.

Pemex also has a lot of work to do to adapt to the shift towards risk-reward parameters.

“There is a lot for us to do, including valuation of assets, re-organising ourselves and our portfolio management and strengthening business development functions,” says Gustavo Hernandez, Pemex’s acting head of exploration and production.

Internally, Pemex will need to address training, recruiting and retaining talent.

“Communication is important. Many at Pemex are worried about salaries, so there is a need to explain which areas are affected and how,” Hernandez says.

**Winds of change blowing**

Fundamental shift for state-run Mexican player as it prepares to open up the country’s energy sector to private participation

GARETH CHETWYND

Mexico City

There is excitement internationally about the imminent opening of the Mexican energy sector, but the winds of change are already being felt along the lofty corridors of Pemex Tower in Mexico City.

The reforms are primarily about private sector participation in the whole hydrocarbon value chain, but Gustavo Hernandez, Pemex’s acting head of exploration and production, describes a fundamental change for the state-run company too.

Pemex’s purpose will be to generate profits for the nation, a value-driven enterprise. It will no longer be expected to act as some kind of de-centralised development entity,” Hernandez says.

This seismic shift means that Pemex can shed its responsibility for energy security, leaving that role to the country’s energy secretariat (Sener), and focus on the transformative exposure to competition.

New environment

These changes were enshrined in constitutional reforms approved in December, and will be complemented in a bill that is one of 21 currently under debate in an extraordinary session of Congress.

In the new environment, policy objectives such as “national development” will spring from competition-fuelled investments rather than rulings on issues such as local content. Hernandez believes.

Pemex’s procurement department is spearheading a modernisation process that essentially began in this division in January with an initiative to centralise its activities.

This division handles on average 10,000 contracts per year, representing between $25 billion and $30 billion in expenditure, or close to 2% of Mexico’s gross national product.

The new division has started organising spending activities into categories, rather than by subsidiaries, divisions or business units. “Procurement was highly decentralised, through 100 different offices, with very little scope for standardisation, governability or economies of scale,” says Pemex’s chief procurement officer Arturo Henriquez.

Pemex started off by studying peers to gather together best international practices and centralising around functions and processes.

Strategic sourcing

One department will be to develop sourcing through strategic categories, with procurement personnel specialising in certain types of products or contracts, Henriquez said.

“With $25 billion or $30 billion
Institutions at centre of sweeping reforms

**CNH TAKES CENTRE STAGE**

**GARETH CHETWYND**
Mexico City

The energy reforms over which the Mexican Congress is deliberating include important institutional reforms. The energy secretariat (Sener) and finance secretariat (SHCP) get new mandates, as do the regulators for the hydrocarbons (CNH) and electricity (CRE) sectors. The CNH, arguably the fulcrum of change, will be strengthened both in terms of technical resources and institutional cladding, while environmental protection gets a new agency (Anuipa).

The CNH also has considerable new powers over contract models, the scheduling and construction of facilities, the take-or-pay terms for licences and contracts, and the preclusion of third-party or cross-border rights to hydrocarbons. The CNH also has a consultative role in the Round Zero process, and the agency can have an eye on the licensing rounds. The CNH will be responsible for administering the bidding rounds and signing the resulting contracts.

"Round Zero implies an adequate transfer of technical data, and striking the right balance between national security interests and preserving the integrity of the data," Pemex COO director Gustavo Hernandez says.

The secondary legislation laid before the Mexican Congress on 30 April covers a dauntingly wide range of issues, including federal budgetary issues, fiscal responsibility and concepts of ownership and leasing.

Contracts will be awarded on the governing principle of competition and the prevalence of bids offering the best economic return to the Mexican state.

"The only case of direct allocation of assets will occur in the context of new mining laws whereby coalbed gas is found within the confines of an existing minerals permit, Sener will be responsible for selecting blocks for rounds, defining contract models among the wide range of permitted formats, approving investment plans and allocating or revoking entitlements. In this context, the CNH will be responsible for administering the bidding rounds and signing the resulting contracts.

"The law will also be very clear on revocation, termination and arbitration, the latter based on Mexican law but not necessarily under Mexican jurisdiction," says Guillermo Garcia Acocer, oil and gas director at Sener.

Sources have suggested that Mexico is likely to opt for licences that are similar to Brazilian concessions, albeit with a different name, but will include incentives to minimise costs, such as a cost recovery element, and also a high degree of transparency on production and payments.

The tax and royalty regime will be progressive, including a windfall element geared to big price movements.

Mexico is also in the process of creating a stabilisation and development fund, but this, as others, depending on the approval of secondary laws, promised in June and July.

**Concerns over transition**

Some Pemex sources have voiced concerns about the transition process in which the company has been made to submit requests for all the upstream assets it wishes to retain.

These complaints are primarily about the tightness of the schedule, whereby Pemex had 90 days to submit its list of assets.

The energy secretariat, Sener, has now 180 days to decide which requests to accept before assigning areas in a process known as Round Zero. This deadline will be reached on 17 September.

Hydrocarbons regulator CNH has a consultative role in the Round Zero process, and the agency has an eye on the licensing round that it is expected to launch in mid-2015.

"Blocks that don't make it into Round Zero may be included in the licensing rounds. The CNH is wary about Pemex biting off more than it can chew in the initial assignments," says one source.

As part of this process, Pemex is keen to forge joint ventures on projects where partners can add value with their technical expertise and experience, most obviously in deep waters, extra-heavy oil in shallow waters and unconventional resources.

Pemex has defended its right to choose its own partners, while agreeing that the CNH can adjudicate between candidates once these are nominated by the oil company.

Some Pemex insiders say the oil company should have been given more scope to demonstrate the viability of its Round Zero requests.

"Comparisons are made with the Brazilian opening, in the late 1990s, which has served as a clear inspiration for Mexico. Petroleo Brasileiro had time to put together the necessary agreements for retaining acreage, and joint ventures were actually part of the viability process," says Milton Costa Filho, a former Petroleos executive for Mexico, now a leading figure in the Brazilian Petroleum Institute.

**Photo:** ORIAN F ELLINGVIAG

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**Gareth Chetwynd**

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NEW EXPORTERS

Markets ‘reshaping geopolitics’

Report says Opec and Russia challenged by North American ‘shale gale’ and other emerging markets

LORIN O’CINNÉIDE
London

RUSSIA and Opec member nations will find their dominance of the oil export landscape increasingly challenged as new exporters, in particular North America, come onto the scene, according to a report.

The so-called “shale gale” in the US and Canada is also likely to see a reduction in energy-related tensions across Eurasia, while many markets will continue to see a shift to cleaner fuels, according to business advisory giant Deloitte.

Energy markets are reshaping the global geopolitical landscape and increasing interdependencies among countries, with the growing North American energy market a significant factor, the “2014 Oil & Gas Reality Check” report from offshoot Deloitte Touche Tohmatsu claimed.

“The ripple effects of the North American energy boom from major importer to soon-to-be exporter are being felt across the Middle East, Russia and China,” Deloitte said.

Adi Karev, global head of oil and gas at Deloitte Touche Tohmatsu, said: “New sources of supply will shake up the global hydrocarbon markets in the next decade. Increased US domestic output, as well as production growth in Canada, Mexico, Brazil and Kazakhstan, will reshape global oil and gas markets and the geopolitical landscape.”

New sources of supply will drive increased competition, mainly in Asia-Pacific markets, while cleaner fuels such as LNG will increasingly be sought out.

“In Europe, the desire to adopt cleaner fuels will continue despite some recent backtracking on more costly renewable sources, which has temporarily driven the region toward greater consumption of coal,” according to the report.

Another ripple effect of the North American shale boom will be “fewer energy-related tensions across Eurasia, as well as in the continuation of efforts by the US to maintain its role as keeper of the global balance of power in the face of rising Chinese and reviving Russian influence in world affairs,” Karev continued.
THE US Interior Department has started planning for the next five-year federal offshore leasing programme by requesting public input to help shape the schedule for potential lease sales from 2017 to 2022.

The central and western Gulf of Mexico and select areas of Alaska are expected to remain on the schedule following the end of the roughly three-year process. However, industry advocates and opponents are already mobilising to either expand or halt potential lease sales in the US mid-Atlantic waters.

“The US has a long and successful history of producing oil and natural gas offshore, but government restrictions keep 87% of federal offshore waters locked away,” said American Petroleum Institute (API) senior policy advisor Andy Radford.

National Ocean Industries Association president Randall Luthi said the disclosure of the start of the initial 45-day public comment ending 30 July was only a “first step”.

“The current Five-Year Programme that expires in 2017 included no new access, and has put the US far behind many other nations that are actively pursuing offshore oil and natural gas energy development – particularly in the Atlantic basin and the Arctic,” Luthi said.

Interior Secretary Sally Jewell promised a “thorough and open process” for programme planning.

The Interior Department is also required by statute to “achieve an appropriate balance among the potential for environmental impacts, for discovery of oil and gas, and for adverse effects on the coastal zone”, according to the Interior Department.

BOEM will seek input also on the economic, social and environmental values of all outer continental shelf resources, as well as the potential impact of oil and gas exploration and development on the marine, coastal and human environments.

BOEM also confirmed that it will update its resource estimates for all the outer continental shelf areas in federal waters.

Next, BOEM will prepare a draft proposed programme followed by a formal proposal before submitting a proposal for a final programme, including an environmental impact statement required by the National Environmental Policy Act.

The current five-year programme for 2012–2017, which expires in August 2017, schedules 15 potential lease sales in six planning areas, including more than 75% of the estimated undiscovered, technically recoverable oil and gas resources in federal offshore waters.

BOEM has held five sales so far including annual auctions in the central and western Gulf of Mexico and a single sale in a portion of the eastern Gulf.

Off Alaska, the current five-year programme includes one potential sale each for the Chukchi Sea, Beaufort Sea and Cook Inlet planning areas.

BP WILL have to face trial next May over allegedly misleading investors about the severity of the 2010 Macondo oil spill in the Gulf of Mexico.

US District Judge Keith Ellisson in Houston set the trial date for 18 May 2015, Reuters reported.

The scheduling comes nearly a month after Ellisson granted class certification to the shareholders in the lawsuit. Ellisson said at the time that BP “low-balled” investors who bought company shares between 26 April and 28 May 2010 over Macondo’s oil-flow rate.

The share price “did not reflect the magnitude of the disaster”, the suit claims. The lead plaintiffs are New York State Comptroller Thomas DiNapoli, who oversees that state’s Common Retirement Fund, and the Ohio Public Employees’ Retirement System.

Representatives for BP and the plaintiffs did not immediately respond to requests for comment, Reuters said.
CHINA

President calls to push forward energy reforms

Rising demand and challenges with supply mean country needs to restrain consumption and control overall use

CHINESE President Xi Jinping has called on the country to push forward reforms in energy production and consumption to bring China in line with the changing global energy supply and demand landscape.

Commenting on energy at a meeting of the country’s leading Group of Financial & Economic Affairs on Friday, Xi said that China needs to reform the energy sector as demand rises and supply challenges mount.

Xi told senior government officials that China needs to restrain unreasonable energy consumption and impose controls on overall use.

He stressed that, while pushing through production and consumption reforms is a long-term strategy, practical measures to meet these ends need to be put in place immediately.

Acknowledging that China is already a major energy producer and consumer, Xi said the country also faces the resultant environmental challenges.

In striving for energy consumption reform, China should control demand volumes to tackle what he termed as “unreasonable energy consumption” in China.

The government has been trying to limit the country’s total energy demand to 4.1 billion tonnes of coal equivalent by 2030, up from 3.5 billion Tce, but many Chinese industry officials said the figure could balloon to 4.8 billion Tce as a result of demand from energy intensive industries.

Xi has called for a diversification of the energy supply system through efficient coal utilisation and use of clean coal technology, while emphasising the development of non-coal-based energy such as oil, gas, nuclear and renewables.

China has already been cutting its coal use, with the coal share in its energy mix expected to fall to 63% in 2015, down from about 70% in 2010.

Meanwhile, Xi also called for reforms in the energy system by fostering efficient market competition and letting market forces decide the energy price as well as reforming government supervision of the industry.

He also called for international co-operation to ensure energy security amid the market openness.

Other measures to safeguard energy security Xi mentioned include building facilities to stock up oil reserves and expanding upstream operations in China.

He urged energy authorities to start working on the energy development plan for the 13th five-year economic planning period (2016-2020) and setting the energy production and consumption revolution strategies up to 2030.

CNOOC Ltd set for Penglai

CNOOC LTD has firm ed up a scheme to develop China’s largest offshore field off northern China’s Tianjin city into the third phase as it looks to take over the operatorship from its production sharing partner, US giant ConocoPhillips, writes Xu Yihe.

Sources told Upstream that the exploration and production division of China National Offshore Oil Corporation (CNOOC) will become effective operator of the Penglai 19-3 field in Bohai Bay from 1 July and has decided on a three-phase programme for Penglai’s phase three development involving more than a dozen wellhead platforms.

The first phase will involve one platform to be put into production in 2016, while the second phase will call for adding four more platforms in 2018.

In the third phase, which will begin in 2020, CNOOC will raise the number of platforms by about a dozen, which will see the production of the field peak at about 180,000 barrels per day.

Sources said the new facilities will enable Penglai to raise production by about 80,000 bpd, up from about 100,000 bpd currently from seven platforms.

This output will match the processing capacity of the Hai Yang Shi You 117 floating, production, storage and offloading vessel, which is now working on the field.

All the new platforms will be linked by subsea pipelines to be tied back to the Roarer, which can store 2 million barrels of crude, sources said.

They added that, to better facilitate the operation of the field, CNOOC has set up the Penglai Operating Company in Tianjin.

ConocoPhillips will continue to hold a 49% non-operating equity in the field after the operatorship transfer.

The field produced about 84,000 bpd last year, down from the peak seen in 2011 of about 122,000 bpd before the field was shut down to clean up a spill caused by a leak from the reservoir.

Production resumed in February last year.

The field comprises the main Penglai 19-3 field as well as the 19-9 and 25-6 fields in Block 11/05 of Bohai Bay.

Production from the first phase development of Penglai 19-3 began in 2002. The second phase includes six drilling and production platforms.

Before the operatorship handover, ConocoPhillips had a conservative scheme of adding only four platforms for phase three.

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Prospector hit by new charter delay woe

EUROPE

Prospector Offshore Drilling faces a further costly delay to start-up of a charter with France’s Total for its first newbuild jack-up, as the Oslo-listed rig contractor prepares to take delivery of a second unit this coming week.

The Prospector 1, delivered from Chinese yard Dalian Shipbuilding Offshore Industry late last year after a nine-month delay, was originally due to start work for the French supermajor early this year under a 730-day contract at a dayrate of $195,200.

The company has been receiving a reduced dayrate due to ongoing installation of third-party equipment on the rig that Prospector previously said was expected to be completed in late April before deployment of the unit at Total’s Franklin field off the UK later in the second quarter.

However, the charter with full dayrate is now not expected to start until the third quarter, with the drilling site still being prepared to receive the rig, according to Prospector.

Prospector was earlier forced to pay $1 million in compensation to Total for late delivery of Prospector 1, which was due to start work on the contract in January.

Prospector has now secured an amendment to a recently minted debt financing package totalling $370 million to take account of the changed charter scenario entailing the waiver of a requirement for contract start-up in return for a $45 million guarantee from major shareholders Skeie Technology and Ferncliff.

The company will draw down a total of $190 million from a credit facility and bond loan that comprise the package to take delivery of the second newbuild, Prospector 5.

The copycat Friede & Goldman JU-2000E-design harsh-environment jack-up, also chartered by Total on a three-year contract, is expected to be delivered from China’s Shanghai Waigaoqiao Shipbuilding (SWS) on 16 June, the company said.

The unit is expected to start work for Total off the UK under the contract in September in line with the schedule.

Prospector suffered a first-quarter loss of $16 million, versus $12.5 million a year earlier, as operating costs ballooned 27% year-on-year to $13.6 million, while the reduced dayrate on the first rig left it with only $1.7 million in revenue, compared with $1 million in the same period of 2013.

The company said it expects operating costs to further increase in the second quarter due to delivery of Prospector 5.

The contractor has three additional similar newbuilds under construction at SWS that are due for delivery over the next three years, though has yet to line up firm contracts for the units. It also has an option for another rig.

GSF Magellan up for sale

Rig contractor Transocean is putting up for sale an older jack-up unit as it continues efforts to high-grade its fleet.

Transocean said in an otherwise uneventful June fleet status update that it was holding the jack-up GSF Magellan for sale. The rig was built in 1992 and can operate in 350 feet of water.

It was most recently working for ExxonMobil off Nigeria under a one-year contract that ended last month, on a dayrate of $166,000.

Deal with full dayrate not expected to start until third quarter, with drilling site still being prepared

STEVE MARSHALL
Oslo

Arrival: the jack-up Prospector 1 reaches the Cromarty Firth, Scotland, following its two-month journey from Dalian, China
Photo: PROSPECTOR DRILLING

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MAXIMISING RECOVERY

THE UK North Sea needs a lighter tax burden in future, a senior government minister has told industry leaders.

Chief Secretary to the Treasury Danny Alexander said it was vital the tax system helped to maximise recovery so the basin remained a “top economic asset” for the country, even if the tax take was lower.

“That is the only way we can continue to attract investment to extract full economic value in the face of increasing costs,” he said.

The UK government is carrying out a review of the tax regime and Alexander said a consultation on that will be launched in July.

Meanwhile, the new “super agency” being established to regulate the UK industry will be called the Oil & Gas Authority and will be based in Aberdeen, Alexander told an industry conference in the UK’s energy capital.

Speaking at the first annual conference organised by lobby group Oil & Gas UK, Alexander said: “It is my view that it should be headquartered at the heart of the UK’s oil and gas industry.”

The formation of a well-funded regulator was a key recommendation in the Wood Review, the government-commissioned report into the future of the UK North Sea carried out by former Wood Group chairman Ian Wood.

A job advertisement for the chief executive to lead it will be placed on the UK government’s website on 19 June, Alexander said.

“I would like to see people with real experience of this industry coming in to help set up and run the new regulator.”

The search is being led by head-hunting specialist Odgers Berndtson.

Malcolm Webb, Oil & Gas UK’s chief executive, welcomed the announcements. He said: “The new regulator is now much more than just a vision or a theoretical construct. It is beginning to take shape, with a name, a location and the search for the new chief executive is under way.”

Earlier, Stephen Speed, head of energy development at the Department of Energy & Climate Change (DECC), moved to calm industry concern that progress in implementing the Wood Review has been slow. “We are caught in the trap of trying to do things quickly and being seen to do things quickly to pick up the urgency and momentum…but at the same time we really have to get this right,” Speed said.

“We have been incredibly busy trying to get this started.”

Legislation supporting implementation of the report is expected to be introduced into parliament before members of parliament break for their summer recess.

The fledgling regulatory body is expected to be set up initially as an executive agency within DECC by about October, delegates heard.

The interim panel advising on the implementation of the Wood Review, chaired by Wood, was due to hold its third meeting on Thursday.
ARGENTINA

Talks continue in bid to form integrated oil plan

Process aims to develop ‘uniform regime in pursuit of energy self-sufficiency’

KATRINE SCHMIDT
Houston

ARGENTINE federal officials and governors of oil-producing provinces will continue talks on Monday on changes to the country’s oil framework to encourage shale development and integrate efforts between national and provincial governments.

Argentina President Cristina Fernandez de Kirchner and state-led YPF’s chief executive Miguel Galuccio met the Federal Organisation of Hydrocarbon Producing States (OEFPHI) on 9 June to start the process following tensions over lease offerings.

Cabinet chief Jorge Capitanich said the process aims to develop a uniform regime in pursuit of energy self-sufficiency that “has to be a concurrent effort between the country and the provinces.”

Officials are considering allowing companies to sell a percentage of their crude output abroad and keep some revenues outside the country, extending a benefit granted to Chevron in its $1.24 billion deal with YPF signed last year in Neuquen province, according to OEFPHI head and Chubut governor Martin Buzzi.

The proposal under consideration would give companies investing $250 million or more the chance to sell 20% to 30% of output netback production.

The US Energy Information Administration estimates Argentina has the world’s second-largest shale gas reserves at 802 trillion cubic feet, and fourth-largest shale oil reserves at 27 billion barrels, as the Vaca Muerta and D-129. Production in promising formations such as the Vaca Muerta and D-129 will continue talks on Monday on changes to the country’s oil framework to encourage shale development and integrate efforts between national and provincial governments.

However, the legal framework has made for challenging economics for international companies, with the government requiring repatriation of revenue and for crude to be sold at domestic prices well below US and international benchmarks.

A regime decentralised in 2006 gives provincial authorities wide autonomy on leasing and royalties, giving new power to shale-rich provinces such as Neuquen and Mendoza whose governments see huge economic development opportunities. Both Neuquen and Mendoza, in collaboration with their respective provincial oil companies, launched international bid rounds for potential acreage in January, and provinces would maintain this authority under the new framework, according to the Chubut governor.

However, YPF has been unhappy at finding itself in competition for oil investors with these provincial players, which work under a carry arrangement. Accordingly the provinces are not obliged to put up the steep investment commitments YPF has demanded or conform to its national parameters for energy investment.

The tensions came to a head in May when Galuccio criticised the province-centred regime at an event in Chubut, calling it a “recessive” system that could limit investment.

Meeting: Argentine President Cristina Fernandez de Kirchner

MOGE bids for ventures

STATE-owned Myanmar Oil & Gas Enterprise (MOGE) wants to set up joint ventures or alliances with internationally recognised companies for onshore exploration and pipeline projects.

The national player is looking to establish joint ventures for onshore seismic surveying, drilling services and pipeline construction and maintenance services.

MOGE is keen to set up partnerships or alliances for drilling onshore Myanmar and wants express interest (EoI) from contractors using various drilling units, and EoIs are also being sought from foreign pipeline contractors and seismic contractors.

MOGE, under the auspices of Myanmar’s Ministry of Energy, is also seeking EoIs for a consultancy contract that will include assessing the legal and technical capabilities of prospective partners, the preparation of tender documents, the prequalification of bidders and the drawing up of joint venture agreements.

MOGE wants the consultancy work to start on or around 1 August. The job is expected to take six months, although it might be extended.

Companies interested in any of the above business opportunities have until 30 June to submit EoIs to MOGE in the capital Naypyidaw.

Crescent Point deal

CANADA’s Crescent Point Energy has closed a deal to buy light-oil assets in the Saskatchewan Viking play from privately-held oil and gas producer Polar Star Canadian Oil & Gas.

Crescent Point paid about C$334 million ($307.8 million) in cash and stock for the assets in Dodsland, Saskatchewan, which consolidate Crescent Point’s existing Viking land position and include more than 3800 barrels of all equivalent per day of “high-quality, high-netback production”.

The deal will increase Crescent Point’s Viking land base by 38%.

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Production boost heads the agenda for MOL

Hungarian player aims to increase output from projects in Iraqi Kurdistan, the UK North Sea and Pakistan

NASSIR SHIRKHANI
London

HUNGARIAN oil company MOL is targeting a production growth of at least 15% next year as it steps up development of assets in the Kurdistan Regional Government (KRG) region of Iraq.

In the longer term, it is looking to produce 150,000 barrels of oil equivalent per day in 2018, up from the current level of 95,000 boepd, on the back of output rises in Iraqi Kurdistan, the North Sea and Pakistan.

MOL’s future prospects have just received a boost from Pakistan, where the group announced an oil discovery with the the Ghauri X-1 well.

The UK government has also approved plans by MOL and partners to develop assets in the North Sea.

MOL group chief executive Jozsef Molnar told Upstream that the company is targeting combined production of 110,000 boepd in 2015, with the bulk of the increase coming from Iraqi Kurdistan, where it has an 80% stake in the Akri-Bijeel block and a 20% interest in the giant Shaikan licence.

MOL is currently developing Akri-Bijeel, which is expected to produce at plateau rates of 35,000 barrels per day of oil by the end of 2015.

“We are currently producing less than 10,000 bpd from Akri-Bijeel,” said Molnar. “We will be producing 10,000 bpd by the end of 2014 from four wells.

“We need a total of 11 wells to reach our plateau target of 35,000 bpd by the end of 2015.”

Full development of Akri-Bijeel will help MOL achieve combined production of 110,000 boepd from operations in Europe, the Middle East, Russia and Pakistan by the end of 2018. Most of MOL’s current production consists of gas.

“We have a strong investment and field development programme that will help us achieve our targets,” Molnar said.

“We intend to also make acquisitions either through reserve acquisition or by buying into exploration opportunities that will help increase production.”

Elsewhere, MOL expects short-term output rises from Pakistan, where it is currently pumping 7000 boepd.

“We can increase that to 10,000 bpd in the near future,” Molnar said. MOL recently expanded its presence in Pakistan, and, with its Ghauri joint venture, recently made a significant oil discovery in Punjab at the Ghauri X-1 well, which flowed oil at a rate of 5500 bpd.

MOL acquired a 30% stake in the block in March.

In the North Sea, the company expects to see medium-term growth and an increase in its share of production from the current 1000 bpd to 16,000 bpd in 2018.

“The new growth area is the North Sea, where we expect to achieve production of between 10,000 and 18,000 bpd in four years time,” said Molnar.

MOL and partners recently received UK government approval for the Catcher area field development plan, in which the Hungarian player holds a 20% non-operating stake.

Catcher, operated by UK independent Premier Oil, is expected to produce 96 million boepd, with a peak production rate of about 50,000 boepd.
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Empire builder marches on

Former Chesapeake Energy chief raised $9 billion in a year to form a family of companies and make major shale acquisitions

NOAH BRENNER
Houston

FORMER Chesapeake Energy chief executive Aubrey McClendon continues to build up a suit of companies under the control of his American Energy Partners (AEP), raising about $9 billion in funding in less than a year to make acquisitions in shale plays such as the Utica, Marcellus, Permian and Woodford.

The moves have led some analysts to theorise that he is planning to take public four companies or more, focused in major unconventional basins around the US.

McClendon’s latest land grab was a pair of deals worth a combined $4.25 billion that marked his entry into the Permian and added to his land stash in the Utica and Marcellus shales in Appalachia.

AEP’s sister companies, American Energy Marcellus and American Energy Utica, paid $1.75 billion for about 75,000 net acres in those two plays in Ohio and West Virginia from a pair of privately held companies — East Resources and HG Energy.

In the Permian, McClendon paid $2.5 billion for private equity-backed Enduring Resources’ position in the Midland sub-basin, which included 63,000 net acres and 16,000 barrels per day of production.

Previously, McClendon paid $680 million for a suite of smaller companies for 120,000 acres and 6,000 bpd of production in the Woodford shale play in Payne, Pawnee and Noble counties in Oklahoma.

Meanwhile, his initial return to the oil industry was in the Utica shale play in Ohio, where he spent more than $2 billion to buy stakes from major players such as Hess and XTO as well as smaller private companies such as Paloma Partners and Red Hill Development.

His primary financial backers in the deals have been private equity giants Energy & Minerals Group and First Reserve.

"While the aggressive acquisition outlook may remind some of the (Chesapeake) of old, these acquisitions will be made by separate operating companies, one for each area — Utica, Woodford, Marcellus, Permian and Non-op — forming a family of oil and gas companies rather than a single entity," Global Hunter Securities analyst Mike Kelly said in a note to clients.

"Don’t be surprised to see each of the new entities looking to go the (initial public offering) route either."

However, according to filings with the Oklahoma secretary of State’s office, McClendon may have even bigger plans than cashing in on those four companies. He has incorporated holding companies that, judging by their names, will also focus on the Barnett shale in north Texas, the Haynesville shale in Louisiana and the prolific Anadarko basin in Oklahoma — as well as companies to hold aviation assets and the various interests he may personally hold in fields controlled by the American Energy Partners family of companies.

His strategy takes advantage of a trend within public equities markets that have favoured pure-play companies — those operators that have built strong positions in a single play or basin.

The strategy takes advantage of a perk McClendon received while at Chesapeake called the Founder’s Well Participation Programme, which allowed him to take a 2.5% working interest in every well Chesapeake drilled if he paid his share of the costs.

While the programme was a cash cow for McClendon personally, it also gave him access to the well data, such as drilling and logging reports from Chesapeake’s exploration and development programme.

Until recently, Chesapeake was the most active US onshore driller, meaning McClendon has a treasure trove of information at his finger tips to target shale plays across the country.

At a lunch in Houston, McClendon said to expect AEP to continue to spend $2 billion to $3 billion per year on producing properties to further expand his empire.
Whether you want to recruit staff, build your brand or get attention at key events, Upstream gets your message across in a cost efficient way to key hard-to-reach decision makers! For a copy of the 2014 media pack or subscription information, please contact sales@upstreamonline.com.
THE 21st World Petroleum Congress kicked off in spectacular fashion with delegates and invited guests being treated to wonderful entertainment that truly celebrated Russian culture.

The evening at the Kremlin in Moscow was formally opened when Russia’s First Deputy Prime Minister Arkady Dvorkovich welcomed delegates and shared the sentiments of Prime Minister Vladimir Putin on the significance of the global energy industry.

WPC president Renato Bertani took the stage to express his pride and excitement for the upcoming four-day event. The evening continued with welcoming speeches from WPC Russian president Vladimir Evtushenkov and Qatar Energy Minister Mohamed al-Sada. The evening’s entertainment at this historic venue wrapped up with colourful performances from some of Russia’s most talented youth and acclaimed artists.

Guests were treated to performances of ballet, contemporary dance, traditional folk music and dance, a youth orchestra, and mens choir before heading upstairs for a delicious dinner.