Saudis in bid to draw foreign players

Saudi Aramco urges foreign companies to set up a base in the country if they want to take advantage of billions of dollars of planned spending over the next five years.

Salim start
Russian joint venture gets set to begin chemical flooding at pilot project.

Wafra drive
Chevron gears up for EOR at heavy oil field in Neutral Zone.

Clear targets
EITI head says transparency should be higher on industry agenda.

Turkish view
TPAO eyes acquisition of foreign assets.

Tengiz top
Field's expansion heads Kazakhstan’s Future Development Project.

Concern over huge leap in global project costs

BP signs LNG deal with CNOOC

Yergin hits out at US ban on exporting crude

At the WPC show...

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WEDNESDAY 18 JUNE 2014
DAILY NEWS

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Carbon capture in focus
UK and Netherlands lead CCS hopes in Europe

Concern over huge leap in global project costs
BP signs long-term LNG deal with CNOOC

Sale and purchase agreement worth $20 billion witnessed by Chinese Premier Li Keqiang and UK Prime Minister David Cameron

RU YIHE and NOAH BRENNER

Moscow

UK SUPERMAJOR BP has signed a $20 billion liquefied natural gas sale and purchase deal with China National Offshore Oil Corporation (CNOOC), China’s top offshore operator and LNG projects developer.

The heads of agreement, which is expected to become a firm contract in the middle of the year, is part of the latest campaign for Chinese national oil companies to seek more energy supplies from the international market to keep China’s economic engine running.

Senior CNOOC executives, including chairman Wang Yiling and Lou Weizhong, president of CNOOC’s LNG arm CNOOC Gas and Power, were part of a Chinese delegation to visit the UK this week, led by Premier Li Keqiang.

BP chief executive Bob Dudley confirmed the deal during a press conference at the World Petroleum Congress in Moscow on Tuesday, saying the LNG is to come from ‘one of the company’s plants’.

BP said the deal is for up to 1.3 million tonnes per annum of LNG, starting in 2019.

CNOOC last year imported 13 million tonnes of LNG, representing 7% of 18 million tonnes China imported in the same year.

CNOOC in Shenzhen city of southern China’s Guangdong province, where BP has already owned a 30% stake — second only to CNOOC with 38%.

Dapeng facilities are now expanding to Phase II by adding a fourth tank with annual capacity of 160,000 cubic metres. When completed in July next year, the Dapeng terminal in Shenzhen will be able to handle 32 million tonnes of LNG imports per annum.

CNOOC sign a memorandum of understanding with Anglo-Dutch giant Shell for a global energy alliance.

As a production sharing partner with CNOOC, Shell is one of few foreign companies with firm plans to drill wells in the South China Sea this year. It has slotted a window in October to drill one well at one of three Chinese blocks it holds in the Yinzehai basin in the shallow-water portion of the shallow-water portion of the South China Sea.

Shell won the licences from CNOOC to explore Block 62/02 and Block 62/17 via its China upstream division Shell China Exploration & Production Company in 2012.

In addition to blocks 62/02 and 62/17 south and west of Hainan Island, Shell is also in a production sharing contract with CNOOC covering Block 35/10 in the same basin west of Hainan Island.

Rosneft stake still secure

BP DOES not see a change in the status quo to its stake in Rosneft’s Rubal amid ongoing tensions regarding Ukraine, its chief executive said in Moscow on Tuesday, write Karinrine Schrildt and Noah Brenner.

“I am not concerned about our 19.75% investment in Rosneft,” BP chief executive Bob Dudley told reporters at a news conference after his speech at the World Petroleum Congress.

“There is no indication to me that (recent events) will change the relationship I have with the Rosneft board,”

Dudley also said he had not come under government pressure for BP to change the nature of its involvement.

The US has imposed travel bans and asset freezes on some Russian officials following tensions in Crimea.

“No one has spoken to me about it, and it’s really not something to speculate on,” he added.

The UK supermajor is also contending with new concerns in Iraq, where Islamic militants have routed Baghdad’s army and seized the north of the country in the past week.

“These are terrible events that have occurred and they will have far-reaching, wide-ranging implications for the region,” Dudley said.

However, “the implications for oil production at the moment appear limited,” he added.

Production impacts have been limited with the exception of certain fields near Kirkuk where pipelines have been closed off leaving fields without an outlet, Dudley said.

Iraq is currently producing about 3.4 million barrels of oil per day, giving it the second-largest production of any Opec nation.

BP operates the massive Rumaila field, which pumps more than one-third of Iraq’s total output.

Militants associated with the Islamic State in Iraq and the Levant (ISIS) continue to push south toward Baghdad but Dudley was doubtful the offensive could maintain its momentum long enough to spread all the way to the far south of Iraq,” he said.

Dudley also said that his company “looked forward” to bringing its compensation company “looked forward” to bringing its compensation
Welcome to the 21st World Petroleum Congress

Energy lives here
SP09 – Ministerial RT on the theme of “Responsible Energising a Growing World”
12.00-13.00 (PL-Hall)
Session Chair:
Jassem Toth, Incoming President World Petroleum Council, Hungary
Keynote Speakers:
Murat Mercan, Deputy Minister for Energy and Natural Resources, Turkey
President, CNPC
Dr. Sun Xiansheng,
Shell Upstream International,
President HSE and Social Performance,
Executive Vice Development, Chevron Corporation,
Mr. Jay Pryor,
Director, ARPEL, Uruguay
Moderator:
(Block 1)
12:00 – 13:00
geographic frontiers?
Dr. Antoine Half, Head Oil Industry & Markets Division, IEA
SP10 – IEA Presentation of 2014 Medium-Term Oil Market Report (MTOMR)
12.00-13.00 (Room 6)
Keynote Presenter:
Kesuke Zadamori, Director, Energy Markets and Security
Presenter:
Antoine Half, Head Oil Industry & Markets Division, IEA
SP11 – Social Responsibility in the oil and gas industry: Earning a Social License to Operate 14.15-15.45 (PL-Hall)
Session Chair:
Dr. Randy Gossen, President, CNPC
SP12 – Russia and Azerbaijan Dialogue “Russia and the Arab World: Cooperation in the Oil & Gas Sector”
14.15-15.45 (Room 6)
Session Chair:
Vladimir Evtushenkov, JSFC SISTEMA, Chairman of the Russian-Armenian Business Council
Moderator:
Dr. Artyom Kaspukh, News Anchor, RT Arab TV Channel
SP13 – Youth: shaping the legacy for a sustainable energy future
16.00-17.30 (PL-Hall)
An initiative by the WYPC Youth Committee
SP14 – Emergency preparedness and industry cooperation
16.00-17.30 (Block 2)
Session Chair:
Keynote Speakers:
Leif Joar Kvamme, CEO, NOFO (Norwegian Clean Seas Association for Operating Companies), Norway
Peter Taylor, Manager, Oil Spill Preparedness Regional Initiative for the Caspian Sea, Black Sea and Central Eurasia, UK
Alexey Taycher, President, GASP-Trans, Russia
SP15 – Regulatory Agencies - Best practices and case studies around the world
16.00-17.30 (Block 3)
Session Chair:
Dr. Jassem Toth, Senior Vice President, WCPC
Keynote Speakers:
Magda Chambard, Director General, Agência Nacional de Petróleo, Gás Natural e Biocombustíveis, Brazil
Lindwe Maveko, Acting CEO, Petroleum Agency, South Africa

Keynote Speakers:
Suleiman Jaar Al-Herbish, Director General, the OPEC Fund for International Development (OFID)
Brady Murphy, Senior Vice President, Business Development & Marketing, Global BD, Halliburton, USA
Jose Francisco Areta, President, Pacific Rubiales, Colombia
Isabel Chuvamev Chileshe, Project and Development Manager, National Petroleum Institute of Mozambique

Technical Programme

Block 1. Exploration and Production of Oil and Natural Gas
F06 – Challenges in complex geological environments
14:15 – 15:45
Chair:
Dr. Jason Canning, Head of Geology, BG Group plc, United Kingdom
Mr. Rafael Tenreiro-Perez, Exploration Manager, Cubapetroleo, Cuba
Mr. Hussein Routh, Managing Director, Dana Oil and Gas Company, Iran
F07 – Advanced drilling and production technologies
16:00 – 17:30 (Block 1)
Chair:
Mr. Henk Vazmel, Vice President Wells and Facilities Engineering, Innovation and R&D, Shell, Netherlands
Vice Chairs:
Prof. Yin ZENG, Vice President, SINOPEC Research Institute of Petroleum Engineering, China
Mr. Nicolas Gerard, Drilling Coordinator, REPSOL, Spain
RT02 – What do we need for new geographic frontiers?
12:00 – 13:00 (Block 1)
Moderator:
Mr. Miguel Moya, Sustainability Director, ARPEL, Uruguay
Mr. Jay Pryor, Vice President, Business Development, Chevron Corporation, United States
Mr. David Martin, Executive Vice President HSE and Social Performance, Shell Upstream International, Netherlands
Mr. Sandra Martinez, Corporate HSE and Community Relations Manager, Pluspetrol SA, Argentina
Dr. Sun Xiansheng, President, CNPC Economics & Technology Research Institute, China

Block 2. Refining, Transportation and Petrochemistry
F12 – Oil products pipeline transportation and storage
14:15 – 15:45 (Block 2)
Chair:
Mr. Bela KELEMEN, Refining and Marketing Senior Vice President, Sinofoot, Hungary
Mr. Di Pieter Illyes, Head of Asset Development Tankfarms & Pipelines, OMV, Romania, Austria
Mr. Mohammad Al-Ghantani, Manager, Distribution, Saudi Aramco, Saudi Arabia
BPK4 – Optimising transportation, blending and storage of oil and oil products
12:00 – 13:00 (Block 2)
Chair:
Mr. Carlos Felipe Guimaraes Lodi, Corporate Planning General Manager, ARAMCO, Saudi Arabia
Speakers:
Mr. Alexander Plavin, Commercial Director, MTZK-SVAP, Russian Federation
Mr. Jose Luis Lopez de Silanes, Chairman, CLH, Spain

Block 3. Natural Gas Processing, Transportation and Marketing
F16 – New developments in long distance transportation of gas - pipelines, ships and cross border issues
14:15 – 15:45 (Block 3)
Chair:
Mr. Dinesh K Saraf, CMD, CNIC, India
Mr. Ibrahim Palaz, President and CEO, TOROS Energy, Turkey
Mr. Thilo Wieland, Vice President Senior Project South Stream/Nord Stream Project, Traspetro, Brazil
BPK7 – Best Practices in new gas technologies for processing and transportation
12:00 – 13:00 (Block 3)
Chair:
Mr. Jose Aurelio Faria, Gas Pipeline Manager, Petrobraz Trasportes-Traspetro, Brazil
Speakers:
Mr. Saitem Al-Hurairi, Manager for Khusnianiyah Gas Plant, Saudi Aramco, Saudi Arabia
Dr. Iaj Ghorbani, President, Delvar Afzar Industrial Gases Co., Iran

Block 4. Sustainable Management of the Industry
F22 – The role of innovation and technology in shaping the oil and gas industry
14:15 – 15:45 (Block 4)
Chair:
Mr. Samer Ashgar, Manager, EXPEC Advanced Research Center, Saudi Aramco, Saudi Arabia
Mr. Yueqiang Li, Senior Vice President, CNPC Technical Services Company, China
F23 – Energy efficient technologies ensuring environmental sustainability of the oil and gas industry
16:00 – 17:30 (Block 4)
Chair:
Mr. Jean-Francois MINSTER, Vice Chairman of the Group Executive Committee, TOTAL, France
Mr. Pekka Tiitinen, Head of Discrete Automation and Motion division Member of the Group Executive Committee of ABB Ltd, ABB, Switzerland
Mr. Neil Duffin, President, ExxonMobil Development Company, United States
Mr. Michael Borrell, Senior Vice President Continental Europe-Central Asia, TOTAL, France
Mrs. Roma Hashim, Vice President, Operations, Kufpec, Kuwait
RTI – Transformation of oil companies into sustainability leaders
16:00 – 17:30 (Room 5)
Moderator:
Mr. Jorge Marques de Toledo Camargo, Member of the Board of Directors, IBP, Brazil
Mr. Kiiril Kravchenko, CEO, NIS-Gazpromneft, Serbia
Mr. Norbert Schwietzer, Global Energy, Utilities & Mining Leader, PWC, Germany
Mr. Arturo Gonzalez Alpizar, Corporate Director of Institutional Relations and Corporate Responsibility, Repsol, Spain
Mr. Olivier Cleret de Lanvaug, Senior Vice President Strategy Business Development R&D, TOTAL E&P, France
A joint venture between Russia’s Gazprom Neft and Anglo-Dutch supermajor Shell is making final preparations to drill seven wells that will be used to assess the effectiveness of its pilot chemical flooding project.

Speaking at the World Petroleum Congress in Moscow, Salym Petroleum Development executive director Oleg Karpushin said the project is key to the company’s plans to extend the lifetime of its three oilfields in West Siberia’s Khanty-Mansiysk autonomous region.

Salym Petroleum has already produced close to 400 million barrels from its assets since the development started in 2003. Karpushin said that, if sanctioned by shareholders, the chemical flooding method may help it produce an additional 183 million barrels in the next 10 to 12 years, almost doubling the recovery rate from its traditional sandstone formations in Russia.

Shareholders have already approved spending $70 million on the pilot project, with chemical flooding at seven wells scheduled to continue throughout the next year, and pilot production to begin in 2016.

The chemical flooding method is based on a mixture of alkali, surfactant and polymer elements that is dissolved in water and then injected into the reservoir to wash out remaining oil from the sandstone reservoir.

Head of Salym Petroleum’s new technologies department, Yakov Volokitin, said chemical flooding could potentially produce more oil for the company than the development of existing tight oil reserves in the Bazhenov deep layers in the company’s licence area.

However, chemical flooding currently remains an expensive option, with the alkali being imported from the US because it is unavailable in Russia. Salym estimates the cost of the three elements for chemical flooding may increase production costs by $24 per barrel.

With 20 kilogrammes of alkali required for every tonne of oil (7.5 barrels) to be produced using chemical flooding, company officials hope that this will create a sufficient incentive for players such as Shell Chemicals or others to start producing the alkali in Russia.

Volokitin said chemical flooding may be used at other mature oilfields in West Siberia, which is Russia’s largest oil province.

However, full-scale production using chemical flooding will still require tax breaks, with salym proposing authorities deduct the cost of chemicals from the oil production tax.

Khanty-Mansiysk Governor Natalya Komarova said she fully supports proposed tax incentives for chemical flooding initiatives.

However, such incentives have to be approved by the relevant central government ministries, be passed by parliament and signed by President Vladimir Putin.
Egypt to boost gas prices

EGYPT is prepared to offer international oil companies improved onshore gas prices as it tries to make a success of its current exploration licensing rounds, writes Nassir Shirkhani.

Adel Said, deputy chief executive for agreements at state-owned Egyptian General Petroleum Corporation (EGPC), said the company was willing to abandon the long-established price of $2.65 per million British thermal units that international oil companies receive for their onshore gas production.

“There is room for discussions based on expenditure and economics of the commercial discoveries. We are ready to pay more than $2.65 per million BTU to producers,” Said told Upstream.

Said expects a good response from investors to the latest EGPC bid round involving 15 blocks located offshore Gulf of Suez and onshore Western Desert.

“I expect 10 to 12 companies to bid based on the data packages we have sold,” Said commented.

Political uncertainty ahead of last month’s presidential election prompted EGPC and its sister company Egyptian Natural Gas Holding Company (Egas) to extend deadlines for their respective tenders to 3 July from 30 May.

The new deadlines will not be extended.

“We will receive the final proposals from interested companies on 3 July and then start evaluating their technical bids followed by financial proposals. We are looking to announce the winners in October,” Said added.

Several international oil companies — including Italy’s Eni, Ireland’s Petroceltic and Canada’s TransGlobe — had asked the Egyptian Oil Ministry to postpone the deadlines by EGPC and Egas until after the election, which former army chief Abdel Fattah El-Sisi won.

Egas is also optimistic about the success of its latest offer that includes five offshore and three onshore blocks.

Four of the blocks lie in ultra-deep waters of the Mediterranean Sea.

“A lot of companies have purchased seismic data from us,” said Mahfouz Elbony, vice chairman for agreements and evaluation at Egas.

“I think we will have offers for most of the blocks,” Elbony also said.

Elbony was prepared to tempt international oil companies with attractive fiscal terms for offshore gas discoveries. Fiscal terms for commercial discoveries will be established in bilateral negotiations.

One of the Egas deep offshore blocks — Karawan Offshore — is part of the former Nemed concession that Shell relinquished despite the presence of a sizeable gas find.

US SUPERMAJOR Chevron is expected to embark on a $8 billion enhanced oil recovery steamflood project aimed at increasing production from the Wafra heavy oil field shared between Kuwait and Saudi Arabia.

Wafra, which is located in the onshore section of the Neutral Zone, is shared equally between Kuwait and Saudi Arabia. The field, where production is in decline, currently produces a total of 280,000 barrels per day.

Kuwait Gulf Oil Company (KGOC), which oversees Kuwait’s share of the field, said the planned EOR project by Chevron will first arrest decline from the field and then add a combined increment of 80,000 bpd under the first phase of the project.

“Chevron has carried out two small and large-scale pilot projects which have established the viability of the project. We have done simulations and are studying all facilities. Everything is moving towards the implementation of the project,” KGOC’s chief executive Ali Al-Shammari told Upstream.

A final investment decision is expected in early 2016, Shammari said, adding the project will entail the drilling of 400 production, injection and observation wells.

Output from Wafra is expected to start rising from 2020 as the benefits of the EOR project kick in. KGOC and Saudi Arabia may opt for a second phase expansion aimed at lifting Wafra’s combined output to at least 370,000 bpd by 2016.

“We will see how the first phase goes. This is a challenging project,” added Shammari.

One challenge would be to access enough gas to help generate steam to sustain the EOR project. Wafra has associated gas but the volumes will not be enough to fuel the field’s steam injection needs as output increases.

KGOC and partners will therefore need to import LNG or use diesel to help generate the required steam volumes in any future expansion of the field.

The EOR is aimed at increasing current recovery rates of 5% to about 30%.

Wafra has more than 22 billion barrels of oil in place, thus the potential for lofty production rates in the event of successful EOR schemes.

“Chevron is fully committed to developing the Wafra Eocene reservoirs. The nature of large, full field steamflood projects dictates that they are developed on a staged basis, given the complexities, technology and investment required,” Chevron said.

“The first stage of the Wafra steamflood project is expected to have the production capacity of 80,000 bpd of oil with the steam injection capacity of 150,000 to 200,000 bpd of steam.”

Kuwait and Saudi Arabia are also busy increasing production from the offshore portion of the Neutral Zone that is currently pumping 250,000 bpd.

The two are looking to pump a combined 350,000 bpd from the offshore Khafji field by the end of 2018.
SAUDI Aramco has urged foreign investors to set up manufacturing bases in the country if they want to take advantage of billions of US dollars in planned spending in the oil and gas sector over the next five years.

The goal is to create jobs for a booming Saudi population and help Aramco secure most of its equipment needs from the local market.

Saudi Aramco’s projects and strategic purchasing manager Abdullah al-Warthan said the company aims to secure up to 70% of its needs from local manufacturers by 2020, up from the current level of 25%.

“Our capital and operational expenditure at Saudi Aramco is around $150 billion in the next five years,” he told delegates attending the World Petroleum Congress in Moscow. “This is in addition to planned expenditure of $450 billion by the government.’

The bulk of Aramco’s spending will be on exploration and drilling services, including cementing and well completions, as well as on the construction of onshore and offshore projects and steel and pipelines.

There is an urgent need for rig yards, marine services, as well as steel and chemical products.

“We are planning large-scale investments, which will present us with challenges,” said Warthan. “The only way to meet these challenges is to partner and strengthen our relationship with strategic suppliers, technology partners, contractors and with those who will add value and invest in Saudi Arabia.

“We are open for business. We are a very stable country, have a stable currency with low corporate tax and no income tax,” he added.

Aramco will enter into long-term supply agreements with local equipment manufacturers to ensure business success for them. It will also offer subsidised fuel and land to entice foreign investors.

Locally-based companies will also receive preferential treatment when bidding for Aramco projects.

“This is a message to investors that we will channel all our businesses to those who will build their own manufacturing facilities inside Saudi Arabia,” said Warthan.

“What we have done within Saudi Aramco is, we have revised our procurement policy. Those companies with a presence in Saudi Arabia will have exclusive bidding rights to them. “It means that business will only go to those located in Saudi Arabia.

“If we have three local manufacturers, the business will go only to those three manufacturers. “So this is an opportunity for those who will come first and be part of our supply chain and will get the biggest share of the business.”

Aramco will offer investors manufacturing space in its industrial Park to encourage them to set up shop in the country.

For its part, the Saudi government will ensure easy loans of up to 75% as part of its policy of building a strong industrial and manufacturing base with the help of international companies.

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“The Saudi Industrial Development Fund will provide up to 75% of the capital investment as a loan with a maximum term of up to 25 years,” said Warthan.

Additionally, local companies will be offered financial support to help train Saudis.

The Saudi government is determined to ensure the country becomes one of the top global destinations for foreign investors by helping them participate in transforming its oil-based economy.
The oil and gas industry has been warned it has a long way to go before it stamps out deep-rooted governance, transparency and corruption problems, a conference heard on Tuesday.

A session at the 21st World Petroleum Congress on Tuesday was told that, while some initiatives have achieved progress in the last decade, companies need to put the issues higher up their agendas.

"We have 4000 people here [at WPC] but I do not hear a great deal about governance. I think we all know our industry is not particularly liked out there by many countries, by many stakeholders," said Jonas Moberg, head of the Extractive Industries Transparency Initiative (EITI), a global initiative to encourage governments to better manage natural resource revenues.

"Trust is an issue. We have an awful long way to go," he said.

About 50 delegates were in the audience for the session on ethics and anti-corruption, held on day two of the conference in Moscow. A total of 44 companies have now signed up to the initiative, which seeks to improve accountability through regular publication of payments by oil and gas and mining companies to governments and revenues received by governments.

Moberg’s comments came as the oil and gas industry is facing renewed pressure in the US to reveal more information about its business activities.

At the start of June, the US Securities & Exchange Commission said it aims to revisit measures to implement the controversial 2010 Dodd-Frank Wall Street Reform law. It plans to rewrite by March 2015 the requirement for disclosure by oil companies of payments made to foreign and host governments, with a final rule emerging before the end of that year.

The WPC conference also heard from Philip Jordan, vice president of ethics at Total, who gave an update on the progress made by the French major in updating its code of ethics.

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Crucial challenge for future generations

Balancing energy needs and environmental protection

Vijay Anne WPC Writing Fellow

At the 21st World Petroleum Congress, the Youth lounge witnessed a session on “Environmental & Social Protection is Future Generation’s Crucial Challenge” that focused on creating a link between energy needs, environment protection and human development. It also explored how these issues are affecting the global hydrocarbon industry, its ability to operate, and how the next generation of leaders will need to engage the public in a very different type of conversation. Some of the interesting topics discussed at the session were environmental protection and operational safety.

Countries are putting emphasis on the role of the environment and the best ways to preserve it. An example would be the growth in the G20 countries, constituting 85% of the global economy, which are vital to the growth and development of the world. Countries focus on environmental sustainability by developing alternative sources of energy such as wind energy, and shale gas.

With the developing climate change scenario, companies as well as countries are seeking to increase their sustainability. Simon Durkin, vice president, Shell UK Safety, Environment & Social Performance, highlighted in his presentation Environmental Protection in Petroleum Activities how Shell is applying its sustainability approach, where an important part of the future is carbon pricing. Durkin said that this will drive more designs that are less carbon dioxide emitting. Shell has established innovative solutions to create a more environmentally friendly future. It has focused on energy efficiency of equipment being operated to ensure minimal or no release of methane and to minimise flaring.

The youth at the session showed a positive response to the industry’s commitment to balance energy needs, environmental protection and human development.

Young people are eager to contribute to this goal, reduce carbon emissions, protect the environment and create a more sustainable future for all.

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 >2ZBOE Jubilee field. Two exploration wells are planned to be spudded in 2015.

Minexco (S.L.) Limited, another of Minexco Petroleum group of companies, holds 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.
US POLICY

Yergin hits out at US oil export ban

NOAH BRENNER
Moscow

Energy guru Dan Yergin does not see US politicians taking action to remove the country’s ban on exporting crude before upcoming mid-term elections, but said there is a growing consensus in the capital to tackle the issue in 2015.

“This is the hottest oil and gas question in Washington right now,” Yergin said at the World Petroleum Congress on Tuesday.

The US ban on crude exports has been in place for four decades after being introduced in response to the oil shocks of the 1970s.

Yergin, who is vice chairman of consultancy IHS and a noted oil scholar, called the ban “an archaeological remnant” and pointed out that similar bans on exports of natural gas and refined products were lifted in 1981.

“In an election year it will be difficult, but all the turmoil in the world is putting the focus on eliminating restrictions on exports,” Yergin said, pointing to unrest in major energy producing countries such as Iraq and Libya and key transit hubs, including Ukraine. IHS recently completed a study claiming that world gasoline prices would decline and 1 million jobs would be created in the US if the ban were lifted because it would prevent US crude from becoming over-supplied and avert a price decline.

“There are very positive gains not only economically in terms of jobs and economic growth but in terms of politics and stability,” he said.

One big question is exactly how the ban will be lifted and whether Congress might seek a back-door solution that would avoid an outright vote on the topic.

Most of the increase in US liquids production has come in the form of “light tight” oil that is of such light gravity that it borders on condensate. Certain extremely light grades are currently exportable if they are created as a result of the refining process, but they are not exportable if they are naturally produced at the wellhead.

One possible course of action that has been floated in Washington is a change in the wording of those regulations that would allow ultra-light grades produced at the wellhead to be exported without a full repeal of the ban itself.

Such a change could likely be done administratively and would spare legislators from voting on an issue that might be unpopular with the electorate.

Yergin declined to weigh in on which path politicians might follow, but stood by his conviction that the US would begin crude exports in the next few years.

“There is a gathering consensus the more people look at it that says this just doesn’t make sense,” he said.

“The US has a tremendous opportunity right now, why damage it?”
CARBON CAPTURE & STORAGE

UK and Netherlands lead CCS

Two countries now standing out as only ones in the EU with any chance of developing schemes based on specialist technology any time soon

TERRY SLAVIN
London

Carbon capture and storage proponents in Europe have had a lot to cheer about in the last few months. The International Energy Agency (IEA) and the United Nations both issued reports urging the technology’s uptake to fight against climate change. Detailed engineering studies have also begun on two UK projects and the European Commission is expected to announce soon that it will fund its first CCS project.

However, any optimism that Europe is about to enter the global race, where the US, Canada and China are all close to having commercial-scale projects up and running, is muted at best. News last month that Sweden’s Vattenfall, which built the world’s first carbon capture project at the Schwarze Pumpe coal power plant in Germany in 2009, had pulled out of CCS research and development set the seal on what has been a frustrating six years of high ambitions brought low.

Observers say it is now clear that the UK and the Netherlands are the only European countries with any chance of making a running on the technology any time soon, though they too face significant challenges getting projects off the ground.

Derek Taylor, a former senior adviser in the EC’s Energy Directorate, says the White Rose project at the Drax coal power station in Yorkshire, and ROAD, E.ON’s project in the port of Rotterdam, are the only two European projects that he is “reasonably” confident will go ahead.

However, ROAD, which has been awaiting a final investment decision for the past two years, has been tottering on the brink for so long now you wonder if it will make the jump forward”, Taylor adds.

White Rose, which will store 1 million tonnes of carbon dioxide per year in an aquifer in the southern North Sea, received a boost in April when it was leaked that the project had successfully applied for funding under the EC’s NER 300 low carbon energy programme.

Final decision

A total of €300 million (£266 million) is expected to be awarded this month to the project, one of two potential recipients of £1 billion ($1.7 billion) through the UK’s CCS commercialisation programme. Shell’s Peterhead project is the other candidate.

The Department of Energy & Climate Change will make a final decision about whether to fund one or both projects after front-end engineering and design studies have been completed at the end of 2015 or 2016, but much will depend on cost. Taylor says it would have been disastrous for CCS backers in Europe had the EC failed to support a CCS project after the first tranche of the NER300 went exclusively to renewables.

The scheme, which auctioned off 300 million European Union emissions allowances (EUAs), was conceived at a time when EUAs were trading as high as €30 and there were hopes it would fund up to 12 CCS demonstration projects.

However, economic recession in Europe had halved prices by the time the first tranche of the scheme was finally launched in 2010, and today EUAs hover at about €5.

Andy Read, head of carbon capture at the ROAD project in Rotterdam, says he thinks the CCS lobby made the mistake early on of alienating the powerful green lobby in Brussels by arguing for Europe’s climate change objec-
Long ROAD to destiny as project stumbles

POISED TO GO BUT DELAYS

Scheme forced to wait for final investment

TO GET a measure of how perilous the situation for carbon capture and storage is in Europe, one must look to the Netherlands, where the ROAD project in Rotterdam is primed and ready to go — but has been awaiting a final investment decision for more than two years, writes Terry Slavin.

ROAD, which aims to capture 1.1 million tonnes of carbon dioxide per year from a new coal power plant and pump it through a 26-kilometre pipeline for storage in Taqa’s P18 gas field, has all its permits in place and engineering studies completed. However, a funding gap of €130 million ($179 million) has prevented the joint venture partners, German power giant E.ON and Belgium’s Electrabel, from taking a final investment decision.

The European Union Energy Commissioner, Gunther Oettinger, has twice called crisis meetings in Brussels to try to broker a solution, but Andy Read, head of CO2 capture at E.ON, says the Dutch government, which has already offered €150 million, has been reluctant to put further large grants on the table, and the partners in the joint venture have not been prepared to absorb more large costs either. “They will still make a significant loss on ROAD even if they get the money [€130 million] so they have passed the problem back to national government and the EU,” Read says.

As well as the €130 million in capital grant ROAD has been allocated through the European Energy Programme for Recovery (EPR), the project will earn European Union emissions allowances (EUAs) for every tonne of CO2 stored.

However, carbon prices are at €5, nowhere near the €30 to €40 per tonne of CO2 operating cost of the project. Read says ROAD considered bidding for funding under the EU’s NER300 programme, but the NER300 rules require the project to run for 10 years, while ROAD is only committed to run for five years.

“It meant ROAD would effectively make a loss over a longer period, which would negate the benefits from NER300 funding,” says Read.

The failure to bridge what in CCS project terms is a relatively small funding gap is more concerning given that several proposed industrial CCS projects in the port of Rotterdam — which would together store another 500,000 to 1 million tonnes of CO2 — depend on ROAD going ahead as they would use its pipeline and Taqa’s P18 field, which has the capacity to store 38 million tonnes of CO2.

These include Air Liquide’s Green Hydrogen project and a Shell project to capture CO2 from a hydrogen plant at its Pernis oil refinery. ZEP, the industry’s lobby group in Brussels, is pushing CCS as the only viable climate solution for industrial CO2 emissions, and points out that one quarter of Europe’s CO2 emissions come from industrial processes.

However, while the cost of capture is cheaper in some industrial processes than on power stations, quantities of CO2 are smaller, so there needs to be a joint approach to transport and storage.

Read says Rotterdam would be the ideal test bed. “You have to get the first [CCS] project signed to develop the infrastructure. And that is easiest if you have a power station project.”

He says Taqa has been “remarkably patient” in waiting for ROAD to make its mind up, but the €180 million EPR money is not expected to be on the table for much longer.

However, there is still hope that Oettinger will be able to somehow break the impasse.

“The energy commissioner would love to have a decision while he is still in office,” Read says.

They will still make a loss on ROAD even if they get the money.

Read: head of CO2 capture Andy Read

S hopes in Europe

tives to be delivered only through the carbon price, and lobbying against measures such as subsidies for energy efficiency and renewables, as they have contributed to the dilution of EUAs.

“We should have stuck to equal treatment for all low carbon technologies and stuck to the argument — supported by all the scientific studies and the IEA — that we really need to do both [CCS and renewables],” Read says.

There has been a change of tactics in the last year or so by ZEP, the former Shell executive who leads ZEP, said it is instead pressing for CCS to be treated like other low carbon technologies, with mechanisms such as feed-in tariffs by member states, such as the UK’s contract for differences, or an EU-wide certificate scheme, which would require utilities to obtain tradable certificates for the CO2 they emit.

Given appropriate support, Sweeney says, CCS could deliver 4 percentage points of the 40% cut in overall greenhouse gas emissions proposed by the EU for 2030, amounting to 220 million tonnes of CO2. It seems a tall order, given that observers say Europe will be lucky to have one or two projects, questionering 2 million or 3 million tonnes of CO2, by 2030.

However, Sweeney says there is a more positive attitude towards CCS in Brussels, driven not so much by climate considerations, but by energy security concerns at a time when Russian gas imports are awaiting a final investment decision for more than two years.

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S hopes in Europe
Istanbul — the perfect venue for 22nd WPC says Sisman

IN THREE years, the 22nd World Petroleum Congress will be held in Istanbul, giving Turkey and its petroleum industry centre stage to highlight their growth and development.

Besim Sisman, chief executive of Turkish Petroleum Company (TPAO) said Istanbul is a perfect venue to discuss the flow of energy across the world.

“It is a real bridge — a natural hub,” Sisman said of the Anatolian region. “All the producers are the right side, the eastern side, and all the consumers are on the western side, so we are the transfer country.”

Istanbul won the right to host what many call the Olympics of Oil on its third try and beat such energy hubs as Calgary and Houston, as well as Copenhagen, to claim the honour. As strike again flares in the Middle East, Turkey also presents a relative calm amidst the political turmoil that has engulfed major producers such as Iraq, Sisman said.

“You know all the problems around Turkey, but we are the safe position,” he said.

WPC will not just be a showcase for Istanbul, it will also be a showcase for TPAO and Sisman hopes to have his company ready to compete on a world stage.

“We have to be a stronger company; we have to be a larger company and, because of that, we need projects all over the world,” he said.

“After three years, we want to be not at the top, but at a high-class level. “We have to do our best to reach this aim.”

Ambitious Turkish player is searching for acquisitions worldwide — but insists that, at heart, life is local

NOAH BRENNER
Houston

TURKISH Petroleum (TPAO) is searching for acquisitions worldwide, but with a special emphasis on projects around its own neighbourhood, Central Asia and central Africa, as it looks to increase both its production and its technical expertise.

Last month, TPAO picked up an additional 10% stake in the Shah Deniz gas project, making it the second-largest shareholder with 19% behind operator BP, and chief executive Besim Sisman said his company plans to continue its shopping spree in the area.

“We are interested in another project in this region — our region,” he told Upstream at an exclusive interview during the World Petroleum Congress in Moscow. “You need to focus in your area.” However, the company’s aggressive growth aspirations are not limited to projects in Central Asia.

“On the other hand, we have some opportunities from Argentina to Malaysia,” Sisman said.

“We are negotiating with some companies and some governments, especially in Africa. Africa is one of our main focus areas.”

TPAO currently holds acreage in Libya, but development there is on hold indefinitely due to the violence and instability plaguing the country, and Sisman said the company would be reticent to take on additional stakes in North Africa.

Instead, TPAO is looking at the heart of the continent.

“The middle of Africa, from the eastern side to the western, is so exciting,” Sisman said.

“We are searching. We are negotiating with companies, with governments and we will see what we can do in the future. We are very, very interested in that region.”

One area the company is not looking at is the US and Canada, where many international companies have taken stakes in tight gas projects.

“If you want to be an international company (in North America), you have to open an office in Houston,” Sisman said.

“I think we have to start at this point and after that we can look around if it is possible to take some projects in the US or not.”

State-controlled TPAO has a mandate from the government to boost production to meet growing demand in Turkey.

The country exhibited some of the strongest economic growth coming out of the global recession, and its economy is projected to expand by more than 4% this year.

At the same time, the country is paying around $50 billion per year to import energy — relying on imports for 98% of its natural gas and 90% of its oil.

“We need to meet our energy demand, or a very important portion of our energy demand,” Sisman said.

It is first turning its attention to meeting oil demand. “Generally, we prefer oil projects, but if there is a good natural gas or shale gas project that is possible for us...” Sisman said.

While many of the projects it is screening are minority stakes, Sisman said TPAO would have little problem accessing the cash needed to pull off a larger acquisition.

“Economically, Turkey is strong enough, so if you have a good project, it’s not hard to find money from different banks and investors,” he said.
**PROJECT DEVELOPMENTS**

**Concern over huge leap in global project costs**

WPC told return on capital for major players has dropped by third in decade, while oil price tripled

**ROB WATTS**

Moscow

ROCKETING project costs are perhaps the single biggest threat to the long-term sustainability of the global oil and gas industry, two leading chief executives said on Tuesday.

Statoil’s Helge Lund and Samir Brikho, head of UK-based services company Amec, told the 21st World Petroleum Congress that industry needs to devote more effort to finding solutions to drive down costs, such as using standardised project designs.

“This is absolutely one of the biggest challenges this industry has. I do not think it is a fight between suppliers and operators, I think we have a common challenge we have to solve together,” Lund said in press briefing following a speech on the second day of the event taking place in Moscow.

Delegates heard that increasingly complex engineering and drilling requirements as the search for oil goes into tougher environments, such as deep water, were factors behind spiralling project overruns.

Lund pointed out that return on capital for major oil companies had decreased by a third in the past decade, even though the oil price had tripled in the same timeframe.

He said that for more than half the companies in the Norwegian company’s peer group, it slipped to below 10% last year.

“In a highly risk-based industry, that is simply not sustainable,” he said.

Brikho said that of the 15 “mega-projects” costing $10 billion or more in which Amec is involved, “almost none” were on budget or on schedule.

“That is a big challenge for the whole industry to take on, to be more predictable in its delivery,” he said.

Lund referred to Statoil’s recently launched project aimed at making annual cash flow savings of $1.3 billion from 2016.

“Almost none” were on budget or on schedule.

“With a new project going into tougher environments, such as deep water, we face the fact that we need to make savings in the long term,” he said.

“Many of our projects are now facing problems, with new technologies and new environments,” he said.

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CNPC Ltd to boost overseas investment

CNPC Ltd is set to significantly boost its investment in acquiring foreign upstream assets and developing its existing fields outside China, writes Xu Yih. Industry sources said the Chinese company’s capital expenditure is likely to hit $5 billion for overseas upstream asset acquisitions in 2014, as well as for exploring and developing its existing foreign assets.

The figure is much higher than in 2013, sources said, without giving a comparable figure for last year.

However, they added that the company is now more conscious about the cost of acquiring foreign upstream assets, as national oil companies from host countries tend to raise the bar for farm-ins.

CNPC is following up a number of projects, typically in Africa, where it is already producing about 160,000 barrels per day in equity oil from Nigeria.

This accounts for about 40% of its overall output of about 400,000 bpd outside China. In Uganda CNPC is working out the overall development plan for developing fields at Lake Albert rift basin.

CNPC, along with partners London-listed Tullow Oil and France’s Total, is targeting first oil from Uganda in 2018 at a rate of between 200,000 and 230,000 bpd.

The three companies each hold 33.33% stake in the field. CNPC built its position in Uganda by acquiring 33.33% stakes from Tullow in Block 1, Block 2 and Block 3A (now called Kingfisher) in 2012 for $1.467 billion, and becoming operator of Block 3A.

The company is currently operating in 22 countries worldwide.

Its overseas interests account for 38% of its total assets and cover 300,000 square kilometres with recoverable oil and gas reserves of 3984 million barrels of oil equivalent.

CNPC steps up its output drive for tight oil and gas

CHINA National Petroleum Corporation (CNPC) is stepping up efforts to explore and develop tight oil and gas in China, hoping unconventional resources could help keep its current hydrocarbon production from levelling off.

The state-owned company has been focusing on tight plays at three major basins — Songliao in the north-east, Ordos in the north and Karamay in the north-west.

Last year in the Ordos basin, which hosts its Changqing oil and gas field, the company produced up to 8 million tonnes of unconventional oil, accounting for one third of the field’s total oil output, according to Chinese media.

A company newsletter said CNPC has already identified more than 100 million tonnes of tight oil reserves in the Ordos basin. Currently, Changqing’s tight oil output comes from three blocks — An-81-Chang 7 in Shaanxi province, and Zhuang 210-Chang 7 and Zhaung 31-Chang 6 in Gansu province.

Jia Chengzao, a former vice president of CNPC’s listed Petro-China division, told Chinese media that the company is now prioritising development of tight oil and gas over the next five to 10 years, because of abundant reserves, mature technology and reliable geological data.

The CNPC newsletter said the company is now comfortable with the technology being used in tight oil reservoir engineering and sweet spot prediction.

Its tight oil development is based on staged multi-cluster stimulated reservoir fracturing for horizontal wells, and extended reach cluster horizontal well 3D drilling and completion.

Moreover, sources said the company faces challenges in waterflooding technology for enhanced oil recovery, as the recovery rate for tight oil is as low as 10%.

The company is working on schemes to optimise the development of tight oil reserves.

The Changqing field is also leading CNPC’s tight gas exploration and production.

CNPC chairman Zhou Jiping recently told investors in Hong Kong that the company produced 24.9 billion cubic metres of tight gas last year, with sources suggesting that most of that volume was from the Ordos basin.

Zhou said the company would be able to double its tight gas production should the development be given the same subsidy CNPC has received for shale gas.

CNPC receives 0.4 yuan ($0.06) from the government for each cubic metre of shale gas produced. Zhou told an internal conference earlier this year that Changqing has now become a major oil and gas field on par with Dqing.

Sources said oil and gas production at Changqing will continue to increase this year, building on last year’s record of 51.95 million tonnes of oil and gas equivalent including 34.32 million tonnes (279 million barrels) of oil and 34.88 billion cubic metres of gas.
Tengiz expansion top of development campaign

Four major fields on list as $20 billion Future Growth Project gets under way with aim of almost doubling production

TONYA ZELINSKY
Moscow

KAZAKHSTAN has set its sights on becoming one of the world’s biggest oil and gas producers by focusing on development of its four major fields.

The energy sector has become a major economic driver for the country since its independence in 1993, and it is poised to grow even more after the government signed a memorandum of understanding with Tengizchevron in November 2013 to expand its operation in the Tengiz field.

The $20 billion Future Growth Project (FGP) will expand production in the Tengiz field by nearly 150% to between 850,000 and 900,000 barrels per day by 2020. It will also create 20,000 new jobs at peak construction, said general director Tim Miller.

Coupled with the FGP is the Wellhead Pressure Management Project (WPMAP). A final investment decision on the dual project is expected later this year.

“Kazakhstan’s future is full of promise and TCO is excited about our continued role in growing the national economy,” said Miller.

“Kazakhstan’s current and future paths are and will continue to be critical in support of the global energy demand.”

Kazakhstan Oil Minister Uzakbay Karabalin, speaking through an interpreter, said: “Part of our agenda is finding solutions and defining the future exploration of projects for the future of the energy industry.

Leading the way was completion of the Eurasia project, a detailed study of the deep subsurface geology of the Precaspian basin to a depth of 25 to 30 kilometres.

The study, carried out in cooperation with Russia, was a “breakthrough project” and will result in a “super colossal development”, according to Karabalin.

Between 2015 and 2020 there will be an analysis and reprocessing of geological and geophysical data, a large-scale geological and geophysical study of new proposed regional lines, and the drilling of a super-deep stratigraphic-parametric well, Caspi-1.

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Shares boost for Williams

SHARES in Williams Companies of the US increased more than 18% on Monday after it announced plans to buy the remaining stake in Access Midstream Partners for almost $6 billion and merge it with its own master limited partnership (MLP).

Williams said on Sunday that it agreed to buy the remaining 50% interest in Access from fund manager Global Infrastructure Partners for $5.99 billion.

It will also buy $5.1 million limited partner units in Oklahoma City-based Access Midstream Partners LP, which will raise its ownership to 50%.

Williams already owned 50% of the Access general partner, and 23% of the limited partnership after a 2012 purchase.

The deal is expected to close in the third quarter of this year.

In conjunction with the purchase, Williams proposed a merger between its MLP, Williams Partners, and Access Midstream Partners that would retain the Williams name.

The merged MLP would become one of the largest and fastest-growing MLPs in the US, with expected 2015 earnings next year of about $5 billion.

It would have positions in most major unconventional basins, including the Marcellus, Utica, Eagle Ford, Haynesville and Niobrara plays.

The deal will also allow Williams to drop its remaining limited partner holdings into the MLP by the end of this year or early next year, finalising its transition into a “pure-play general partner holding company”.

The $6 billion purchase will be made half with equity and the remainder with a combination of long-term debt, revolver borrowings and cash on hand.

Weatherford goes Irish

WEATHERFORD International shareholders have endorsed the oilfield services giant’s plans to re-incorporate in Ireland, in a drive to cut costs.

An extraordinary general meeting of shareholders in Zug, Switzerland endorsed the plans first announced in April.

Weatherford said it now expected its Swiss-listed stock to be suspended on Tuesday and for it to be taken off the commercial register of companies in Zug on Thursday.

The New York-listed drilling company also plans to drop its listing on the Paris Stock Exchange as part of the cost-cutting drive.

Under the plans, the company is to reincorporate as Weatherford Ireland, with a registered address in Dublin and hold its future general meetings in Ireland in September.

Switzerland has an effective corporate tax rate of about 18%, while Ireland’s is just 12.5%, according to data compiled by KPMG.

US independent to take share of UK supermajor’s interests in 17 blocks in Gulf of Mexico area, including Bright prospect where well has been re-spudded

LUKE JOHNSON

Houston

US INDEPENDENT Noble Energy has agreed to buy 50% of BP’s interest in several deep-water exploration blocks in the Atwater Valley area of the Gulf of Mexico, including one prospect where the UK supermajor recently had troubles in an early stage of drilling.

Noble will farm in to 17 deep-water leases, taking a 50% working interest in 13 and an average 26% working interest in the other four, where the identity of the other block partners was not immediately clear.

Financial terms were not disclosed.

Among the prospects in the exploration package is Bright, an Upper and Middle Miocene oil target in Atwater Valley Block 362 that has a total estimated gross undiscounted resource range of between 90 million and 350 million barrels of oil equivalent.

BP is drilling ahead on Bright with the drillship Ensco DS-4.

It is the company’s second attempt at drilling a successful Bright well after the wellhead on the previous effort slipped below the mudline.

The operator confirmed to Upstream last week that the loss of the wellhead occurred during “a preliminary stage of drilling”, adding that it was “thousands of feet from any hydrocarbon zone, and did not pose any risk to well integrity or the safety of the team working there”. BP re-spudded the Bright well late last month, about two weeks after it spud the first, sources said.

Upstream understands that talks between Noble and BP had started before the mishap on the first Bright well.

Noble identifies “containment” as the primary risk at the Bright prospect.

The well lies in about 5600 feet of water with an anticipated total depth of 13,500 feet.

Results are expected by the end of the third quarter.

Noble — headed by chief executive Charles Davidson — said that in addition to Bright, “there are multiple follow-on exploration opportunities” identified on the 17 acquired leases.

The company is also drilling the Katmai prospect in Green Canyon Block 40, with results expected by the company’s second quarter earnings call. It is permitted to a total depth of 26,300 feet.

It is also drilling a second well at Dantzler in Mississippi Canyon Block 792.

The well was spudded late last month and is permitted to just over 18,000 feet.

GULF OF MEXICO

Noble farming in for BP stakes in Atwater Valley

Outlook: Noble chief executive Charles Davidson

Photo: BLOOMBERG

Photo: BLOOMBERG
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Magnum raises the stakes

MAGNUM Hunter Resources has weighed in on the bidding war with Drillsearch Energy for Ambassador Oil & Gas, increasing its offer price for every 23.6 Ambassador shares, representing a price of A$0.381 (US$0.35).

It has also offered Ambassador shareholders the option to take cash instead of Magnum stock by participating in a sale facility.

Under the deal, Magnum stock will be issued to a nominee who will arrange the sale and give the cash proceeds to Ambassador shareholders. Magnum said the new deal was a 15% jump on the recent-ly-announced revised offer from Drillsearch Energy for Ambassador, Drillsearch hav-ing announced this week a re-vised takeover offer.

The takeover deal is now worth 1 Drillsearch share for every 5.4 Ambassador shares, plus A$0.05 (US$0.05) extra per share. Drillsearch recently took a 10% stake in Ambassador, nudging ahead of Magnum.

Magnum’s new offer is a 95% premium on Ambassador’s shares as of 23 May, the final day before entering into a trading halt.

“Magnum Hunter is con-cerned that such actions have denied Ambassador shareholder-ship the opportunity to partici-pate in the improved (Mag-num) offer, and have delivered the cash proceeds to Drillsearch to the detriment of Ambassador shareholders,” Magnum said.

WA permit for Santos

AUSTRALIAN player Santos has won an exploration permit in Western Australia, on top of the permits it recently won in the Browse basin.

The permit area is near the existing Ichthys oilfield, where Inpex is developing a major liq-uified natural gas project.

The block is located off West-ern Australia just north-west of a number of large gas re-serves. Japanese partner Inpex holds a 40% interest in the newly-awarded permit, with operator Santos holding the re-maining 60%.

Inpex said the block will help it maximise the potential of its Ichthys LNG project. "This permitted LNG project is an important step for Inpex's LNG project, our key project for growth," Inpex chief executive Kiyotaka Nakamura said.

Santos earlier picked up two permits, WA-500-P and WA-500-P-1, in the latest round of Australian licensing. The Ichthys project is set to produce 8.4 million tonnes per annum of LNG capacity from the two planned trains near Darwin. First production is expected in late 2016.

Shell to sell Woodside shares worth $5 billion

Anglo-Dutch supermajor carrying out underwritten selldown to reduce its interest in Australian player to less than 5%

ANGLO-Dutch supermajor Shell is set to sell 136.5 million shares in Australian player Woodside Petroleum. Woodside said on Tuesday that Shell was carrying out an under-written selldown to institutional investors, with the total deal ex-pected to be worth about US$5 bil-lion.

There is an agreement between the two companies that Woodside would also carry out a buy-back of shares, conditional on the out-come of the selldown. Shell is Woodside’s largest shareholder, with this deal set to slash 19% from the supermajor’s holding in the company. Shell’s Australian outfit has brought on board two investment banks to sell about 78.27 million shares in Woodside, through an underwrit-ten selldown at a price of A$41.35 (US$38.69) per share.

Woodside will also carry out a buy-back of 25.27 million shares at a price of US$41.24 per share, which is expected to be completed in early August. After the buy-back and sell-down, Shell’s shareholding in the company will be below 5%.

Shell chief executive Ben van Beurden said the company’s deci-sion was part of its shift of focus to Australia, putting its efforts into its directly owned assets. “It doesn’t change our view of Aus-tralia as an important player on the global energy stage, or Shell’s central role in the country’s en-ergy industry,” Van Beurden said.

Shell has been progressively selling off its global assets, par-ticularly in Australia to make its balance sheet leaner in the cur-rent market. This deal was anticipated by a number of bankers and analysts late last year.

Shell sold a third of its Woodside holdings in 2010, reducing that 34% stake to the 25.4% it holds now. Woodside has recommended shareholders vote in favour of the buy-back, which chief executive Peter Coleman said would deliver value.

“This combined transaction is an efficient and disciplined use of capital and creates value for all our shareholders,” Coleman said.

“In parallel, it allows us to opti-mise the company’s near-term capital structure, while maintain-ing the capacity to continue to develop existing projects and make additional investments in new growth opportunities. “The combined transaction will also increase our liquidity in the market and reduce the uncertain-ty in relation to Shell’s sharehold-ing that has existed for several years.”
EAST AFRICA

Partner boost for Sunbird find

Pancontinental verifies results of well drilled off Kenya and hails ‘technical success’ of probe

Perth

Pancontinental Oil & Gas has verified the well results of East Africa’s first offshore oil discovery — the Sunbird-1 well off Kenya.

The Australian company said it carried out “lengthy analysis” of data from the well, which was drilled by partner BG Group of the UK in Block 10a in the Lamu basin.

Pancontinental said the oil column is 9.2 metres, underneath a gas column of 28.3 metres in a limestone reservoir in the Sunbird Miocene Pinnacle reef.

The company believes the results are “highly significant” because they prove the presence of an oil system in the basin.

However, a company spokesman said the find is unlikely to change the commercial potential of the well. “The previous comment of the (lack of) commerciality of the well still stands,” he told Upstream.

However, he added that “it certainly has changed the potential of the basin,” and described it as a “technical success”.

Block operator BG previously announced it is unlikely it would develop Sunbird due to the lack of commerciality. Analysis of the results has reportedly been complicated because of the loss of drilling mud, seawater and remedial cement.

BG is continuing analysis of the well data and will create a plan for the area using the results.

Pancontinental chief executive Barry Rushworth said this was a significant result for the region. “We encountered a thick and effective seal over the top of the reef, which was an initial risk for us, and the regional follow-on implications of this are truly significant,” he said.

“Now that we know there is a prospective oil system in the Lamu basin and we know the important technical details, we are in a prime position to explore for larger volumes of oil over our very extensive portfolio of prospects and leads.”

Sunbird-1 — drilled by the drillship Deepsea Metro 1 — was plugged and abandoned. The partners will now discuss follow-up exploration activities.
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India eyes policy change drive to boost oil and gas

Rationalised tax regime and uniform licensing policy among issues on agenda as new government works to stimulate investment and attract more major international players

AMANDA BATTERSBY
Moscow

India's recently-elected government, headed by Prime Minister Narendra Modi, is drawing up a series of policy changes as part of its drive to stimulate investment in its upstream sector.

India is the third-most attractive destination globally for foreign direct investment, according to United Nations Conference on Trade & Development, but in recent years it has struggled to attract industry heavyweights to its exploration and production arena.

The government is therefore putting in place transparent systems and creating a policy environment that is "predictable, transparent and fair," said Joint Secretary in the Ministry of Petroleum & Natural Gas, Neeraj Mittal at the Indian Ministerial session at the World Petroleum Congress.

India is also “rationalising and simplifying” its tax regime to make it “non-adversarial and conducive to investment, enterprise and growth,” he said.

International companies are allowed to take 100% equity in the country’s upstream industry, whether it be for exploration for oil and gas, production infrastructure, liquefied natural gas regasification infrastructure or the marketing of natural gas and petroleum products.

However, a uniform licensing policy that is required to boost exploration is a challenge for the government, admitted Mittal.

Under India’s New Exploration Licensing Policy — nine bid rounds have been held and a 10th is planned — only conventional oil and gas exploration rights exist, while coalbed methane exploration rights are treated separately.

“There is a need for a uniform policy covering all hydrocarbons,” Mittal said.

“A new policy for award of acreages is being formulated in which one can explore and extract all hydrocarbon resources in the block, including conventional oil and gas, CBM and shale gas,” he said.

Three seismic companies have already approached the government aiming to carry out multi-client surveys off India before the on-hold Nelp 10 round gets under way. Upstream understands Nelp 10 will likely now be launched in 2015.

Stepping up the search for conventional and unconventional oil and gas is key to helping India reduce its dependency on costly fuel imports.

However, the price paid for gas produced in India has long been a thorny issue between suppliers, customers and the government.

“There will very soon be a new gas pricing policy,” Petroleum & Natural Gas Minister Dharmendra Pradhan said. The government is also working on new legislation to deal with the relinquishment of upstream assets should exploration not deliver as hoped or for when producing fields are no longer commercial.

In tandem with the drive to spur final investment decisions, the government is encouraging India’s national oil companies to pursue overseas oil and gas opportunities.

In the last financial year, ONGC Videsh produced 4.337 million tonnes of oil equivalent from its international assets in countries including Russia, Sudan, Brazil, Venzuela, Vietnam and Colombia, while the target for this financial year is 8.155 million toe.

India’s national oil companies have to date invested more than $21 billion in overseas assets.

A new national energy policy is also being drafted for India and the government is focusing the development of energy-related infrastructure.

India is the world’s fourth largest energy consumer and by 2020 it is forecast to be the world’s third largest middle class consumer market.
In the picture at WPC...