Colombia braces for E&P drive

COLOMBIA is pressing ahead with its next chapter of exploration, registering wide interest for its upcoming bid round in July and wrapping up the final regulations for development of its unconventional sector.

Abdullah al-Attiyah presented with Dewhurst Award as oil and gas industry honours legend
An award for industry legend

**Former Qatari energy minister Abdullah al-Attiyah presented with prestigious Dewhurst Award, and tells WPC audience sustainability is key to world’s well-being**

**NASSIR SHIRKHANI**

_Moscow_

**LEGENDARY former Qatari energy minister Abdullah al-Attiyah received the prestigious Dewhurst Award at the 21st World Petroleum Congress in Moscow yesterday for his outstanding achievements. WPC president Renato Bertani said the award was bestowed on Attiyah “in recognition of his lifetime outstanding contributions to the petroleum industry”. “The recipients of these awards have demonstrated unusually high standards of excellence that benefited all industry stakeholders,” Bertani added.

Attiyah joins eight others personalities who have received the Dewhurst Award, which is offered every three years.

The Qatari official also received an elaborately decorated Russian-made Samovar as part of the award. Attiyah explained how Qatar had progressed from a small oil producer in the Persian Gulf over the past 40 years to become the world’s largest liquefied natural gas exporter.

The country had managed to form alliances with the world’s leading international oil companies by creating integrated energy projects encompassing the markets from the wellhead to exports.

The success had largely been built on gas, even though Qatar and its partners had originally ignored its importance. Attiyah explained how supermajor Shell, which discovered the giant offshore North Field in 1971, had abandoned an estimated 1000 trillion cubic feet of gas reserves at the field as it saw no value in them.

“They cancelled their production sharing agreement with the government,” he said.

The gas reserves remained dormant until 1992, when Attiyah took over as energy minister. He soon began efforts to tap the field by courting major international investors.

His efforts paid off in the early 1990s when Exxon and several Japanese utility companies joined Qatar in building the country’s first liquefied natural gas plant. The first LNG cargo sailed to Japan in 1997.

The success lured other international players, including Shell, Total and Chevron to Qatar. It has since built a string of LNG facilities with a combined output of 77 million tonnes per annum, making the country the world’s premier LNG exporter.

Qatar is also the global leader in the production of gas-to-liquids, with production of 175,000 barrels per day.

Attiyah said the world must now turn its focus to renewables, as growing use of hydrocarbons poses an environmental danger to the world.

He said the planet could not cope with rising demand for fossil fuel if consumption in poor countries matched that of the developed world.

Sustainable and affordable energy is key to future well-being, he said.

**DEWHURST AWARD**

The Dewhurst Lecture is named after Thomas Dewhurst, whom as president of the UK’s Institute of Petroleum organised what was to become the World Petroleum Congress in 1933.

The WPC has made eight previous awards:

- Saleh A. Al-Athel, president, King Abdulaziz City for Science & Technology, Saudi Arabia (1991)
- Peter Holmes, former chief executive of Shell (1994)
- Kenneth Derr, chairman and chief executive of Chevron (1997)
- Euan Baird, chairman, president and chief executive of Schlumberger (2002)
- John Browne, BP chief executive (2005)
- Guilherme De Oliveira Estrella, Petrobras chief exploration and production officer and executive board member (2011).
EUROPE

Turkey looks to revamp oil laws to boost economy

Processing of licence applications resumes as government overhauls regulations for exploration

NOAH BRENNER
Houston

TURKEY resumed processing applications for new oil licences last week as it looks to fully implement a 2013 revamp of its oil regulations designed to spur investment in the sector and boost production to feed its rapidly growing economy.

The new law overhauled the country’s licensing block arrangement, changing it to a grid-based system across both the onshore and offshore sectors, Turkey’s Energy Minister Taner Yildiz said through an interpreter at the World Petroleum Congress in Istanbul.

Under the terms, blocks onshore and in inshore waters can be up to 1 million hectares. Operators can apply for a licence to explore any unclaimed blocks by proposing a work programme and showing their experience of working in similar areas. Selami Incedak, chairman of the general directorate of petroleum affairs explained through an interpreter.

After that, the government will advertise their interest for 90 days to allow for competing offers before awarding the block.

Initial exploration licences will run for five years onshore with possible extensions for up to four years and eight years offshore with the possibility of extending the rights for up to six more years. If operators make a commercial find, the area of the field can be converted into a production licence that will be valid for up to 40 years. Under the new law, the total government take is capped at 55%, including a 12.5% royalty on production.

In addition, Turkey has implemented a series of tax breaks and incentives to coax operators into the sector such as tax waivers for equipment and partner contracts and six-month work visa waivers for oilfield workers. Operators praised the working environment in Turkey, saying that the new law was well supported by an efficient regulatory regime.

“As a private company in Turkey it’s a very favourable regime to work in,” Jim McFarland, chief executive of Valeura Energy, said, “which is good for the sector.”

New terms: Turkish Energy Minister Taner Yildiz

Photo: KAIA MEANS

Next stop Istanbul for WPC

The world of oil and gas will converge on Turkey in 2017 when the World Petroleum Council holds the 22nd annual World Petroleum Congress in Istanbul. Leaders from the Russian national committee handed over the baton to Turkish delegates on Thursday at the closing ceremony of the four-day event held at Moscow’s Crocus Expo. Turkey’s Energy Minister Taner Yildiz was on hand, along with Russia’s Energy Minister Aleksandr Novak.

Also marking the ceremony was the introduction of incoming WPC president Jozsef Toth.

The Turkish national committee’s theme of Oilympics (Oil Games) and candidacy presentation played a big part in selecting Istanbul as the host city in 2017.

It is estimated more than 7000 delegates, 500 chief executives and 50 countries’ presidents or ministers will attend the prestigious event in three years’ time.

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.

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PAKISTAN

New licence round on Pakistan

Launch expected in early 2015, with government working to boost seismic data for offshore acreage

AMANDA BATTERSBY
Moscow

PAKISTAN is planning to launch its next licensing round in 2015, with the exercise comprising offshore and onshore acreage.

Zahid Muzaffar, petroleum and natural resources advisor to the Pakistani prime minister, said the round is scheduled to be launched in the first quarter of next year.

Only 17 wells have been drilled off Pakistan and though some have hit encouraging oil and gas shows, to date there has been no commercial discovery.

Against this backdrop, the government is embarking on an extensive seismic surveying project, along with other data acquisition, for its offshore acreage, studying geological basins that run from neighbouring Oman to Pakistan.

“We are planning about 50,000 line kilometres of 2D seismic in the next five years and about 40,000 square kilometres of 3D seismic,” Muzaffar said.

“We are (also) planning to drill around 400 exploration wells and about 800 wells.”

“It’s a very aggressive programme that we are embarking on,” said Muzaffar, who stressed to Upstream that none of Pakistan’s offshore acreage is disputed by neighbours India and Oman.

Deep-water exploration drilling is expected to start next year, according to Asim Khan, managing director of state-owned Pakistan Petroleum Ltd (PPL).

The government will also award exploration acreage directly, outside of licensing rounds, Khan told delegates at the Pakistan Ministerial Session at the 21st World Petroleum Congress.

“Under the Petroleum Policy, the government can award concessions to companies of foreign countries — national companies, without bidding — on a direct negotiation basis,” he said.

“This can be a swap arrangement where we give acreage in Pakistan in exchange for that in a foreign country.”

Earlier this year, Pakistan awarded 50 exploration licences from last year’s onshore competitive bid round.

PPL won 10 operated blocks and is also partnering OMV on another one that the Austrian company was awarded.

A total of 27 blocks were awarded in 2013 and 13 petroleum leases were also granted.

Forty-nine exploration wells were drilled last year, resulting in 28 discoveries.

PAKISTAN’S oil and gas industry is changing course under the new government, which has developed “a very aggressive road map” for the exploration and production industry, writes Amanda Battersby.

“We are going through an aggressive exploration programme to extract (every) molecule of hydrocarbons,” said Zahid Muzaffar, advisor on petroleum and natural resources to the Pakistan prime minister at the World Petroleum Congress in Moscow.

Muzaffar admitted the process is challenging, because there are “inefficiencies in seismic processing”, but Pakistan is looking for partnerships and the latest technology to help it address the issue.

“We are inviting any E&P company to come and participate in joint ventures with our two state-owned companies — Oil & Gas Development Company (OGDCL) and Pakistan Petroleum (PPL),” he said.

The government is keen to attract international investment in exploration and is also seeking partners to develop its low British thermal unit gas fields, which will likely be used for power generation projects.

Furthermore, partners are being sought for Pakistan’s shale gas opportunities, to take part in existing enhanced oil recovery initiatives and to help develop marginal fields on a fast-track basis.

The government has moved with the “unconventional” times and is well aware of the potential for shale gas, coiled methane and tight gas in Pakistan, and foreign participation is welcome in all these sectors.

The US Energy Information Administration estimated Pakistan’s technically recoverable shale gas potential at 105 trillion feet, and regional studies have already identified sweet spots that warrant further investigation.

PPL believes its own domestic acreage has high shale gas potential, and pilot wells are planned to be drilled this year and in 2015.

Hopefully production will follow between 5 Tcf and 10 Tcf alone on its southern Sindh assets.

The aim is to start a pilot CBM scheme in the next three years, with well design and planning first on the agenda.

The law recently changed so that CBM now comes under the auspices of provincial governments rather than the federal government.

Pakistan’s energy demand is predicted to increase by 4.5% per annum, driven mainly by the industrial and transport sectors, and by 2028 is forecast to be double the level of demand recorded last year.

Indigenous production today is 4.1 billion cubic feet per day of natural gas and just over 100,000 barrels per day of oil, which is insufficient to cater for domestic demand.

The supply-demand gap is expected to worsen in coming years.

Economic indicators in Pakistan are said to have improved over the past eight months, making the nation a more attractive...
Construction work starts on LNG FSRU scheme

Enhancing Oilfield Operations with LTE Technology

Information and communications technology (ICT) is becoming increasingly important for oil companies who are looking for ways to digitize their operations for a more visual approach to ensure secure and efficient oil production. With oilfields often located in vast open spaces, Long Term Evolution (LTE), a next-generation wireless broadband technology is ideal for oil companies that are implementing smart solutions to revolutionize the management and operations of oilfields.

Addressing Operational Challenges to Enhance Operational Safety and Efficiency

Seamless communication is crucial to the efficient operation of oilfields. With LTE technology, existing challenges such as the lack of visibility in oilfield operations and security can be addressed. LTE technology can be used in oilfields to enable:

- Real-time video streaming for a more transparent production process and improved management efficiency

The collection and monitoring of real-time data from oil wells and auxiliary facilities is crucial to detect anomalies and optimize production. As oil wells are often dispersed across hundreds of kilometers, bottlenecks in data collection often occur due to poor performance of communications networks in large open areas. While deploying wired networks is inefficient and costly, LTE can provide wireless communications networks to enable smooth data transmission across large open spaces.

- Adopting low-bandwidth video surveillance systems for enhanced security at oilfields

As most oil fields are located in remote areas with rugged terrain, installing surveillance cameras at critical locations is key to protecting the company's investments, staff and property. The surveillance system will enable oil companies to monitor the surroundings of its sites and provide early warnings against intrusion or equipment sabotage. LTE technologies also play a key role in the implementation as a video surveillance system and big data services will have bandwidth demands that older generations of wireless networks will not be able to support.

- Implementing multimedia trunking systems to improve the efficiency of multiple work teams

Oil field operations are complex and require a number of teams to work together on routine checks on oil wells and pipelines, equipment maintenance and repair, troubleshooting and emergency response. By implementing a trunking communications system that supports real-time multi-party voice communications, collaboration can be enhanced and the different teams can address situations through video and voice calls without having to be onsite in person.

LTE: A Future Mainstream for Oilfield Communications Systems

For oil companies, ensuring efficient communications across large open spaces is vital. LTE is an ideal technology for effective communications across oilfields, offering long-distance, low-latency wireless coverage and high bandwidth for data transmission. Customized LTE solutions for oilfields can simplify network operations and maintenance through delivering a wide range of distributed services under centralized control. Using mobile phones or tablets, employees are able to retrieve production data, make voice calls, participate in video conferences, monitor remote operations and respond to emergencies at anytime, anywhere. These features will enable oil companies to optimize oil-production processes and improve operational efficiency.

Today, several leading oil companies have already deployed LTE networks for production operations. LTE coverage has been implemented for the North Dakota oil fields in the United States and broadband data services for offshore drilling platforms, floating oil storage and offloading facilities and oil tankers have been implemented in the Norwegian part of the North Sea. To facilitate safe and efficient oil production, LTE will become an important and mainstream technology for the oil production industry for building smart oilfields.
SOUTH AMERICA

Colombia steps up drive for exploration bonanza

New bid round due in July, with coalbed methane offering to follow in November

KATHERINE SCHMIDT
Moscow

COLOMBIA is pushing full speed ahead with its next chapter of exploring, registering wide interest for its upcoming bidding round in July and wrapping up the roll out of much-anticipated final regulations for the development of unconventional.

The National Agency of Hydrocarbons (ANH) has sold 51 bid packets for Colombia’s 14th round, which will open offers for 95 onshore and offshore blocks on 23 July in Cartagena, officials said at the World Petroleum Congress in Moscow.

“We have substantially decreased the government take to attract investment to the offshore,” Colombia’s Deputy Energy Minister Orlando Cabrales told an audience at the event.

“With those... measures, we believe Colombia will be highly competitive for attracting the investment we need to the offshore.”

Dogged for years by guerilla violence now on the ebb, Colombia has worked hard to make itself into an attractive target for oil investment and has pulled in deep-water players in promising Caribbean offshore areas.

While some unrest has persisted, ANH presidente Javier Betancourt expressed optimism that a new peace deal will be signed following presidential elections. Colombia’s latest offerings include 19 offshore tracts and 18 prospective for unconventional potential, as well as ample conventional onshore offerings.

A separate event offering coalbed methane blocks will open bids in November.

Chiefly the government reviewed how its terms compared to other nearby countries and decided to increase the threshold per barrel at which a windfall profits tax is imposed.

That level has now been raised from $45 to $82 for deep-water areas and up to $100 for ultra-deep-water areas.

The ANH has also extended the exploration period for high-profile blocks to nine years from six.

Colombia is also in the process of forming an offshore “free trade zone” aimed at simplifying business for service companies that will be needed to build up the fledging offshore sector, officials said.

Companies that have bought technical packages include supermajors ExxonMobil and Chevron, European majors Total, Repsol and Eni, and state players Ecopetrol, Petrobras and Statoil, as well as independents Anadarko, Marathon and Tepetrol.

Colombia’s regulator went through an involved process to craft the shale regulations, holding four workshops with US experts to capitalise on best practices and lessons learned from North America’s still-growing boom.

Final technical rules have been released on regulators’ websites, while final environmental regulations are expected to be published within two weeks or so.

“We believe that it is a framework under which activity can happen in a responsible way,” Cabrales said, aimed at assuring the public that the government is taking proper precautions with hydraulic fracturing, a practice that has been greeted with opposition in many other places. The new rules include a requirement that any fracturing operations be done at least 500 metres below any aquifers to address concerns about groundwater contamination, as well as strict standards on well construction and design to avoid leaks.

Colombia also aims to address seismic activity and minor earthquakes that have been reported in the vicinity of shale operations, with strict standards and monitoring for injection wells that have been blamed for the leaks.

The rules also include standards for discharge of flowback water that is used in the unconventional process.

Wells: Ecopetrol chief Javier Gutierrez
Photo: KATHERINE SCHMIDT

Ecopetrol eyes on wildcats

TWO wildcats expected to be spudded later this year off Colombia are among the most interesting in the country and will provide key results to evaluate the potential of the country’s Caribbean offshore, the president of the nation’s state-owned oil company suggested to Upstream.

Better-known for its onshore and heavy-oil developments, Colombia has also drawn in top offshore players keen to test the area’s deep-water potential in partnership with state company Ecopetrol.

Brazil’s Petrobras is due to spud the Furete Norte-Block also in partnership with Ecopetrol, while 2015 is expected to bring another two or three wildcats.

“The offshore area in Colombia is completely a frontier play,” Ecopetrol chief executive Javier Gutierrez said in an exclusive interview with Upstream at the 21st World Petroleum Congress in Moscow.

“We have two world class players very committed to carrying out these very experimental first wells. This is positive because it represents the possibility that this area will heat up,” he said.

The spuds will come as Colombia’s National Hydrocarbons Agency is offering 19 additional offshore blocks in a new bidding round scheduled for 23 July and has been “very satisfied” with the level of interest, Gutierrez said.

Ecopetrol has been in ongoing talks with potential partners on new blocks in the 95-tract offering, which has attracted a range of both top majors and state players in pursuit of both offshore and unconventional blocks.

There is also a wide range of options for smaller companies targeting more conventional opportunities.

Small companies have really taken advantage of the opportunity in Colombia to do very interesting things,” Gutierrez added.
Novak hits out at use of ‘geopolitical leverage’

Russian Energy Minister says country’s goal is to increase energy stability by building new pipelines to Europe

VLADIMIR AFANASIEV
Moscow

RUSSIAN Energy Minister Aleksandr Novak has accused the outside world of employing “geopolitical leverage” to gain a competitive advantage for gas sales to Europe, and of distorting “the existing balance of relations between energy suppliers and consumers”.

Speaking on the final day of the 21st World Petroleum Congress in Moscow, Novak made an unveiled attempt to deflect blame onto the US and unnamed European countries for the prevailing tensions between Russia and the European Commission regarding gas supply issues.

Novak insisted Russia’s goal is to increase energy stability in the region by building new gas export pipelines to Europe, and he criticised calls for diversification of energy supplies to European countries.

According to the Russian Energy Ministry, the move towards energy diversification would equate to “cheap” Russian gas being replaced in Europe’s energy mix by “expensive” gas imported from Asia and North America.

Novak said the EC has taken a “non-market” position by attempting to block Russian state gas giant Gazprom’s plans to build the South Stream subsea pipeline to southern Europe, along with another gas export pipeline to Poland.

However, European Energy Commissioner Gunther Oettinger said in Brussels this week that the EC has only suspended the onshore part of South Stream in Bulgaria to allow the country to bring the project to “European rules”.

Additionally, Novak has been highly critical of the EC’s refusal to grant Gazprom the right to use the maximum capacity of the Opal gas pipeline in Germany, instead limiting it to an allowance of only 50%.

Novak also took the opportunity to justify Russia’s decision this week to cut off gas exports to Ukraine, describing the country’s “unwillingness to pay for gas” according to the terms of a legally-binding contract as “an attempt to find compromise”.

Novak said the US provided no clear explanations for its move to impose sanctions against Russian companies and individuals.

He said the sanctions are another example of geopolitical pressure, with foreign companies in Russia being asked to abandon their investments in profitable projects in the country.

"Russia is not trying to dominate the global energy market and will base its energy policies on market principles," Novak said.

"Geopolitics in energy leads to instability and worsening of the investment climate, which end consumers pay higher prices," he argued.

New LNG vital for Asian gas

AMANDA BATTERSBY
Moscow

THE future of the Asian gas market is contingent on developing new liquefied natural gas and pipeline infrastructure as well as there being a stable and incentivised investment climate, according to Cedigaz chief economist Armelle Lecarpentier.

She told the World Petroleum Congress framework session on “Meeting the growing demand for gas from Asia — implications for supply and transportation” that the main challenges are a lack of infrastructure — mostly cross-border pipelines — the high investment costs required for unconventional gas development, the lack of integration of gas markets and the absence of gas-to-gas competition as well as a complementary trading hub.

Lecarpentier said the industry is faced with many challenges. One key concern is “the lack of an investment climate in some countries because of the subsidy regime that has helped to maintain very artificially low prices that have boosted gas consumption but, at the same time, discouraged upstream investment”.

The region is without a gas trading hub and Lecarpentier does not think that Singapore’s stated aim to become an LNG trading hub will come about, at least in the short term.

"I think it will take many years before Singapore starts to become a reliable hub... Singapore is well placed to become a trading hub because the free market approach of the government is promoting the development of a trading hub with the implementation of a market-based model, with the involvement of a large number of participants with spot LNG import credits," she said.

"But the problem of Singapore is that, beyond this policy, there is a lack of liquidity on the market, because the energy market of Singapore is quite small up to now," she added, saying that Singapore did have the advantage of already being well connected to other gas markets, not only by pipeline.

Singapore’s maiden LNG receiving and regasification project came into operation with a capacity of 3.5 million tonnes per annum; it was increased to 6 million tpa and will be further expanded to 9 million tpa in future.

Cedigaz is an international not-for-profit association dedicated to natural gas information, based near Paris.
China’s overseas upstream expansion is a learning curve for its national oil companies seeking to become international players, but is by no means a form of “colonial exploitation,” delegates at the World Petroleum Congress in Moscow were told.

Chen Weidong, senior economist of the Energy Economics Institute of China National Offshore Oil Corporation (CNOOC), defended China’s energy overseas expansion, dismissing fears that the country’s acquisitions are a new form of economic invasion.

“Chinese overseas investment has helped develop local economies and create jobs in resource countries with no intention of any form of colonial (exploitation),” he said.

The Chinese upstream asset acquisition drive is part of an overall transformative process in the global energy industry, he said. “The world has entered into a China-acquisition period,” Chen argued, adding that the US, Russia and China could most heavily influence a change of the world energy landscape.

Chen said that from 2009 to 2013, three Chinese national companies — China National Petroleum Corporation, Sinopec and CNOOC — spent $100 billion to acquire overseas upstream assets, about 10 times what ExxonMobil, Chevron and ConocoPhillips of the US spent during the same period. He said that Chinese companies had set foot in countries from which Western majors have just withdrawn as a result of asset restructuring.

As a result, he said, these investments have enabled China to produce about 2 million barrels per day of crude outside China, which is about equivalent to China’s domestic production.

However, only about 10% of that volume is being sent back for domestic consumption, with China selling the rest on the international market.

Chen added that China relies on imports to meet about 60% of domestic demand. The country is already the world’s top energy consumer and will soon become its number one crude importer, ahead of the US.

Between 2005 and 2010, Chen served as vice president of China Oilfield Service Ltd (COSL), which is CNOOC’s drilling and service contractor.
TMK targets Kashagan subsea pipelines job

Russian pipe manufacturer confident its steel alloy blend can withstand the aggressive nitrogen sulphide produced at the field in Kazakhstan’s Caspian Sea waters

VLADIMIR AFANASIEV
Moscow

RUSSIAN pipeline manufacturer TMK is set to bid for a tender to replace two subsea pipelines running from artificial production islands on the Kashagan field in the Caspian Sea to the Bolashak onshore processing plant in Kazakhstan, said a company executive.

Speaking to Upstream on the sidelines of the World Petroleum Congress in Moscow, TMK chairman Dmitry Pumpyansky said the company is confident it has the requisite steel alloy blend to withstand the aggressive nitrogen sulphide that is produced together with hydrocarbons on the field.

Kazakhstan Energy Minister Yerakbay Karabalin said earlier at the Moscow event that onshore pipelines are also expected to be replaced.

The giant Kashagan field, operated by North Caspian Operating Company (NCOC) — an international consortium led by US supermajor ExxonMobil — is Kazakhstan’s largest offshore deposit. Production at the field, which lies about 80 kilometres offshore, already years behind schedule, finally started in September last year, but was halted only a month later after multiple gas leaks and pipeline cracks were discovered.

Industry observers in Moscow said that, compared with other contenders, TMK may compete with other pipe mills on price because Russia and Kazakhstan are part of a united customs zone, negating the application of import taxes.

The chosen consortium will have to manufacture and deliver new pipes, and then wait for the right time to carry out installation work in order to minimise the environmental impact.

ADVANCES in technology will continue to ensure there are adequate reserves of oil and gas, as fears over supply recede, according to BP’s head of technology David Eyton.

Addressing the 21st World Petroleum Congress in Moscow, Eyton said that generally speaking the theory of peak oil has had its time.

The use of oil and gas within the global energy mix is not going to be halted by a result of dwindling hydrocarbon resources, he told Upstream on the sidelines of WPC.

There may be other reasons for demand declines, but technology has enabled a vast increase in reserves.

The industry has an excellent track record of increasing production and replacing reserves, enabled by a sustained high oil price and technology developments over the past 30 years, Eyton said.

The potential to enhance oil recovery from reservoirs is very significant, he said, adding that the average oil recovery rate in the world today is estimated at about 30%.

“You heard people here talking about 60% or higher, even 70% in the Middle East. These are enormous increases,” he said.

Citing BP’s just-released World Energy Outlook, Eyton said oil demand will increase by about 1.5% per year, or 42% in total, between 2012 and 2035.

Technology has a significant role to play to ensure the safe production of hydrocarbons, more economical access to resources and more efficient use of energy, he added.

Eyton said about 1.6 trillion barrels of oil and gas equivalent has been produced to date worldwide, with a further 2.9 trillion of recognised recoverable resources currently remaining.

The application of best available technologies can increase the remaining recoverable resource base by almost a factor of two, he contended.

The potential for enhanced oil recovery from known hydrocarbon resources exceeds the potential from new discoveries, such as those from Arctic or ultra-deepwater areas, Eyton said.

Peak oil ‘has had its time’

XU YIHE
Moscow

Investments: TMK chairman Dmitry Pumpyansky

Photo: BLOOMBERG

EXxonMobil and Russian shipping giant Sovcomflot team up for Russian seismic venture

FRENCH geophysical player CGG and Russian shipping giant Sovcomflot are joining forces to form a new joint venture for seismic survey work in Russia’s Arctic waters, writes Steve Marshall.

The new venture, Arctic Geo-physical Exploration (AGE), will be 51% owned by Sovcomflot and 49% by CGG and is due to be operation- al with four vessels by the fourth quarter. The pair intend to carry out high-end 3D marine seismic acquisition in the vast and largely untrammelled Arctic and sub-Arctic play under the newly minted collaboration deal.

CGG will charter a 14-streamer ice-classed vessel while Sovcomflot will provide an eight-streamer ice-classed unit under the pact. AGE will offer seismic services to operators targeting the Russian Arctic region, with the vessels also to be deployed in the wider international market outside of the Arctic seismic shooting season.

“By combining Sovcomflot’s in-depth knowledge and experience of operating in the Arctic with CGG’s global expertise in marine seismic operations, we have created a powerful new Russian marine seismic company able to meet the most demanding technical and operational challenges of the Arctic region, while also being able to offer a competitive range of seismic services internationally,” said Sovcomflot chief executive Sergey Frank.

The Russian Arctic is being targeted for exploration by Statoil, ExxonMobil and Eni under agreements with state-owned Rosneft, increasing demand for seismic services to map the region’s untapped hydrocarbon potential.

Outlook: BP’s head of technology David Eyton

Photo: XU YIHE

Photo: BLOOMBERG

Outlook: BP’s head of technology David Eyton

Photo: XU YIHE

Outlook: BP’s head of technology David Eyton
ROUND-UP

What Moscow put on show for the 21st WPC...

**Upstream** takes a look back at some of the key issues and impressions from the World Petroleum Congress, wrapping up an eventful week in Moscow

ROB WATTS
Moscow

THE 21st World Petroleum Congress in Moscow has drawn to an end after a week in which leading names from industry and government examined an uncertain future.

As predicted at the start of the week by WPC president Renato Bertani, the long-term sustainability of the oil and gas industry and how industry reacts to a growing number of challenges were key themes of many speeches and debates.

Rex Tillerson, the chief executive of the world’s largest oil company, ExxonMobil, got the ball rolling on Monday, saying in his plenary address that the search for oil and gas must continue into new areas, such as the Arctic, deep water and unconventional plays, to satisfy ever-growing global energy demand.

Those views might not be particularly radical. What was notable, however, was the extent to which Tillerson emphasised that exploitation must be carried out in a safe and environmentally responsible manner.

Tillerson said the drive into new frontiers must be balanced with wise environmental stewardship.

“We seek not just to deliver the energy the world needs but to do so in a way that is safe and environmentally responsible,” he said.

BP chief executive Bob Dudley said at the launch of the UK super-major’s statistical review, also on Monday, that governments around the world need to provide incentives for capital-constrained majors to reduce the risk of precious resources being left in the ground.

His words were heard by a host of oil and energy ministers and other politicians, such as Colombian Deputy energy Minister Orlando Cabrales, who was promoting a bid round next month and talked about establishing a framework for frontier offshore exploration.

Upcoming licensing rounds were also highlighted by ministers from Angola, Colombia, India, Pakistan, Turkey and Uruguay.

Dudley was joined by many other leading figures — Statoil chief executive Helge Lund and Amec head Samir Brikho to name two — in raising concerns that spiraling costs are threatening the future of the industry. Lund also noted that companies and governments should lose no time in addressing the issue of climate change and carbon emissions.

They should “be part of the solution, not the problem”, he said.

Developing new oil and gas technologies was highlighted as one way industry can tackle many of these and other problems, including maintaining its social licence to operate amid growing public scepticism about aspects of its operations, not least hydraulic fracturing.

Gerald Schotman, Shell’s chief technology officer, said: “You need to continue to find ways and means to make this business an affordable business.”

The run up to the week-long event was perhaps overshadowed by the Ukraine crisis, one likely reason that Russian President Vladimir Putin was forced to cancel his scheduled participation at the event at the Crocus Expo centre.

However, big Russian companies such as Gazprom and Rosneft, the latter represented at WPC by executive chairman Igor Sechin, expressed confidence that their co-operations will evolve dynamically despite Western sanctions.

Foreign investors will also continue to get preferential treatment, leading domestic executives said.

And so, while delegates leave Moscow with uncertainty hanging over the industry, one thing is almost guaranteed — they will gather to discuss these and other issues in three years time at the 22nd WPC, to be held in Istanbul, Turkey.
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For Jozsef Toth, the incoming president of the World Petroleum Council, it is an honour just to be nominated.

A long-time supporter of the council since his first World Petroleum Congress in Moscow in 1971 as a young refining engineer, Toth joined Hungary’s WPC national committee in the mid-1990s and has played an active role in creating and enacting council policy and the constitution as a member of the executive council.

He was elected vice president in 2005 and senior vice president in 2008.

“The WPC has got a very special position in my life,” Toth says of his appointment.

“I think it’s really a great honour and I appreciate that the members found my contribution to be enough to be elected as a president.

“I’m very happy and very thankful for the great family of the WPC.”

During his tenure at the helm, Toth says he does not foresee change, but rather continuous improvement through increased initiatives and activity by its national committees.

His biggest challenge will be filling the Istanbul 2017 congress programme with topical and important issues facing the industry three years from now.

Among those topics will likely be the issue of social responsibility and strengthening and building on local content.

“Temi and I appreciate that the members found my contribution to be enough to be elected as a president.

“We dealt with how energy security could be ensured for the country, and my colleagues and other players succeeded in convincing the government to (focus) on energy security.

Toth believes there needs to be greater autonomy between government and industry, with the latter removing politics from operations.

“We understand politics are part of our life but the energy industry needs stability,” Toth points out that industry needs to look 20 to 30 years into the future, whereas governments change every four to eight years.

He says he expects rapid changes to be brought about by the international competitiveness of liquefied natural gas exports and the shale gas revolution in North America.

Toth says he is looking forward to the next chapter of the WPC and he expects to see great global change occur over the next three years.
‘Do not ignore the obvious’

PROJECT FINANCES

‘Hope for the best but plan for the worst’

ROB WATTS
Moscow

Oil and gas companies seeking to secure financing for complex projects should “hope for the best but plan for the worst”, executives were told at the World Petroleum Congress in Moscow on Thursday.

The advice came from Robert Storey, managing director of Azerbaijani state oil company Socar’s Turkish operations, which recently closed a major financing deal for a refinery project in Turkey.

“Do not ignore the obvious,” he told delegates.

Storey was speaking alongside members of WPC’s UK national committee in a session on challenges and opportunities in global oil and gas finance.

“On a project the size of ours, you have to hope for the best but plan for the worst,” Storey said.

Socar last month signed a $3.29 billion financing deal with 23 banks and export credit agencies for the construction of the refinery on Turkey’s Aegean coast.

The $5.5 billion Star refinery will supply feedstock to petrochemicals maker Petkim.

The plant is expected to have an annual capacity of 10 million tonnes, 1.6 million tonnes of which would be naphtha, which could feed the Petkim plant.

It will also produce diesel, jet fuel and liquefied petroleum gas.

About $2.7 billion of the financing has a maturity of 18 years and the remaining $600 million has a maturity of 15 years, Petkim said previously.

Clarification

IN A report of comments made by Amec chief executive Samir Birikho at the World Petroleum Congress about industry cost escalations, Upstream incorrectly wrote that Amec was working on 15 mega-projects, and almost all were over budget.

Upstream wishes to clarify that the 15 mega-projects mentioned by Mr Birikho are in fact being handled by the global industry, not any single contractor.

INTERNATIONAL regulators and operators need to guard against implementing overly complex and detailed procedures as they review their oilfield safety regimes, delegates at the World Petroleum Congress in Moscow were told.

If they fail to do so, they risk creating an atmosphere where responsibilities are unclear and workers are more concerned with fulfilling requirements than actual job performance, said Simon Durkin, vice president of safety, environment and social performance at Shell Netherlands.

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Adherence to good practice vital, but industry warned that ‘ticking boxes doesn’t make you safe’, and over-complex requirements should be screened out

Responsibilities: Simon Durkin, vice president of safety, environment and social performance at Shell Netherlands

Photo: VLADIMIR AFAHANIEV

NOAH BRENNER
Moscow

SAFETY

Clarity key for safety on oil and gas projects

Adherence to good practice vital, but industry warned that ‘ticking boxes doesn’t make you safe’, and over-complex requirements should be screened out

INTERNATIONAL regulators and operators need to guard against implementing overly complex and detailed procedures as they review their oilfield safety regimes, delegates at the World Petroleum Congress in Moscow were told.

If they fail to do so, they risk creating an atmosphere where responsibilities are unclear and workers are more concerned with fulfilling requirements than actual job performance, said Simon Durkin, vice president of safety, environment and social performance at Shell Netherlands.

One way this can manifest itself is in lengthy checklists that employees must complete as they carry out their work.

“The danger with paper is people tick the boxes and (they) somehow believe that that has made them safe,” Durkin said.

“Ticking boxes doesn’t make you safe.”

Sigve Knudsen, executive vice president of the Petroleum Safety Authority of Norway, added that any good safety system needs to be "self critical" and over-complex requirements should be screened out in that process.

However, Durkin warned that there is also a danger in not requiring strict adherence to safety checklists.

He explained that a past fatal accident at Shell’s Salym Petroleum joint venture in Russia was in part due to a written “deviation” from accepted practice.

“People write deviations and get them approved and they think that somehow that has changed the situation and made them safe,” Durkin said.

It is also important to drive safety culture past the grandiloquent statements made by executives at conferences and get it engrained into the minds of the workers and contractors that are completing dangerous tasks on the ground, delegates were told.

Chayong Borisuitsavat, acting senior vice president, safety, security, health and environment for Thailand’s PTTEP said: “To me, getting it down to the hands-on people on the worksite is the most important thing because those are the people that get injured, not the ones at the office.

“For people working in safety, (that) is the (main) question, because 75% of our workforce on any given day is (made up of) contractors,” Burbin said.

“How you get into the culture of the contractor workforce is the critical issue.”

Shell has implemented a system of 12 “life-saving” rules that can be applied across its different business units and operating areas.

“We were, I think, or possibly are, or historically have been quite a complicated company in terms of procedures and processes,” Durkin said.

“Actually, the guy on the ground at the work place, he just needs to know clearly — and very clearly — what is it he needs to do and how is it he needs to do it.”

Borisuitsavat pointed out that operators need to be prepared to reach out to contractors to instill a safety culture in different ways when they are working across a range of cultures and geographies.

He gave an example of working in Australia, where contractors have more experience pursuing safe operations versus Myanmar, where local contractors have less experience working with international oil companies.

“It’s about awareness and knowledge,” he said. “It’s different
WEST AFRICA

Pair highlight the keys to unlock Angola riches

WPC told that technology and co-operation between industry and government vital for projects

EOIN O’CINNEIDE
Moscow

TECHNOLOGICAL developments are key to unlocking Angola’s vast pre-salt oil potential, but companies and government need to work together to drive down costs and push large-scale projects through, the World Petroleum Congress was told.

“Our industry is used to meeting challenges,” Total E&P Angola director general Jean-Michel Lavergne said at the event in Moscow.

The French supermajor has just recently started production at its deep-water Clov field cluster project in Block 17.

The project is being developed using 34 subsea wells tied back via 180 kilometres of flowlines to a floating production, storage and offloading vessel with 1.8 million barrels of storage capacity.

“When Total took Block 17 in the early 1990s, most of the technology that we are using today on this block existed only on paper. So, you have to look forward and believe in your ability to overcome challenges,” Lavergne said.

James Farnsworth, chief exploration officer of US independent Cobalt International Energy, added: “Ten or 12 years ago, the thought of exploring, drilling and developing there was beyond our technology. Companies like Total, BP and others have done exactly that.”

Cobalt has made six of Angola’s eight pre-salt discoveries to date, and Farnsworth said the company has managed to drive down its costs through the use of new technologies.

“There is no doubt that deep-water exploration is a very high-cost environment,” he said.

“In the pre-salt, typically when you start exploring a new basin, you go through a very difficult learning curve, in terms of not knowing how to drill wells that nobody has drilled before.

“Some of our first pre-salt wells took about six months to drill and were very expensive — over $1 million a day, which adds up. Our most recent two or three wells have been about half that.”

Both Lavergne and Farnsworth said high costs were an industry-wide issue and not specific to exploration in Angola.

“It is one thing to drill wells, another to develop those barrels, which is a lot more expensive,” Farnsworth said.

“With high costs, there is a tendency to place blame on the operating company or a service provider. But by working together, we have to drive costs down — it is absolutely essential,” Lavergne said that, along with the Clov FPSO, which will take Total’s Angolan production up to 700,000 barrels per day, the company also operates eight deep-water rigs off the country.

“I think that, outside Brazil, you will not find a single company operating that many deep-water rigs in one country,” he said.

“We have $10 billion of operating expenses this year — in Angola we have very large but efficient operations.”

Promises: Angola Oil Minister Jose Botelho de Vasconcelos at the WPC panel

Photo: KAIA MEANS

ANGOLAN Oil Minister Jose Botelho de Vasconcelos has promised that while oil players active in the country may find its legislative process cumbersome, the government is willing to work with companies to push through upstream projects, writes Eoin O’Cinneide.

“The strategy of our government is to review contractual and fiscal terms in order to make these fields more attractive,” he said, speaking through an interpreter at the World Petroleum Congress in Moscow.

“Another challenge we have is to review with our partners all the contracts to find solutions to oil recovery,” he added.

One major operator in Angola’s pre-salt plays is US independent Cobalt International Energy, which recently submitted a field development plan for its Cameia discovery in Block 21.

Cobalt chief exploration officer James Farnsworth told a WPC audience that the company anticipates sanction towards the end of this year or “some time next year”.

Production start-up is envisaged in 2017.

“Of course, much of the timing is up to you as well,” Farnsworth told de Vasconcelos and a number of executives from state player Sonangol, whom he joined on the panel.

De Vasconcelos said that “some fields require some support in terms of contractual and fiscal terms.”

Total E&P Angola director general Jean-Michel Lavergne said there are some issues between the local concessionaire and the industry in Angola, and that local content requirements add another layer of complexity.

However, he added that the “spirit of co-operation” in Angola has been good.

De Vasconcelos said local content is a “major concern”, but the government had made big strides in putting the proper framework in place.

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EXPLORATION

Equatorial Guinea puts 14 blocks on the menu

Round to be launched next month with pre-qualification deadline set for 15 August

IAIN ESAU
London

EQUITORIAL Guinea has unveiled details about its latest offshore licensing round, with 14 blocks on offer—10 under a competitive bidding process and four available for direct negotiations.

The round, which covers all shelf acreage, will be launched on 1 July and closes on 30 September. The four blocks available for direct negotiation are EG-07, EG-08, EG-09 and EG-10 and are expected to be the most sought-after assets.

EG-07, located immediately north-west of Bioko Island, hosts the Langorta-1 gas-condensate discovery, with part of the acreage previously operated by Repsol. EG-08 and EG-09 are located directly north and south, respectively, of Noble Energy’s producing Alen and Aseng fields.

EG-08 includes part of Block O that Noble recently relinquished, while EG-09 includes the former Block Q that Petrosa, South Africa’s state oil company, has also handed back to the government.

EG-10 is located immediately west of state-owned Gepepetal’s proposed Venus development in Block P.

Eight of the 10 blocks available for competitive bidding are found south and south-west of Bioko Island in deep and ultra-deep waters.

Two blocks are located off Rio Muni, one just north of the port of Bata, and the other about 30 kilometres west of Hess’ Ceiba field.

The Mines, Industry & Energy Ministry will open a physical data room at Henley-on-Thames, west of London, which can be visited on an appointment-only basis.

Companies not currently active in Equatorial Guinea must submit pre-qualification documents, plus a $50,000 ministry by 15 August and will find out two weeks later whether they have been successful.

The round excludes seven blocks that until earlier this month were classed as open acreage but have now been effectively awarded to ExxonMobil. Under a memorandum of understanding signed last week, the US supermajor is in direct talks to operate blocks D, D-S, C-8, C-10 (part), C-11 (part), B-10 and B-11 (part) off Bioko Island under a single production sharing contract.

Upstream understands the bulk of these blocks were originally operated by ExxonMobil but had to be relinquished as the US player focused its efforts on its producing Zafiro gas and condensate field in Block B, which it operates with a 71.25% stake.

US player in China shale bid

JOINT VENTURE AGREEMENT

Mockingbird in Qinghai deal

XU YIME
Moscow

MOKINGBIRD Capital Management of the US has set up a joint venture with local government and businesses in the Chinese province of Qinghai with a view to exploring and developing shale gas prospects in north-west China’s Qaidam basin.

According to the joint venture agreement, Florida-based Mockingbird now holds a 40% stake in Qinghai Shale Gas Investment & Development Company, with local partner Qinghai Guangke Photovoltaic (PV) Glass Company holding another 40% and Qinghai Administration of Mineral Resources and Qinghai Coal Geology Bureau each holding 20%.

The joint venture is part of efforts made by the Qinghai government to initiate shale gas exploration in line with the latest central government policy to allow local governments to launch and manage their own shale gas licensing rounds.

Sources said Mockingbird and Qinghai Guangke will provide the capital in the upcoming exploration campaigns in Qinghai, while the two minor stakeholders will provide regulatory and technical support.

The latest initiative also comes at a time when local authorities and businesses have expressed interest in owning upstream assets.

In China, such assets are traditionally licensed to China National Petroleum Corporation, Sinopec, China National Offshore Oil Corporation and Sichuan Oil Exploration Bureau, but recently several independent companies have been accorded the opportunity to explore and develop conventional hydrocarbons in the country.

Qinghai is home to an estimated 4 trillion cubic metres of shale gas in place, covering 450,000 square kilometres, of which 800 billion cubic metres is considered technically recoverable.

So far only one well has been drilled. The Chaiye 1 probe, drilled last year by China Geological Survey Bureau, hit a payzone of 141 metres.

The well will be fractured by the end of this month, sources said.

A second well, Deye, is now under way.

Ireland dives in for new Atlantic acreage licensing round

IRELAND has thrown open the bulk of its Atlantic waters in its first licensing round since 2011, writes Bill Lehane.

The offer was announced by Junior Energy Minister Fergus O’Dowd at a conference in Dublin.

Known as the 2015 Atlantic Margin Oil & Gas Exploration Licensing Round, the offer is to close in September 2015.

The formal launch of the round coincides with the surprise move earlier this week to raise taxes on future Irish oil and gas fields following an external review by Aberdeen-based energy consultancy Wood Mackenzie.

O’Dowd said that “the conclusion of the fiscal terms review allied with the announcement of the detail of 2015 round provides industry with the certainty necessary to invest in exploration offshore Ireland”.

He said that the long lead-in time for the round’s closing date aimed to “allow sufficient time for exploration companies to devote resources and commence work on evaluating data, so that they can make strong applications”.

The offer is to extend to all of Ireland’s major Atlantic areas to the west of the country, including the Porcupine, Goban Spur, Slyne, Erris, Donegal and Rockall basins.

Two-year licensing options that can be converted into 15-year frontier exploration licences are to be offered in the round.

The acreage on offer is to be divided into three regions, where-by explorers can apply for: Up to six blocks in the Porcupine and Goban Spur basin Up to four blocks in the Donegal, Erris and Slyne basins, and Up to 10 blocks in the Rockall basin. To spur interest in the round, the department is to offer data from its recent wide-ranging set of 2D seismic surveys over 18,000 square kilometres to the industry.
EAST AFRICA

**Statoil may farm down stake in Tanzania block**

Analyst believes Norwegian company could cash in on recent Piri-1 discovery well that boosted Block 2’s estimated gas reserves to 200 trillion cubic feet

**STEVE MARSHALL**

Oslo

Norway’s Statoil may be looking to cash in some of its chips in a block off Tanzania through a possible farm-down deal after a new gas discovery that has bolstered its share of potential resources, according to an analyst.

The latest find made with the Piri-1 well in Statoil-operated Block 2 — the sixth discovery out of six wells drilled to date on the tract — has increased the 5000 square-kilometre block’s in-place gas volumes to 20 trillion cubic feet, which is equivalent to 3.6 billion barrels of oil.

However, the present resource tally could increase by 50% with drilling of further prospects on the radar over the next two years, in addition to a well on the Binzari prospect that was recently spudded by drillship Discoverer Americas, according to the company.


**Lamprell wins major contract for Upper Zakum scheme**

MIDDLE East yard Lamprell has won a contract to build almost 30 modules for Abu Dhabi National Oil Company (Adnoc)’s giant Upper Zakum (UZ) 750 offshore oil project, writes Emir O’Connor.

Petroleum has contracted the United Arab Emirates-based builder to fabricate 20 modules on behalf of Zakum Development Company (Zadco), an Adnoc offshore. The modules will together weigh about 10,000 tonnes, with the first batch set for delivery in the second quarter next year.

The final pipe-rack is scheduled for delivery in the first quarter of 2016. The contract value was not disclosed.

Lamprell chief executive Jim Moffat said late last year that, in addition to targeting orders for higher specification jack-ups, the company was also looking to land increased modules for liquefied natural gas, floating production, storage and offloading vessels, upstream and downstream projects.

The Upper Zakum field lies about 80 kilometres north-west of the city of Abu Dhabi. Zadco is aiming to boost production capacity from the field by another 250,000 barrels per day to 1 million bpd by about 2024 and then try to sustain that level for as long as 25 years.

UZ 750, estimated to be costing between $12 billion and $14 billion, is scheduled for completion at the end of 2017. Adnoc owns a 60% stake in Zadco, with ExxonMobil holding 28% and Jodco 12%.
**RIG MARKET**

Enesco signs deal with Total for DS-8 drillship

High dayrate ‘reflects when contract was negotiated’ and not conditions in current market

Luke Johnson

Houston

Rig owner Ensco has contracted out another of its newbuild drillships under construction in South Korea for a healthy dayrate.

French supermajor Total has hired the Ensco DS-8 for a five-year stint off Angola.

The rig is expected to begin work in the third quarter of 2015 following completion of mobilisation and acceptance testing.

Mobilisation will cost about $26 million and will be amortised over the life of the contract.

The dayrate will start in the high $630,000 range, but periodic increases will lead to an average rate of around $650,000, adding about $1.2 billion to Ensco’s revenue backlog.

The contract, which extends to 2020, also comes with a one-year priced option.

As leading-edge dayrates for ultra-deepwater rigs have slipped in recent months, Ensco will surely welcome the higher rate.

However, analysts said the contract was likely negotiated a year ago when supply of such rigs was tight “and thus is hardly representative of leading-edge deepwater dayrates”, according to analyst Tudor Picker Holt.

Ensco & Company said in a research note that Ensco “was able to secure a premium rate due to the advanced and cost-efficient capabilities of the rig, including retractable thrusters, heave-compensated cranes, and additional capacity in the hold for pipe storage”.

Cowan suggested the rate would likely have been in the low $500,000 range had the deal been negotiated under current market conditions.

“The current market remains challenged, with lower-spec ultra-deepwater assets commanding rates as low as $350,000 per day,” Cowen said. “There are still 10 (ultra-deepwater) newbuilds scheduled for 2014 delivery and an additional 16 without contracts; we expect that several will be delivered without a contract or will have their deliveries pushed back.”

Delivery of the dynamically-positioned Ensco DS-8, which is under construction at Samsung Heavy Industries in South Korea, is expected in early 2015.

The final EIS puts Freeport on a clear path towards approval to send out a total of 12.2 million tonnes per annum of LNG, which equates to a total liquefaction capacity of 1.8 billion cubic feet per day of natural gas.

Ferc said the proposed project would result in “mostly temporary and short-term environmental impacts” and “some adverse environmental impacts”.

“The impacts would not be significant except for the traffic and noise impacts on the residents of the town of Quintana during construction,” Ferc said.

Analysts at energy investment bank Tudor Pickering Holt hailed the final EIS as a “material positive step in getting Freeport across the final investment decision finish line, albeit later than expected”.

Tudor Pickering Holt now expects full Ferc approval for the project before the end of the year.

It had previously anticipated a mid-year approval.

A key factor aiding Ferc’s decision was the site of the liquefaction plant.

Freeport LNG also proposes to construct a natural gas pretreatment plant 2.5 miles (four kilometres) north of the existing Quintana Island terminal.

Freeport LNG clears environmental hurdle

The US Federal Energy Regulatory Commission (Ferc) has issued the final environmental impact statement (EIS) for the proposed Freeport liquidified natural gas export terminal in Texas, giving the project a huge boost in gaining a final blessing, writes Anthony Gassman.

The final EIS puts Freeport on a clear path towards approval to send out a total of 12.2 million tonnes per annum of LNG, which equates to a total liquefaction capacity of 1.8 billion cubic feet per day of natural gas.

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Freeport LNG also proposes to construct a natural gas pretreatment plant 2.5 miles (four kilometres) north of the existing Quintana Island terminal for processing the gas for liquefaction.

Carrizo fined for spills

Carrizo Oil & Gas of the US has been fined by Pennsylvania regulators following a pair of spills in the Marcellus shale region last year, one of which was a result of a hydraulic fracturing accident.

The US state’s Department of Environmental Protection (DEP) said it fined Carrizo a total of $152,044 for the “well control incident” in March 2013 and a separate backflow spill the following month.

In the first incident, in Wyoming County, Carrizo reported that production fluid was uncontrolled from the Yarasavage 1H gas well, which had just been fractured. The fluid was leaking at a rate of 800 to 1100 barrels per hour and was escaping uncontrolled from the Yarasavage 1H gas well, which had just been fractured. The fluid was leaking at a rate of 800 to 1100 barrels per hour and was escaping uncontrolled from the Yarasavage 1H gas well, which had just been fractured.

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