Afroil

AFRICA OIL & GAS MONITOR

20 January 2009

Week 03

Issue 272

❖ News
❖ Analysis
❖ Intelligence

Published by

❖ NewsBase

NEWS THIS WEEK...

Territory trouble

The Western Sahara question does not seem to be going away. While a new UN representative has been appointed to oversee talks, a vessel has arrived to acquire seismic.

- **Exploration in the area had appeared to have come to a halt as a result of NGO pressure on oil companies. Kosmos Energy's move to start up exploration work on its offshore block, though, has highlighted the numerous tensions at work.** *(Page 2)*

Uganda shines

Heritage and Tullow's success in Uganda is something to shout about.

- **The find – with the Giraffe-1 well – has the potential to be the largest onshore oilfield in sub-Saharan Africa.** *(Page 3)*

Egypt successes

Well results have been coming in strongly in Egypt recently.

- **Apache celebrated three finds in its acreage, while warning of a difficult 2009.** *(Page 8)*
- **Circle has announced a strong result at its Gulf of Suez block, with the Al Amir SE-2 well.** *(Page 9)*

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

COMMENTARY

Western Sahara woes

Exploration work offshore the disputed southern region of Morocco has brought a tangled mess of national and international issues to the fore

By Ed Reed

- **Fugro is surveying an area offshore the disputed Western Sahara on behalf of Kosmos**
- **Independence advocates have criticised the surveys, claiming they are illegal**
- **International law does seem to allow for operations to continue, although this is likely to be disputed**

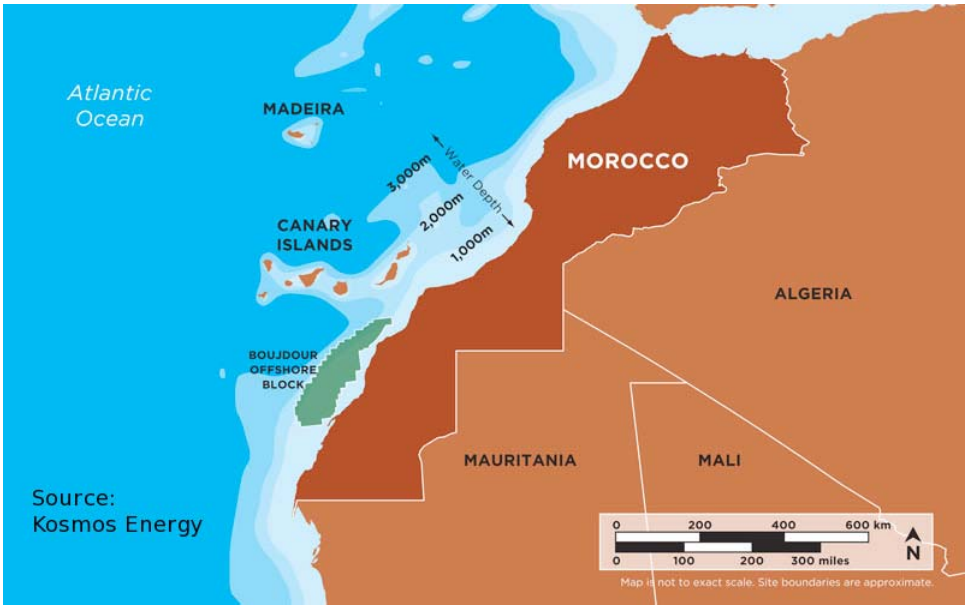
Allegations from a Norwegian NGO that a seismic company is working offshore the disputed region of southern Morocco have reignited the row over Western Sahara. The International Crisis Group has described this conflict as "both one of the world's oldest and one of its most neglected."

The NGO, Norwatch, announced on January 14 that a Norwegian seismic ship, the Geo Caribbean owned by Fugro Geoteam, had arrived offshore the disputed area in order to carry out operations on behalf of Kosmos Energy, a privately owned US company.

The move comes at a time when progress is dragging on the area's future. Western Sahara is claimed by Morocco but the Polisario Frente claims the area should be independent.

On January 7, United Nations Secretary-General Ban Ki-moon announced his personal envoy for Western Sahara would be the US' Christopher Ross. The UN statement on the appointment said Ross would work to "provide for the self-determination of the people of Western Sahara."

Kosmos' website set out just why the issue was so heated in terms of oil and gas exploration. Acreage in the Western Sahara's Aaiun basin was "one of the remaining frontier exploration provinces offshore West Africa," Kosmos said. The area has "significant prospectivity, including many large structural traps," the company continued.



Boujdour

Norwatch said the Spanish government had confirmed the presence of the Fugro ship. The seismic vessel probably started work in the area on January 10 or 11, the NGO said, and will finish "sometime toward the end of February." The Fugro vessel is probably working in the deepwater section of Kosmos' block, Boujdour.

The report noted that Kosmos had taken over from another US company, Kerr-McGee, which had pulled out of the work following sustained pressure from activist groups. This included a decision by Norway's Pension Fund to divest its holdings in Kerr-McGee in protest at its holdings in the disputed area.

In response to this wide-ranging pressure, the NGO said: "It has been unclear whether Kosmos Energy wished to continue the exploration in the occupied territory. This can now be confirmed."

Kosmos has a 75% stake in Boujdour, while Morocco's state-owned Office National des Hydrocarbures et des Mines (ONHYM) has a 25% carry.

Protests

The reaction from representatives of Western Sahara has been expectedly critical. The government-in-exile of the area, the Sahrawi Arab Democratic Republic (SADR), which has held a licence round for Western Sahara and is in the process of executing a second, deplored Fugro's move in an open letter to Fugro's managing director, Hans Meyer.

An SADR petroleum authority representative, Kamal Fadel, told *Afroil* that Fugro's work was "ill-timed, provocative and likely to hinder peace efforts in the area." ▸▸

COMMENTARY

He said there had been a "slow but steady withdrawal" of at least seven oil companies working in the Western Sahara area, including Total and Kerr-McGee. Fadel noted that other companies had opted to "deal with the Sahrawi republic." The SADR carried out a licensing round in 2005, handing out nine blocks in March 2006, mostly to small UK-listed companies. A second round is now underway, with a deadline of March 30.

Maghreb Exploration's managing director, Frederik Dekker, whose company received the rights to a block in the SADR's first licensing round, predicted a storm of trouble for Kosmos and Fugro.

"It is very likely that Fugro will be swamped with mail from a huge number of NGOs, including some very influential Norwegian entities, as well as individuals supporting the SADR cause," Dekker said. The work, he said, was "clearly illegal under UN principles."

"It is worth noting that the conflict in Western Sahara has not ended yet and the current ceasefire is linked to the UN peace process that has so far not yielded concrete and positive results. If the peace process fails, a resumption of hostilities is likely in the area," Fadel said.

Fadel described Kosmos and Fugro's work as "illegal exploration" and called on them to withdraw from the area.

Response

However, responding to the allegations, a member of Fugro's management board, Paul van Riel, denied the work was illegal.

"We are working in that area just as work is being carried out in many disputed areas, all over the world – in Russia, China, Norway, Brunei – which are all seeing similar issues. We abide by all legal rulings and, as far as we're concerned, we are doing nothing wrong according to international law," van Riel told *Afroil*.

He went on to say that Fugro was convinced that the authorisation to work in the area was "correctly licensed by the Moroccan authorities."

Kosmos was invited to comment for this article but, at the time of going to press, had not chosen to do so.

Concerns over the status of Western Sahara have been raised most frequently in the European Union over fishing rights. The UN describes Western Sahara as "non-self governing," an injunction which obliges parties to ensure that work in these areas does not have an adverse impact on the people of the territory.

A fishing deal between the EU and Morocco shows that Europe does not believe this action to have an adverse impact on the inhabitants of Western Sahara.

Close links between the Moroccan and US governments have steered Washington DC away from criticising progress on the disputed territory too closely.

The US and France have given some support to a plan for Western Sahara to secure some autonomy within Morocco, while the independence movement wants a referendum with an option for complete independence. The Polisario's desire for independence is becoming more difficult as time goes by, as the balance of population tips against the Sahrawi people and towards a Moroccan majority.

Talks are likely to continue on this at a high-level but, for now, there seems little to stop Moroccan-backed exploration going ahead. ■

Uganda strike set to be game changer

Heritage and Tullow's big find has sealed Uganda's reputation as the next African frontier

By Martin Clark

- **Well results in Uganda suggest the presence of what could be the largest sub-Saharan oilfield**
- **The East African state was initially dismissed as an oil province but times are changing**
- **The results also give impetus to neighbouring players, such as Tower Resources**

It has been a big week for Uganda, as the country moves ever closer to becoming an oil producer and exporter. While first oil is tipped to commence flowing from an Early Production System (EPS) later this year, which will top up local demand and ease national power concerns, the evidence is mounting that this small East African country could be capable of much more.

Any lingering doubts that this landlocked territory contained only piffling amounts of crude were dispelled when explorers Heritage Oil and Tullow Oil confirmed what is now thought to be the biggest onshore find in sub-Saharan Africa for decades – possibly ever.

Other large onshore fields in sub-Saharan Africa include the 900 million barrel Rabi-Kounga field, discovered in Gabon in 1985, and the 485 million barrel Kome field, identified in Chad in 1977. ▸▸

COMMENTARY

Analysts already believe that the volumes of crude oil discovered in Uganda now justify a dedicated export pipeline to support the emerging oil industry.

It follows the success of the Giraffe-1 exploration well in Block 1, which encountered a gross oil-bearing interval of 89 metres, with approximately 38 metres of net oil pay.

Significantly, the find appears to be linked to the earlier Buffalo discovery well, creating a single connected reservoir system spanning an area of some 48 square km and with initial estimated reserves in excess of 400 million barrels.

Heritage's CEO, Tony Buckingham, described it as a "world-class discovery" and suggested that the field could extend further to the north and east and include the Buffalo East prospect. If so, this would create a large structure of up to 90 square km in size.

Brian Smith, Heritage Oil's vice president, exploration, told *Afroil* that the Buffalo-Giraffe complex had yielded yet another in a basin where all 18 out of 18 wells have proved successful.

"This is an exciting time for Heritage, as the Block 1 drilling campaign has moved the Albertine basin over the commerciality threshold for development and there are many other prospects, within both our operated blocks in Uganda, giving the potential to find further substantial quantities of oil," he said.

Analysts are equally upbeat. An analyst at Evolution Securities, Richard Griffith, said the new discovery had "thrashed" the commerciality threshold, meaning substantial development and export plans must now be in the minds of both Heritage and its partner, Tullow. The two companies each hold a 50% stake in the Buffalo-Giraffe project.

Giant leap

This success marks a significant step in Uganda's journey. When Heritage and Tullow first started exploring their Ugandan acreage they claimed that initial data hinted at a region with billion barrel oil potential. At the time, when no oil had been identified despite the persistence of earlier pioneers in the country such as Australia's Hardman Resources – now absorbed into Tullow – most people dismissed the notion.

But Buckingham last week referred to Block 1's "multi-billion barrel potential," marking another step up the ladder. Heritage, which was awarded the first licence in the Albert Basin in 1997, was one of Uganda's early pioneers, though exploration in the country dates back to the 1930s. Buckingham confirmed that reserves had now "achieved the commercial threshold for development."

The year ahead promises more to come as development work moves forward on the EPS and as planning takes shape for a much larger project.

"Having reached this critical commerciality milestone, 2009 will be very exciting as we enter the developmental phase for the Albertine basin, while continuing to appraise and explore the basin's further potential," said Buckingham.

Heritage holds an interest in Block 1 and Block 3A, while Tullow is active in both blocks as well as Block 2. Discoveries have been made in all three blocks, which are in Uganda's west, along Lake Albert and the border with the Democratic Republic of Congo (Kinshasa).

First production from the EPS is expected in the second half of 2009, with output of around 4,000 barrels per day to a new processing facility and power generation plant.

Giraffe-1 is the sixth successful test of the Victoria Nile delta play fairway within the Lake Albert Rift Basin and has been drilled about 6.5 km south of the crest of the Buffalo-Giraffe structure. Tullow's CEO, Aidan Heavey, said the latest results would help de-risk several adjacent prospects – in Blocks 1 and 2 – which are scheduled for drilling in 2009.

The Giraffe well is now being suspended as a future producer, with the rig moving on to Block 2. Tullow will resume drilling in early February with the Mputa-5 appraisal to calibrate recently enhanced seismic data. The rig will then return to the Block 2 Butiaba campaign.

"Buffalo-Giraffe is one of the largest recent onshore oil discoveries in Africa," said Heavey. "Combined with our other finds in the region, we have now clearly exceeded the thresholds for basin development. Options for commercialisation and first oil production are currently being fast-tracked."

The news is equally significant for other companies active in the area too. The UK's Tower Resources, through its Neptune Petroleum subsidiary, and Australia's Global Petroleum plan to drill a well on Block 5, to the north of Block 1, by March, at the latest. This will target the Iti prospect, about 80 km from the Buffalo discovery.

Tower Resources raised GBP500,000 (US$724,000) in additional funding last week to help prepare for a second follow-up well, which would target the Sambia prospect.

"The continued good drilling results from Tullow and Heritage in Uganda have raised awareness of our upcoming drilling programme in Block EA5," said Tower's boss, Peter Kingston. "We are pleased to have received further support for an increased fundraising, especially in the current market." ■

Correction

Afroil wishes to clarify a story, "Equatorial Guinea picks up the pace on gas hopes," in Afroil Issue 271. Ophir Energy has plugged and abandoned its two wells, R2 and R3, in Block R but both are potentially commercial gas discoveries. Afroil regrets the error.

MARKET COMMENTARY

Bonny Light follows irregular bearish path in December

By Jennifer DeLay

Overall, December was another bearish month for Bonny Light crude, with prices ending the month nearly US$11.75 below their starting point. The market was not consistently bearish. Instead, prices fell in the first week of December, rose over the December 8-15 period and then fell before levelling out towards the end of the month.

According to data from the Northwest Europe (NWE) spot market, Bonny Light opened the month at a high of US$49.14 per barrel. It went below US$48.00 on December 2, below US$47.00 on December 3, below US$46.00 on December 4 and below US$41.00 on December 5. On December 8, though, prices climbed to US$43.12. They remained steady at US$43.17 on December 9 but rose to US$45.79 on December 10 and US$46.84 on December 11.

The market slipped to US$45.31 on December 12 but then went up to US$48.48 on December 15. After mid-month, though, Bonny Light turned bearish again, sliding to US$45.01 on December 17, US$43.20 on December 18, US$41.30 on December 22 and US$38.82 on December 23. Prices then moved down into a corridor between US$36.50 and US$37.50 over the December 24-31 period, marking a 54-month low of US$36.72 on December 30 and ending the month at US$37.43.

Over the full month of December, Bonny Light prices averaged US$43.07. This is nearly US$12.50 below the November average of US$55.48 and is the lowest monthly average posted since August 2004.

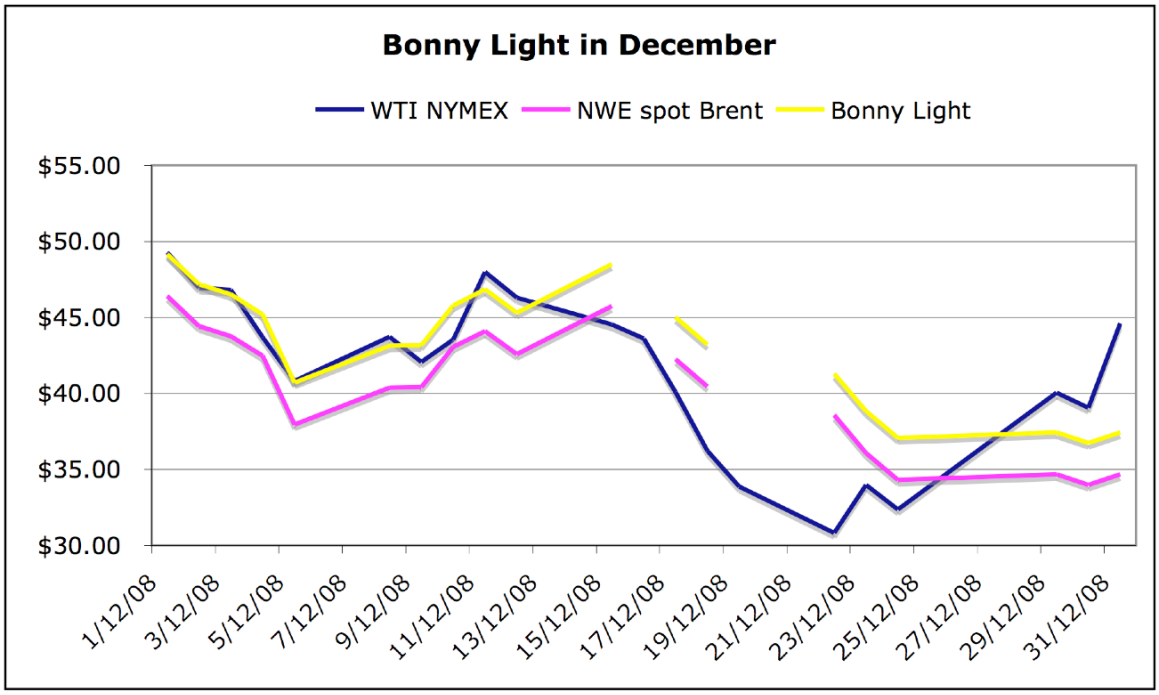
Also in December, Bonny Light's premium over Brent crude narrowed slightly. The premium remained at the level of US$2.75 per barrel for the entire month, whereas in November it averaged US$2.97 and moved between US$0.84 and US$3.20.

Brent, WTI

Bonny Light followed the same path as Brent, the key European benchmark crude, in December. Brent, too, lost nearly US$11.75 over the course of the month after opening at a high of US$46.39 per barrel. According to NWE spot market data, it fell below US$45.00 on December 2, below US$44.00 on December 3, below US$43.00 on December 4 and below US$38.00 on December 5. But on December 8, it went up to US$40.37.

Prices were steady at US$40.42 on December 9 but climbed to US$43.04 on December 10 and US$44.09 on December 11. Brent sank to US$42.56 on December 12 but rose to US$45.73 on December 15.

Subsequently, Brent lost ground again, falling to US$42.26 on December 17, US$40.45 on December 18, US$38.55 on December 22 and US$36.07 on December 23. As with Bonny Light, the market then moved down into a lower corridor, with prices ranging between US$33.75 and US$34.75 over the December 24-31 period. ▸▸



www.newsbase.com Edited by Ed Reed

MARKET COMMENTARY

Brent hit a 54-month low of US$33.97 on December 30 and finished the month at US$34.68.

Meanwhile, WTI, the main US benchmark grade, followed a more irregular path in December. It also declined in the first week of the month and then gained momentum, only to begin dropping after mid-month.

However, it gained strength in late December rather than sinking into a lower corridor. According to NYMEX data, front-month spot prices for WTI started the month at a high of US$49.28. They went below US$47.00 on December 2, below US$44.00 on December 4 and below US$41.00 on December 5. Prices then climbed to US$43.71 on December 8, slipped to US$42.07 on December 9 and went back to US$43.52 on December 10.

On December 11, WTI rose to US$47.98. The market then went below US$47.00 on December 12, below US$45.00 on December 15, below US$44.00 on December 16, below US$41.00 on December 17, below US$37.00 on December 18 and below US$34.00 on December 19. On December 22, it hit a 60-month low of US$30.81.

WTI climbed to US$33.98 on December 23, though, and closed at US$32.35 on December 24. Prices then jumped to US$40.02 on December 29, sagged to US$39.03 on December 30 and ended the month at US$44.60.

Doom and gloom

World oil markets started the month on a bearish note amid new reports of trouble in the global economy, which has generated pessimism about future energy demand. The downward trend prevailed for the first week of the month, despite a fire at a huge 412,000 barrel per day refinery in the Netherlands and forecasts of cold weather in the US.

The decline was perhaps helped along by traders' scepticism over OPEC members' compliance with production cuts. The market began to rebound in the second week of the month, though, on expectations that OPEC would order a new output cut at its December 17 meeting in Vienna.

A decline in the US dollar also lent prices some strength before mid-month. After mid-month, though, oil began to sink again as US crude, petrol and distillate inventories swelled and US lawmakers failed to reach agreement on a bailout package for the domestic automobile industry.

Even as Russia and other oil producers signalled support for OPEC's production cuts, traders focused on the worsening economy and, in consequence, prices continued to fall. They remained bearish even after OPEC decided on December 17 to slash output by another 2.2 million bpd.

The market showed signs of levelling out towards the end of the month, however, for various reasons, including a tightening in North Sea crude supplies, China's decision to take advantage of low prices by boosting its reserves, Russian threats to cut natural gas supplies to Ukraine and mounting tensions in the Middle East following the Israeli military's move into Gaza.

As noted above, Bonny Light lost some momentum relative to Brent in December. This was partly a result of seasonal factors – that is, low demand for petrol during the winter months, as evidenced by weak crack spreads on European oil markets.

Increases in US inventories may also have exerted some downward pressure on the petrol-rich Nigerian crude. Meanwhile, pessimism about the world economy has also pulled petrol demand down, and this probably affected the Bonny Light market too.

However, a series of attacks on oil service vessels working off the coast of Nigeria apparently ensured that the spread did not narrow very much.

Thus far this month, the spread has narrowed slightly. If worries about the economy dominate trader sentiment, it could continue to narrow. However, there have been more attacks on oil industry facilities in Nigeria this month and, if these incidents have a significant effect on supply, Bonny Light could start gaining momentum relative to Brent. ■

PIPELINES & TRANSPORT

Work on Eldoret-Kampala fuel pipeline to begin in April

The Ugandan Energy and Mineral Development Ministry expects work on the Eldoret-Kampala fuel pipeline to start in the second quarter of 2009.

According to the ministry's commissioner, Ben Twodo, construction will begin in April. In the meantime, he said, the government is carrying out preparatory tasks.

For example, he told the New Vision newspaper that the Energy and Mineral Development Ministry was acquiring land along the route of the pipeline. This task "involves evaluating individual and community property that will be affected by the project from Tororo to Kampala," he said. ▸▸

PIPELINES & TRANSPORT

Ministry experts have already completed survey work along the pipeline route and have submitted a report to a top government evaluator, he said. This official will make a final decision about land acquisitions, he explained.

"When that is done, we expect to start compensating the people affected by the project, and work will start in April," New Vision quoted him as saying.

He added that he did not expect the pipeline project to encounter any further delays. Uganda's government has had to wait for land survey and valuation work to be completed before launching construction, he said.

New Vision also reported that Uganda and Kenya were expected to sign key documents on the pipeline in the near future. Among the agreements slated for approval in late February are a legal framework governing bilateral and international accords and guarantees for the formation of a joint venture to operate the pipeline, timely completion of work and the use and eventual transfer of the pipeline to the Ugandan and Kenyan governments.

Uganda is keen to finish the pipeline, especially in light of the fuel shortages that rocked East Africa in late December and early January. Tamoil won a build, operate, own and transfer (BOOT) contract for the project in mid-2006.

The 20-year contract was valued at US$71.2 million, with equity in the deal split 51% to the Libyan company and 24.5% each to the Ugandan and Kenyan governments.

At the time of signing, officials in Kampala and Nairobi expected that Tamoil would start work on the 340-km pipeline quickly and finish 18-24 months later. To date, though, construction has not even begun.

New Vision noted that the project had fallen behind schedule partly because of the difficulty involved in drafting, harmonising and securing approval for agreement on the commercial, customs, financial, legal, tax and transportation aspects of the matter. It added, though, that the Ugandan government had been working to raise money to pay for its share of investment in the project and also to finalise plans for resettling and compensating the people who live along the route of the pipeline. ■

INVESTMENT

Petronas considering Sudanese refinery

Malaysia's state-owned Petronas is to hold talks with the Sudanese government in March to discuss resuming plans to build a 100,000-150,000 barrel per day refinery in Port Sudan, on the Red Sea coast.

In August 2005, Petronas signed a joint venture agreement with the Sudanese Ministry of Energy and Mining under which it agreed to take a 50% stake in the construction of the refinery. The facility was to carry a price tag of US$1-2 billion and to begin operations in 2009.

The refinery was intended to supply the growing needs of refined petroleum products in Sudan and the Common Market of East and Southern African States (Comesa). However, owing to escalating construction costs – taking the plant's cost to almost US$5 billion – Petronas decided to defer the investment decision.

Falling commodity prices will have a detrimental impact on Sudan's finances, which is dependent on oil sales. However, the upside of this is that steel prices have also fallen, bringing project costs down and therefore making investments in facilities such as a refinery more practical.

The current refinery in Port Sudan is well over 40 years old. The only other refinery in Sudan is the Khartoum Oil Refinery, in which the China National Petroleum Corp. (CNPC) has a 50% interest, alongside the Sudanese state.

If built, the new refinery will be designed to refine Sudan's high-acid Dar Blend crude, produced from Blocks 3 and 7 in the Melut basin, in which Petronas has an interest along with CNPC, the Kharafi Group, Sinopec and the Sudan National Petroleum Corporation (Sudapet).

The refinery would not be Petronas' first foray in Sudan's downstream sector. Petronas purchased the retail assets of Mobil Oil Sudan in 2003. Petronas also operates bulk terminals, aviation storage depots and bunkering facilities in Sudan.

Petronas has invested heavily in Sudan's upstream sector. It has stakes in Blocks 1, 2, 4, 5A, 5B, 8 and 15. ■

INVESTMENT

Apache warns of challenges, but upbeat on Egypt

Apache has warned of a "challenging" environment for energy companies in 2009, although strong results from its acreage in Egypt's Western Desert have started the independent on a positive basis.

The company's president and CEO, Steven Farris, speaking at a conference, said that this year would be difficult for commodity markets as well as exploration and production companies.

"Companies that didn't put the brakes on capital spending fast enough are in danger of going deeper into debt at a time when cash flow has been cut in half, service costs have not yet adjusted to the new commodity prices, credit is hard to find and financial flexibility is absolutely critical," Farris said.

The Apache head predicted that these tough times might feed into an increase of mergers and acquisitions.

Farris said Apache, though, had entered 2009 in "good shape" with increasing production, cash and "access to the credit markets at very acceptable rates."

However, he warned, because of a decrease in the end-of-year oil and gas prices "a non-cash ceiling test impairment is likely, although its magnitude is yet to be determined."

Farris said that Apache's strategy for the year was to focus on the completion of its large development projects, using its operating cash flow rather than taking on debt. Additionally, he said, the company would "remain on the lookout for acquisitions."

Apache should increase production this year by 6-14%, he said, based on two new gas trains in Egypt, the Van Gogh development in Australia and the Geauxpher development in the Gulf of Mexico.

Farris said continued exploration was important, "despite a likely decline in drilling activity."

Egypt

The company's three finds in Egypt, which flowed at a total of 80 million cubic feet (2.3 million cubic metres) per day and 5,909 barrels per day of condensate and oil. The finds were all in the Jurassic formation and Farris said they demonstrated "the significant exploration potential for both oil and gas remaining in these concessions."

The Sultan-3 well is a new oilfield discovery in the Khalda Offset concession, south of the company's Imhotep field. The well was tested at 5,021 bpd of oil and 11 million cubic feet (311,000 cubic metres) per day of gas from the Safa formation.

Apache also announced finds at the Adam-1 and Maggie-1 wells, new gas condensate fields on the Matruh development lease, north of the Sultan discovery.

Adam-1 produced 28.5 million cubic feet (807,000 cubic metres) per day of dry gas while Maggie-1 was measured at 40 million cubic feet (1.1 mcm) per day of gas and 884 bpd of associated condensate. Apache has 100% in all three finds. ■

PERFORMANCE

Gulf Keystone closes first phase drilling programme on HBH

London-listed Gulf Keystone Petroleum has announced a drilling success on its Hassi Ba Hamou (HBH) permit, in Algeria. The company's HBH-6 well reached a total depth of 930 metres and penetrated the Devonian age reservoir, it said on January 14.

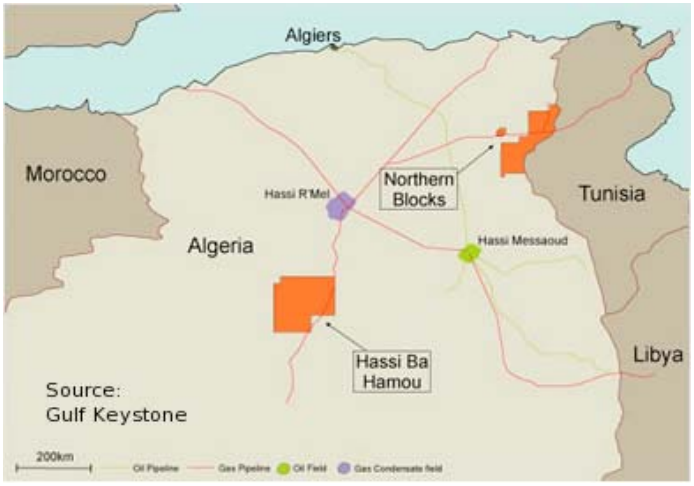
Testing over 48 hours was recorded at a stable flow rate of 15,345 cubic metres per hour (368,280 cubic metres per day). The HBH-6, which was spudded on November 25, was the sixth and last well in the company's current drilling programme and completes Gulf Keystone's commitments for the phase.

The Alternative Investment Market (AIM) listed company said the rig would now move to drill the RM-2 well, the first well on the HBH permit to be drilled in the second exploration phase. The well should be spudded within the month and there will be no further announcements on it until completion.

The HBH permit includes five blocks and covers 18,380 square km in Algeria's Bechar basin.

Gulf Keystone's executive chairman, Todd Kozel, said the HBH-6 was the company's fourth success in the six-well programme, including the RM-1 discovery. "The success of this drilling programme justifies our decision to proceed to the second prospecting period early and underlines the high prospectivity of the HBH permit," he said. ▸▸

PERFORMANCE



Sonatrach deal

Gulf Keystone also said that, as a result of reduced global oil prices, the financial impact of a deal with Sonatrach had been rethought and the AIM-listed company will need to restate its reported revenue.

It said that in the second half of 2008 a deal with Sonatrach had been reached under which the state-owned Algerian company had agreed to purchase Gulf Keystone's share of production from the GKN and GKS fields. The deal included production from October 10, 2007, and Gulf Keystone received its first payment – for production to April 10, 2008 – in January.

The London-listed company said the payment amount had been worked out via a formula based on the price in November 2008, when they were substantially below the prices seen during the summer of 2008.

Gulf Keystone had predicted revenues of US$4.3 million from this deal but, it said, this figure will need to be restated.

The company also said it was preparing to drill a well in Iraq's Kurdistan region, in its Shaikan block. The well should be spudded early in the second quarter of 2009, it said. ■

Circle celebrates Egyptian appraisal

Circle Oil has confirmed that the Al Amir SE-2 appraisal well, in Egypt's North West Gemsa concession, is a discovery.

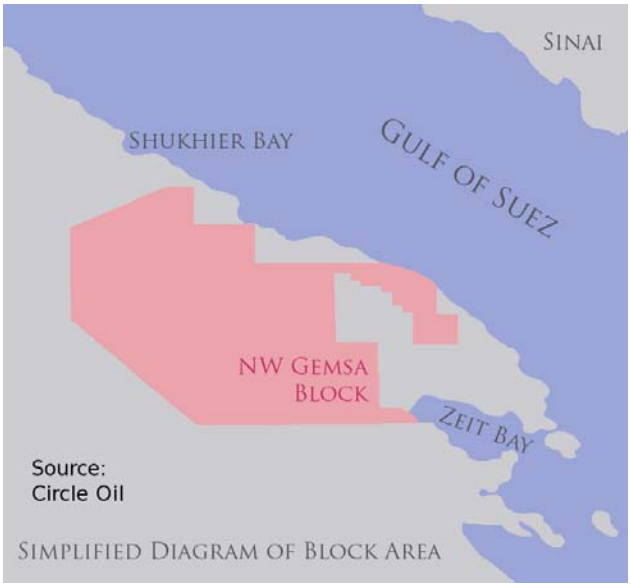
The company said that the discovery was made in the Kareem formation sandstone and had tested at a sustained rate of 5,785 barrels per day of 41 degrees API oil and 221,000 cubic metres per day of gas. Vegas Oil and Gas operates the concession.

The well was drilled to appraise the Al Amir SE-1 ST discovery and is to be completed as a potential producer. The discovery was announced in October 2008 and was tested at 3,388 bpd of oil and 120,000 cubic metres per day of gas in the same Kareem formation. *(See: Afroil Issue 259)*

The Al Amir SE-2 encountered net thickness in two pay zones of around 12.8 metres.

Circle's CEO, David Hough, said the result was "excellent news. We can be justifiably very happy with the results of our ongoing drilling programme, as we have discovered commercial hydrocarbons in five of the last six wells drilled."

Circle said a technical evaluation of the result was being carried out for development planning, although the reserves had not yet been assessed.



A note from Fox Davies Capital said the company could begin earning cash from the Egyptian block in the near term via early production, "following on from last month's positive response of the declaration of commerciality by Egyptian General Petroleum Corporation (EGPC)."

Of particular significance, Fox Davies said, was that Vegas had still to "test the upper interval, which could augment this recent discovery."

The block is in the Gulf of Suez basin, around 300 km southeast of Cairo, and covers more than 400 square km. The licence provides a conversion right to a production licence, to run for 20 years plus extensions, should commercial discoveries be made.

Circle has a 40% stake in the block while Vegas has 50% and Premier Oil has 10%. Circle farmed in to the block in January 2008 via a deal with the operator. ■

PERFORMANCE

NOC announces Woodside find

Libya's National Oil Corporation (NOC) announced on January 15 that Woodside Energy had made an oil and gas discovery at the F1-NC 210 well in the Ghadames Basin, around 900 km south of Tripoli.

The well was drilled to a total depth of 1,240 metres and tested for oil in the Mamuniyat formation, at a depth of 1,165-1,240 metres at a rate of 280 barrels per day. Gas flowed from the Devonian Sands formation at a depth of 634-718 metres at 283,000 cubic metres per day, both through a 32/64-inch choke. The NC 210 block was awarded to Woodside under an exploration and production-sharing agreement (EPSA) with NOC in May 2003. It is the fourth discovery made by the Australian-based company in the block since. Woodside is operator of the block and holds a 37% stake, while NOC holds the other 63%.

Woodside holds a number of concessions in Libya, including five onshore blocks in the Sirte basin – S11, S16, S42, S50 and S64 – located in the northeast of the country and the M15 block in the Murzuq basin, in the west. Woodside also holds shares in offshore Blocks 35, 36, 52 and 53, which was won in the EPSA-IV licensing round in January 2005.

Separately, NOC reported on January 13 that it had earned US$5.4 billion in additional revenues during 2008 as a result of changes in contracts that date back to the 1970s.

NOC said the changes made to the contracts with four foreign companies – Italy's Eni, PetroCanada, and consortiums led by Occidental of the US and Repsol YPF of Spain – had brought in US$2.4 billion and that the companies had also agreed to pay a total of US$3 billion in up-front payments. The state-owned company said it was in the process of renegotiating other contracts.

Libya produces around 1.69 million bpd of crude oil and holds reserves of 41.5 billion barrels. NOC plans to double crude oil production capacity by 2012 with investments that could range from US$30 billion to US$40 billion. The country is also seen as a future major gas producer. ■

POLICY

Algeria signs off on bid round

The four companies that won blocks in Algeria's recent bid round have signed deals on their areas worth US$272 million. The deals were signed on January 17.

Italy's Eni, Germany's E.ON Ruhrgas, the UK's BG Group and Russia's Gazprom signed the deals with Sonatrach and ALNAFT, Algeria's regulatory body. Eni won the Kerza licence, E.ON won Rhourde Yacoub, Gazprom won El Assel and BG won Guern El Guessa.

The results of the bid round were announced in mid-December 2008 and have been described as disappointing. Of the 15 blocks on offer, only four were bid upon. Algeria had originally planned to offer 16 blocks but, at almost the last moment, withdrew the Ahnet licence.

The official in charge of the bid round, Djilali Takherist, was reported by Reuters as saying: "The four companies will invest a total of US$272 million. It's an appreciable investment if we take into account the current [international] circumstances." Algerian Minister of Energy and Mines Chakib Khelil said the lacklustre bidding during the December bid round had resulted from the global economic downturn.

Reports in the local media said BG had committed to acquiring seismic and to drill seven wells. Eni is to acquire seismic and drill eight wells. E.ON is to acquire seismic and drill seven wells on its Rhourde Yacoub block. Gazprom is also to acquire seismic and drill four wells. Sonatrach is already working on the latter two areas. The foreign partners have taken 49% stakes in their respective blocks. Algeria's El Watan newspaper quoted the president of ALNAFT, Sid Ali Betata, as saying that another licence round would be launched this year and would include those areas offered in December 2008 but unclaimed. ■

Company	Block won	Investment
Eni	Kerza, Timimoun basin	US$69 million
BG Group	Guern El Guessa, Gourara basin	US$100 million
E.ON Ruhrgas	Rhourde Yacoub, Berkine basin	US$48 million
Gazprom	El Assel, Berkine basin	US$55 million

POLICY

Kenya seeks arrest of oil company executive

Nairobi's chief magistrates court has ordered the arrest of the head of local petroleum products distribution company Triton Petroleum, Yagnesh Devani. The official is being sought over a Kenya Anti-Corruption Commission (KACC) investigation into the unauthorised release of 126 million litres of petroleum products from Triton's storage facility in Mombasa.

Triton and senior staff at the Kenya Pipeline Company (KPC) allegedly transferred and released petroleum products worth almost US$100 million without knowledge or authorisation from Triton's financiers. According to media reports, the company did not acknowledge receiving petroleum products purchased by the KPC from Glencore Energy, financed by the Kenya Commercial Bank, Fortis Bank and Emirates National Oil Company (ENOC). KPC's managing director, George Okungu, was sent on compulsory leave on January 9. KPC's chief of finance and strategy, Selest Kilinda, was appointed by the government to serve as an interim managing director for the company. Subsequently, Okungo was sacked after admitting that he had not been aware of the alleged theft.

Interpol has been asked to help track down Devani and KPC's operations manager, Peter Mecha. Devani is thought to have travelled to India on December 28, 2008. PricewaterhouseCoopers has been hired to undertake a forensic audit to establish the extent of the losses.

In 2002, Devani was accused by Petrol Oil Kenya Limited of stealing oil. Devani won his first major contract in 2004. He was awarded the tender to supply Kenya Electricity Generating Company (KenGen) with oil products. Triton had been seen as a rising star of Kenya's domestic oil companies. Its collapse is a blow for the local energy industry and may also cause problems for local banks, which are said to have lent Triton cash. Triton is said to have relied on price volatility to continue its business. The company stored crude during times when it was cheap and sold it when prices increased. When oil prices tumbled by around US$100 per barrel from July 2008 to November, the company could no longer cover its costs. At this point, it seems, KPC issued Triton more petroleum products than the company was entitled to, in an attempt to meet its financial obligations. ■

NNPC chief sacked as Nigerian government begins reform

The Nigerian National Petroleum Corporation's (NNPC) group managing director, Abubakar Yar'Adua, has been sacked in what has been seen as the first step in a planned reform of the country's oil sector. Recently appointed Nigerian Petroleum Minister Rilwanu Lukman named Mohammed Barkindo as the new head of the NNPC, which has sole responsibility for the country's upstream and downstream developments.

According to a statement, Barkindo, a former OPEC secretary general, took up his position on January 12. "Until his new appointment, Barkindo, whose career in the NNPC [has] spanned more than 23 years, was the co-ordinator of special duties, where he presided over major projects of the corporation," it continued.

Barkindo is a long-term supporter of Lukman – who was appointed to oversee Nigeria's oil industry in December 2008 – having served as his special assistant in the late 1980s.

Yar'Adua, who held the position as head of the state-run oil company since August 2007, was due for mandatory retirement in six months. Although the government did not give any reason for the official's early departure, concerns over his leadership and his inability to revive the NNPC's fortunes in the wake of dwindling oil prices are thought to have contributed to his dismissal.

However, Barkindo's appointment has run into criticism from the country's South-South region. In an interview with Nigeria's Punch newspaper, Ijaw national leader, Chief Edwin Clark, vowed to protest against the appointment. "Three of the seven directors in NNPC are northerners, two from the South West and two from the South East. Nobody was appointed to represent the oil and gas region in the management of NNPC," he said. "[The president] must reconsider these appointments, because they do not augur well for the development of the Niger Delta, which he has vowed to develop. This is not fair and we are not going to keep quiet. The federal government is treating one group as being superior to the other. It is sad that this government does not care about what is happening to us." ■

Report: Ghana may have to wait for Jubilee start

Expectations for Ghana's Jubilee oilfields to start production by mid-2010 may be unrealistic, the IMANI Centre for Policy and Education has claimed.

IMANI, a Ghanaian economic think tank, also warned that revenue from the field, which holds an estimated 1.8 billion barrels of recoverable oil, may be delayed.

Tullow reported on January 12 results from its Hyedua-2 well in the Jubilee field, indicating that future production from this well could be in excess of 20,000 bpd.

The company also said that it expected overall initial production for the field to be 120,000 bpd, rising "pretty quickly" to 250,000 bpd.

However, an IMANI policy analyst, Bright Simons, said that the current economic downturn would make these expectations difficult to meet.

With investment hard to achieve in the current climate and the low price of crude, core revenue is likely to drop, he explained.

"For the same reasons that oil prices are falling, most investors will be sceptical about investing in large production systems because the oil prices are down, so their returns are likely to be affected. If you look at the combined effect of these factors, our feeling is that … Tullow will not be able to raise the money it requires to produce oil on the time lines that it has indicated," he said.

In related news, newly elected Ghanaian President John Atta Mills has called on partners in the development – including Kosmos Energy, Tullow, Anadarko Petroleum, Sabre Oil & Gas and Ghana National Petroleum Corporation – to be mindful of the social, legal and corporate responsibilities that come with the drilling of oil.

Speaking to a delegation from Kosmos, led by the company's chairman and CEO, James Musselman, at Osu Castle, in Accra, Atta Mills assured the company of the government's support for the Jubilee project, while calling for transparency and openness from all operators in the field. ■

SUNPEC revs up for Madagascar exploration

Hong Kong-based Sino Union Petroleum and Chemical International (SUNPEC) has started preparatory work for the exploration of Block 2104 in Madagascar, while considering the possibility of co-operation with other Chinese companies.

According to the January 14 edition of NewsTrak Daily, SUNPEC's chairman, Hui Chi-ming, said the company had been discussing the work in Block 2104 with mainland and Taiwanese oil enterprises, including ComputerC Corporation Taiwan and PetroChina, which have showed keen interest.

Hui also noted that good progress had been made in Block 3113, another project in Madagascar, in which SUNPEC has teamed up with Hong Kong and China Gas Company and Shaanxi Yanchang Petroleum.

Approximately 500 million yuan (US$73 million) has been injected by the three parties as investment capital for the first phase of development, Hui said, adding that work had started after approval was given by China's National Development and Reform Commission (NDRC).

Madagascar's hydrocarbon reserves have yet to be fully explored. Other explorers active there include Houston-based Madagascar Oil, which in late 2008 boosted its estimate of reserves at its Tsimiroro project on the Indian Ocean island by 30% to 1.7 billion barrels. In March, the company said it had produced Madagascar's first oil in 60 years from an onshore steam injection pilot project at Tsimiroro, one of two heavy oil projects the firm is developing.

Madagascar Oil says its other project at Bemolanga, also in northwest Madagascar, is one of the biggest undeveloped bitumen reserves in the world, with an estimated 9.8 billion barrels of recoverable oil. Total signed a deal with Madagascar Oil in September 2008, worth around US$75 million, under which the French company took a 60% stake and became operator of the Bemolanga area.

Madagascar's government is working to revise the country's petroleum law and was expecting to submit all proposed amendments – which provide for developing the country's resources under production-sharing agreements (PSAs) – to parliament by early 2009. Once approved, a new group of oil blocks will be offered to investors. ■

NEWS IN BRIEF

General Issues

IEA: Oil Demand Set for 2-Year Drop on Recession

Oil demand will fall for a second year, the first back-to-back contractions since 1983, as a deepening recession erodes consumer spending, the International Energy Agency said. The adviser to 28 nations cut its global 2009 forecast by 1 million bpd on expectations the economic outlook will deteriorate. The IEA estimates consumption will shrink 0.6% to 85.3 million bpd. "It's a major shift," said Gareth Lewis-Davies, an analyst at Dresdner Kleinwort Group in London who worked at the IEA. "The weakness in oil demand is significant. This year there will be a lot of attention on their forecasts and they don't want to be accused of being behind the curve." Oil prices have plunged more than US$100 per barrel from a record in July as the US, Europe and Japan face their first simultaneous recessions since World War II. This month's IEA revision is its largest since at least 1996.

BLOOMBERG, January 16, 2009

Greece buys two LNG cargoes

Greece typically buys LNG from Algeria. In 2007, it got 60% of its LNG from Algeria and the rest from Egypt, according to statistics compiled by BP. Greece bought two LNG cargoes from the spot market as Russia's price dispute with Ukraine halted pipeline deliveries for a tenth day, according to three people familiar with the matter. Greece is now completely relying on ships carrying LNG for its gas needs, said three people on condition of anonymity, citing company policy. Greece's supply from Azerbaijan through a pipeline across Turkey stopped about a week ago as Turkey is also short of Russian gas, they said. Greece may buy more shipments of LNG as Russian supply is not certain to resume within the next few days, the people said. They declined to say which country had supplied the two shipments already purchased.

BLOOMBERG, January 16, 2009

Tanker rates to increase due to oil storage

Senior oil analysts have told the press that they expect that tanker owners could soon be expecting higher charter rates for most of their voyages. The latter price increase prediction is based on the fact that the market is witnessing an unknown increase of storing crude oil and super-tankers. Sources have indicated that already more than 7% of all VLCCs (very large crude carriers) has been booked for crude oil storage. It is rumoured that especially financial institutions such as the main banks in the US, EU and Asia are behind this practice. Oil producers, refiners and several investors are putting surplus volumes in floating storage in the hope that crude oil demand and prices will rise sharply in the next four months, a practice widely referred to as contango. The last days, VLCC charter rates for key markets in the Middle East have increased by 17%. Analysts even expect that this will be increasing the coming weeks, as the practice of contango widens.

BUSINESS 24/7, January 15, 2009

Boots & Coots renews Africa contract

Boots & Coots International Well Control announced it has renewed one of its Safeguard contracts in Africa, substantially expanding the scope of the company's existing prevention services for a three year term, with an optional two year extension period. The contract, which initiates this quarter, is valued at US$58 million and includes US$23 million in new Safeguard services. "The prevention business has been our fastest growing segment over the last several years, and we believe part of that reason is because our customers recognize the value we bring through safer and more productive operations," stated Jerry Winchester, president and chief executive officer. "We believe that this contract clearly demonstrates the opportunities that exist in emerging markets for our Safeguard services." The majority of the services provided under the contract include training, rig audits, risk assessments, on-site competency programs and related prevention services, with minor provisions for third party services.

BOOTS & COOTS, January 13, 2009

North Africa

Algeria's Sonatrach 2008 energy revenue at US$76 billion

Algerian state-run energy group Sonatrach, Africa's biggest company by revenue, made US$76 billion from oil and gas sales in 2008, the firm's CEO said, up from US$57 billion the previous year. "We reached US$76 billion," Sonatrach's CEO Mohamed Meziane told reporters, without saying how much Sonatrach's foreign partners earned from their operations in the North African country. Sonatrach earned US$57 billion in 2007 from producing and selling oil and gas, while the state earned a further US$2 billion from a windfall tax on the earnings of foreign energy firms operating in Algeria. OPEC-member Algeria is the world's 15th-biggest oil reserves owner and a major gas supplier to Europe.

REUTERS, January 17, 2009

Edison May Sell 25% Of Egypt Abu Qir If Price Right

Edison, Italy's second-biggest power producer and gas operator, said on January 15 it could sell up to 25% in the Egyptian natural gas Abu Qir field if the price was right. Several companies have expressed interest in the stake but no decision has been made yet, Edison's chief executive said Thursday. ▸▸

NEWS IN BRIEF

"There is a list of companies but no decision has been taken yet," Umberto Quadrino told reporters at a press conference. "If the price is good and if it makes sense, then why not," Quadrino said. Quadrino confirmed that Electricite de France SA was one of the interested buyers but wouldn't name the rest. Edison won the tender for the Abu Qir field in a deal worth US$3.1 billion, allowing it to reach its gas supply targets and reduce dependency on rivals. Edison said it will pay Egyptian General Petroleum Corp. a bonus of US$1.41 billion for the exploration, production and development of the offshore Abu Qir field. The Italian company said it estimates necessary investments at about US$1.7 billion. Abu Qir is in the Nile Delta – the key area of Egypt's growing gas sector. Edison said the field will allow it to more than double its annual gas output to 2.6 billion cubic metres by 2013.

WALL STREET JOURNAL, January 17, 2009

BGP Commences First Slip-Sweep 3-D Seismic Survey for Shell in Libya

BGP Crew 0121 is performing the first slip-sweep 3-D seismic survey contract for Shell in Libya. The slip-sweep technique is based on multiple vibrator fleets, and can highly improve the operation efficiency. The work area is located at block 89N with extremely complicated surface conditions, where there are hills, Gobi, swamps, as well as wells, roads, pipelines, historical remains and other infrastructures. The most challenging issue is the potential risk from the landmine areas.

BUREAU OF GEOPHYSICAL PROSPECTING, January 19, 2009

UN and AU in bid to speed up Darfur deployment

United Nations and African Union officials met Monday in Addis Ababa to explore ways of speeding up the sluggish deployment of their joint peacekeeping force in Sudan's Darfur region. "We have had to revise our objectives downwards. Only 60% of the force is deployed on the ground in Darfur," said spokesman Noureddine Mezni from the UN African Mission in Darfur (UNAMID). "Our new target is to reach an 80% deployment in March," he told AFP, adding that logistical problems had delayed the arrival of new equipment and contingents. Mezni said an agreement was signed for airports to be operational 24 hours a day in order to speed up the deployment and facilitate the joint force's operations. "We hope this agreement and process of rehabilitation will be implemented as soon as possible. This MoU shows that all the parties are doing their level best to deploy the peace force in Darfur," Sudan's deputy foreign minister Saddiq Mutrif said.

AFP, January 19, 2009

Sudan's Army Admits Bombing Rebel Targets In Darfur

Sudan's military admitted Wednesday that it warplanes had carried out a series of bombing attacks on rebel positions in the country's troubled Darfur region on Tuesday. The army said in a statement that the bombing operations were carried out in the Muhajiriya area in south Darfur to protect the civilians there from rebel attacks, adding that the bombing targeted the rebels who had failed to back a ceasefire announced in November. Sudanese President Omar Hassan al-Bashir had announced an "immediate" and "unconditional" ceasefire in the troubled Darfur region in November after coming under immense international pressure to take steps to stem the 5-year long fighting in the region.

RTTNEWS, January 14, 2009

Sudan to Inaugurate a New Oilfield with Capacity of 50,000 bpd

Sudan announced today that a new oilfield will begin production in the Upper Nile state with a capacity of 50,000 barrels per day. The field named 'Qamari' will be opened in March by Sudanese President Omer Hassan al-Bashir, the director of exploration at the Ministry of Energy and Mining Azhari Abdullah told reporters. The Sudanese official said that the field which costs US$30 million contains 75 wells, 23 with an operating capacity of 30,000 bpd that will go up to 50,000 bpd upon the completion of other wells. Sudan is targeting average crude oil production of around 500,000 barrels per day in 2009, higher than current output of 450,000 to 460,000 bpd. The North African country is heavily dependent on crude exports which represent 65% of its annual revenue. However a severe global financial crisis sent oil prices down more than 76% from its all-time peak of US$147.27 reached July 11.

KNIGHT RIDDER, January 19, 2009

West Africa

FMC to supply BP, SSI at Angola's Block 18

FMC Technologies has signed a contract with BP for the manufacture and supply of subsea equipment for the BP and Sonangol Sinopec International Block 18 field development, located offshore Angola. The contract is valued at approximately US$140 million in revenue for FMC. FMC's scope of supply includes one gas export regulation manifold, foundations and controls, a high-integrity pressure protection system, chokes and two pipeline end manifolds. ▸▸

NEWS IN BRIEF

The equipment will be manufactured in Angola and at FMC's Kongsberg, Norway facility. Deliveries will commence in 2009. "For several years FMC has worked closely with BP, which operates Block 18, to develop technologies and solutions for this project," said Tore Halvorsen, FMC's Senior Vice President of Global Subsea Production Systems. "Today's announcement strengthens our relationship as we continue to develop and deploy innovative technologies."

FMC, January 15, 2009

Angola to surpass production cuts

Angola is set to export 1.5 million barrels per day of crude oil in March, down from 1.6 million bpd in February due to shipment delays and OPEC supply curbs, trade sources said. The drop is the latest indication that members of the OPEC are delivering on pledges to cut output agreed in response to a US$100-per-barrel collapse in oil prices since July. March exports, excluding the loading programme for Palanca crude and reflecting delays to shipments of Plutonio, are set to be below Angola's implied OPEC production target of 1.52 million bpd that took effect on January 1. Angola on January 1 took over as the president of OPEC for a one-year term. "Angola holds the presidency and it has to be seen to comply with OPEC's cuts, but without the Plutonio and Palanca problems exports would be above their target," a trader said.

REUTERS, January 16, 2009

Angola calls for new production cuts

The volatility of crude oil prices the last months has still not shown any signs of a solution. OPEC's production cuts did not have any real impact. However, OPEC's new president, Angolan Oil Minister Botelho de Vasconcelos, has indicated that OPEC could quickly agree to deepen its output cuts to stabilise the sagging crude oil market. The newly appointed head of OPEC said he was confident the group's recent deals to slash output would be enough to counter flagging world demand for crude, but added OPEC would not hesitate to deepen them if needed. The Angolan official reiterated that OPEC would not hesitate to meet and agree to a further round of cuts if it believes this is necessary so as to achieve stability in the oil markets. Since September 2008 OPEC has agreed to cut 4.2 million bpd of crude output in three separate deals. OPEC Secretary General Abdullah al-Badri said last week the group could cut oil output even further at its meeting in March if the market remains oversupplied. The statements made by Angola came shortly after that reports were published that US crude oil futures fell more than US$4 per barrel to just above US$33 per barrel, extending a rout that has clipped more than US$110 off prices since last July. The oil cartel expects a decrease of global demand for oil of 180,000 bpd during 2009. The latter marks a 30,000 bpd downward revision from its world demand outlook released in December and brings the group's outlook slightly closer into line with the US government's projection of an 810,000 bpd drop.

REUTERS, January 16, 2009

GC Rieber Shipping updates contracts

GC Rieber Shipping and the subsea contractor Technocean, which is a subsidiary of GC Rieber Shipping, have entered into charter agreements for the offshore subsea vessels "Polar Prince" and "Polarbjørn" and supply of IMR services. The charter agreement with the subsidiary Technocean for the vessel "Polar Prince" is extended until March 2009 with an option for further extension of up to 6 months. The vessel is in transit to Congo in West Africa, where Technocean has entered into an agreement with Total for delivery of IMR services. Furthermore, a 3 month charter has been agreed with Petromarker for the vessel "Polarbjørn". The contract commences early April 2009 and includes an option for a further extension of 3 months. The vessel will operate in the spot-market until start-up of the contract with Petromarker. The combined contract value for the fixed parts of the agreements is approximately NOK 80 million. "We are satisfied with the renewal of the order backlog for the part of our fleet that operates on short term contracts, and at the same time we are pleased to observe that Technocean now is awarded a contract from one of the large oil companies and thus become accepted as an international subsea contractor," says Sven Rong, CEO in GC Rieber Shipping.

GC RIEBER, January 16, 2009

Oranje-Nassau up for sale

Wendel Investissement, the buyout firm controlled by the family, has quietly appointed Jefferies, the investment bank, to sell its oil company Oranje-Nassau for up to $750m (£509m). The sale would be one of the largest in the North Sea in recent years and provide a much-needed windfall for Wendel. The firm saw its credit rating slashed to "junk" status in October after the value of its biggest investments, including a 21% stake in the building-materials giant Saint-Gobain, plummeted. Jefferies has sent out teaser documents to potential bidders for the Dutch-based group, which has stakes in some of the leading fields in the North Sea, including Buzzard, the biggest find of the past decade. Interest is expected to be high for the company, which produces about 18,000 barrels per day. It has virtually no debt and generated 202 million eurosnet profit in 2007. Interested bidders are thought to include Taqa, Abu Dhabi's national oil group, Marubeni, the Japanese conglomerate, and partners in its oilfields. Oranje-Nassau also has stakes in Gabon.

TIMESONLINE, January 18, 2009

NEWS IN BRIEF

Nigerian group attacks two boats at Bonny

Gunmen opened fire on at least two oil vessels at Nigeria's Bonny crude oil loading platform late on Saturday, kidnapping six crew members in what the country's main militant group said was meant as a warning to the industry. The gunmen initially shot at an oil tanker at the facility, operated by Royal Dutch Shell's SPDC joint venture with Nigerian state oil firm NNPC, but were unable to board it. They then attacked a tugboat, the Lamnalco Waxbill, later found drifting with its crew apparently abducted, industry security sources said. One crew member on the boat was believed to have been killed by gunfire, one of the sources said. The Movement for the Emancipation of the Niger Delta (MEND), whose attacks on oil industry facilities have closed down around a fifth of Nigerian production over the past three years, said its affiliates had carried out the raid. "The central command okayed the attack," the group said. "The intent is to send a clear message to the oil companies to disregard any assurances from the military that they can provide security due to their acquisition of more military hardware," it said in an email sent to Reuters.

REUTERS, January 18, 2009

Total Manager Kidnapped in Niger Delta

News out of Nigeria has an employee of France's Total being kidnapped in the Niger Delta. According to a report from Africasia, Ikechi Anozie was kidnapped on January 12 by an unknown group. Anozie is the deputy general manager of the joint venture Total FinaElf. His wife was seized last November and is still being held by the kidnappers. It has been reported that no prior contact regarding his wife had been made, and thus far, no group has claimed responsibility for either kidnapping. However, since security has beefed up around foreign oil employees, kidnappings of Nigerian oil workers have become more prevalent.

PETROLEUM AFRICA, January 14, 2009

Gazprom Seeks to Participate in Nigerian Gas Pipeline to Europe

Gazprom, Russia's gas exporter, is interested in participating in a gas pipeline project that would link Nigeria to Europe through Algeria. "The project is important for us," Boris Ivanov, CEO of Gazprom Netherlands, told Bloomberg News in an interview while in Algiers to sign an exploration contract. "I am on a tour of Africa," Ivanov said. "I will discuss with partners the feasibility of the project. If the project is done, we will participate in it." The pipeline is being studied by Nigerian National Petroleum Corporation. Gazprom already has a presence in both Nigeria and Algeria.

BLOOMBERG, January 17, 2009

Zenon Oil Withdraws From Merger With AP PLC

Zenon Oil and Gas announced its withdrawal from its proposed merger with African Petroleum (AP). The oil company announced the withdrawal at a meeting with the House of Representatives Committee on Capital Market held on December 17, 2008 in Abuja. However, in spite of the verbal announcement by Zenon officials, the committee on December 24, 2008, wrote a letter asking the company to communicate to it in writing, its latest decision on the proposed merger with AP. "This is necessary so that the committee would not only have its record completed, but also to avoid a situation where the matter remains with an open conclusion," the letter signed by the Chairman of the Committee, Ahmed Wadada, stated. In a related development, AP informed the House Committee on Capital Market in a letter dated January 5, 2009 and signed by Tunde Falasinhu and EO Idigbe, Chief Operating Officer and Company Secretary respectively that "nothing concrete has been achieved or done towards the merger which was proposed and approved at the last Annual General Meeting (AGM) of AP." AP's response was sequel to a request by the committee for detailed information on its proposed merger with Zenon Oil.

LEADERSHIP, January 12, 2009

Imo Acquires Land for Construction of Refinery

Imo State Government has acquired a piece of land in oil rich Abacheke, Egbema in Ohaji/Egbema Local Government Area of the state for the construction of the proposed Royal Oak Refinery and Petrochemical Industry Complex. The event took place in the palace of the traditional ruler of Egbema, Eze Sunny Uzor, when the Implementation Committee, headed by the Speaker of Imo State House of Assembly, Chief Goodluck Nanah Opiah, was handed the acquired land for the project. Addressing members of the community, the Speaker said that the coming of the multi-billion Naira petroleum complex was part of the efforts of the present state government to not only industrialise the state but also fulfil its promise to attract industrialists to the state. "In the course of searching for investors, Governor Ikedi Ohakim brokered the deal that led to the coming of Royal Oak Company. Government has concluded arrangements to ensure that the energy complex takes off smoothly," Opiah told the people.

VANGUARD, January 12, 2009

NEWS IN BRIEF

Nigeria Increases Exports By 250,000 Barrels Per Day

The dwindling demand for oil at the global market on January 12 sank prices below US$39 just as the Nigerian National Petroleum Corporation (NNPC) disclosed that Nigeria's over 1.8 million barrels per day production had increased by about 250,000 bpd. With the full resumption of operation at the Agbami oilfield, an official said the oil field alone could produce about 250,000 bpd. “The FPSO at the site is the largest in the world and ensures easy access,” he said.

DAILY INDEPENDENT, January 13, 2009

Nigeria Senate Backs Reforms in Oil And Gas Sector

The Senate has set out on a course to give legislative backing to reforms being embarked upon by the Federal Government, by listing on its order paper and reading the Petroleum Industry Bill (PIB) for the first time in plenary. First reading of any bill entails reading of the bills' short title. The short title of the bill listed in the name of the Senate Leader, Senator Teslim Folarin, is “Petroleum Industry Bill 2009.” It will now be listed for the second reading by the Rules and Business Committee at a future date. But it was learnt that the National Assembly leadership had, during consultations with Nigerian President Umaru Yar'Adua and some top officials of government, agreed to give the bill expeditious consideration and passage, in a bid to bolster the federal government's proposed reforms in the oil and gas sector of the economy.

THIS DAY, January 14, 2009

Friends of the Earth slam Nigeria gas flaring

Friends of the Earth International has stated that it is putting pressure on the Nigerian government to cut its current not-working gas flaring policy. The statements have been made at the same time that Europe faces gas shortages. Environmental groups have been closely watching Nigeria the last years, as the government had promised to end gas flaring by December 31, 2008. The latter deadline was missed. The NGO has now started a writing campaign directed at the Nigerian president, in which it asks the government to stop oil companies from flaring gas. Shell is the largest producer of gas and oil in Nigeria. Gas is often found mixed with crude oil and must be separated. Flaring is the cheapest way to deal with the gas is also the most environmentally destructive. This practice costs the African country about US$2.5 billion per year, while more than 66% of the population is estimated to live in poverty, the group said.

PUNCH, January 14, 2009

Delta peace process under pressure

Analysts are warning that the time for a comprehensive peace agreement for the Niger Delta State is running out. At the end of 2008, militants in the oil-rich Niger Delta, whose attacks have sent tremors through global crude markets, unilaterally declared a ceasefire. The opening for peace could be closed soon, as there is no real strategy behind it. But without a clear strategy for ending the conflict between the government and militants, West Africa's biggest oil basin could soon descend into turmoil once again. Two months ago, Tubotamuno Angoila, a militant commander, used an interview with Dow Jones Newswires to make an unusually firm offer to the government. “If they agree on economic development, there will be no violence,” he said. The last days, news sources have said the same commander wanted to get in touch to express disappointment at the lack of government response to his proposal. After trying to get in contact, news agencies heard that Angoila had been killed. “The JTF [Joint Task Force, Niger Delta army command] has killed him,” Delta sources said. Peace negotiators, including the head of a presidential panel on the Niger Delta crisis, say episodes like the killing of Angoila highlight the fact that Nigeria may be about to let the chance of peace slip from its grasp. In retaliation for the killing, the main militant group, the Movement for the Emancipation of the Niger Delta have stated that it was gearing up for an end to the ceasefire and would attack any soldiers it encountered. MEND, of which Angoila wasn't a member, has in the past threatened reprisals when groups with which it is ideologically aligned have come under attack.

VOA, January 14, 2009

Nigeria to tackle Chevron on JDZ blocks

Nigerian President Umaru Yar'Adua promised his Sao Tomean countepart, Fradique de Menezes, that Nigeria would exert its influence on Cheveron and other oil companies that won oil blocks in Sao Tome and Principe to commence exploitation as soon as possible. Addressing a joint press conference after meeting with the visiting president, Yar'Adua expressed disappointment that work on the Joint Development Zone (JDZ) had not commenced several years after the treaty was signed. “Nigeria is going to put pressure on them to start drilling activities on the oil blocks they won and for which agreements have been signed. All agreements have been signed and it is the oil companies that have not yet started, all these years drilling activities and this is one of the things we are going to do,” he said.

VANGUARD, January 16, 2009

UAE to Invest US$16 Billion in Nigerian Oil, Gas Sector

The UAE said it would invest US$16 billion in the development of Nigeria's oil and gas sector and other infrastructural development. ▸▸

NEWS IN BRIEF

A co-operation agreement has already been signed between the federal government and the Dubai government. The Attorney General of the Federation (AGF) and Minister of Justice Michael Kaase Aondoakaa, who signed on behalf of the federal government, said the co-operation agreement covered areas considered critical to the development of the country. Aondoakaa reiterated Nigerian President Umaru Yar'adua's commitment to the development of critical infrastructure in the Niger Delta region in order to uplift the standard of living of the inhabitants of the area.

DAILY TRUST, January 14, 2009

South Africa

Sasol announces competition law compliance

Sasol has announced that as part of its ongoing legal compliance programme, Sasol's CEO, Pat Davies, and his management team initiated a competition law compliance review of all Sasol businesses in July 2008. The competition law compliance review proactively analyses business activities across Sasol and its subsidiaries. "Over the past seven months, our existing compliance programmes have been further intensified, with this competition law compliance review," Davies said. In addition to this compliance review, the Sasol board, on recommendation of management, commissioned a review of the adequacy of competition law compliance processes managed and co-ordinated across the Sasol Group. Sasol has retained external counsel to assist in this regard. At this stage, Sasol is in a position to disclose findings of the competition review process in respect of Sasol Nitro, Sasol Gas and Sasol Oil.

SASOL, January 19, 2009

South Africa to set up new energy research organisation 2009

South African officials have indicated that first moves could be made shortly towards the establishment of the South African National Energy Development Institute (Sanedi). The project was proposed by the National Energy Act, which was gazetted in November 2008. Kadri Nassiep, CEO of the South African National Energy Research Institute (Saneri), told the press that "our immediate objective is to establish when and how Sanedi will be made operational this year, because we have decisions to make as to how this entity will be funded, and where it is going to be located." At the same time, other sources have quoted Department of Minerals and Energy chief director of energy planning, Tshilidzi Ramuedzisi, who indicated that the establishment of Sanedi was still in the initial planning stages, and discussions regarding business plans, funding and formal structures would start imminently. Main purpose of Sanedi is to combine the forces of the existing energy research organizations of Saneri, and the National Energy Efficiency Agency (NEEA). South African newspapers have reported that the new institute would be mandated to develop renewable energy resources, energy efficiency programmes, energy research, security of supply, and all energy infrastructure development co-ordination. The organisation would be directed by the Minister of Minerals and Energy, as well as the Minister of Science and Technology, with regard to research in the field of energy technology. Sanedi currently also hopes to play a key role in the transport energy sector, with regard to energy efficiency. Already, on the supply side, Saneri was looking at green transport options for 2010, with various new energy efficient propulsion systems for mass transport schemes, such as compressed natural gas, liquid petroleum gas (LPG), electric motors, hybrid vehicles, and biofuels.

SA, January 14, 2009

East Africa

Fitch upgrades Kenya's rating

Fitch Ratings today revised the Outlooks on Kenya's Long-term foreign and local currency Issuer Default Ratings (IDR) to Stable from Negative. The ratings were affirmed at 'B+' and 'BB-' (BB minus), respectively. The Short-term rating is affirmed at 'B' and the Country Ceiling rating at 'BB-' (BB minus). "The Stable Outlook reflects the return to stability following the formation of a grand coalition government (GCG), in the wake of disputed elections held in December 2007, which remains intact almost a year later and has put Kenya on the road to recovery," says Veronica Kalema, a Director in Fitch's Middle East and Africa Department. "Though Kenya's recovery is being affected by the global economic slowdown and liquidity crunch, this will delay rather than derail a return to strong growth and Kenya's fundamentals remain supportive of a 'B+' rating."

FITCH, January 16, 2009

Mozambique Looks for Partners to Explore for Gas

Mozambique's state oil company Empresa Nacional de Hidrocarbonetos (ENH) is seeking international partners to explore for gas in the southeastern Buzi block, the state-owned Noticias newspaper said on Monday. The government in 2008 awarded ENH an eight-year licence to explore in Buzi, which has estimated reserves of between 10 billion and 17 billion cubic feet of gas. Noticias quoted the technical advisor to the board of directors, Guilhermino Fontes, as saying the exploration process had been delayed due to the international financial crisis and ENH was looking for partners. ▸▸

NEWS IN BRIEF

"Based on the features of the area, it is believed that more gas could be discovered (and) that's why ENH has opted to contact a series of international companies with adequate and advanced technologies to carry out the works we intend to do," he said. Mozambique has major proven gas reserves, but does not have the technical and financial capacity to exploit them. The government said in November that two new natural gas fields, licensed to a consortium led by South African petrochemical group Sasol, were discovered in the southern Inhambane province.

AFX NEWS, January 19, 2009

Africa Oil operations update

Africa Oil is pleased to provide the following update on the company's 2008 operations and anticipated 2009 operations. In 2008, Africa Oil became the first operator to record seismic data in Somalia for 20 years. The data is now in the final stages of processing and it is anticipated that interpretation will begin within the next two weeks. The company's technical staff are extremely encouraged by the data so far. As previously announced, the survey was completed on December 3, 2008 and the seismic contractor, IMC/TESLA of the UK and Canada, demobilised their equipment from the field to a holding area in the port city of Bosasso. A vessel was subsequently chartered by IMC/TESLA to transport the equipment to their next area of operations. The vessel arrived in Boosaasso on January 9 and loading was completed on January 13. The vessel departed port on January 14. The company's focus will now switch to implementation of an exploration drilling programme. It is anticipated that a drilling rig will be mobilised to the Dharoor Valley to begin drilling during 2009. These operations will establish yet another milestone, no drilling having taken place in Somalia since 1992. The company is proud of its achievements to date in Puntland and is eager to embark on the next stage of its ambitious programme.

AFRICA OIL CORP., January 14, 2009

Offshore oil acreage to be tendered Seychelles

Officials from state-owned Seychelles Petroleum Company (SEYPEC) have said that the Seychelles will tender another 70,000 square km of its ocean seabed for oil exploration later this year. The move comes after two production agreements were signed with two private firms, Houston-based PetroQuest International Incorporated and Dubai-based East African Exploration (EAX). The latter separate agreements are said to cover a combined 38,000 square km of seabed, which recent seismic data suggests holds large reserves of oil and natural gas, according to SEYPEC. Guy Adam, SEYPEC's CEO, told Reuters that "further blocks will go on offer this year, totalling about 70,000 square km on the Seychelles plateau … Companies coming in will need to do more serious seismic work." Due to the increased need for stable and attractive oil and gas production acreage worldwide, the Seychelles have entered the game. The islands are regarded as a relatively stable and prosperous nation despite the current economic crisis. In November 2008, EAX signed a deal with the Seychelles to further exploration on 15,000 km in three tranches. First analysis of its research has shown that, according to EAX, the Seychelles offshore hydrocarbon potential could run into billions of barrels of oil. Under the EAX production agreement, the Seychelles would receive a royalty of 5% of production, Adam told Reuters. The latter will be in addition to a so-called Added Petroleum Tax. Adam said that "the rest will be based on taxation. If a massive oilfield is struck, the company will pay an Added Petroleum Tax which will be on a graduated scale up to 97%". SEYPEC bought a 10% equity share in EAX's parent company, Black Marlin Energy, for US$6 million last August. SEYPEC believes the move will also allow it to benefit from other ventures outside the Seychelles, referring to EAX's projects in Tanzania, Madagascar and Kenya.

OIL NEWS, January 13, 2009

Neptune to Drill for Oil in West Nile in March 2009

Over the last two years, oil prospectors Tullow Oil and Heritage Oil and Gas have made major discoveries that are fast turning Uganda into a future oil producer. Another player, Neptune Petroleum (Uganda) is set to join them when it commences drilling activities in March, 2009. Neptune's drilling plans have been buoyed by news that Tullow and Heritage have made two major discoveries in Block 1 at Buffalo-1 and Giraffe-1 wells -- some 80 kilometers from the Iti-1 location where they are set to drill in March. Neptune, wholly owned by Tower Resources, holds the license in Block 5, which covers the West Nile region (north western Uganda). At the end of December 2008, Tower and Neptune entered an agreement to farm-out an interest in Neptune's Uganda acreage to Global Petroleum – an Australia-based oil company. The farm-out agreement is subject to the consent of Daudi Migereko, Uganda's minister of energy and mineral development. According to the agreement, Global has the right to earn a 50% interest in Block 5 and the production sharing agreement by meeting the cost of two exploration commitment wells. Global will also be required to fund what is called the authority for expenditure cost of drilling Iti-1, the first of a two well programme, and a second well, currently expected to be Sambia-1, when the results of Iti-1 have been interpreted. A company statement says it has been agreed that Global's funding of Iti-1 will be capped at US$6.5 million in the event that drill stem testing is not justified, and US$7.5 million in the event that the presence of hydrocarbons supports the need for a drill stem test programme. ▸▸

NEWS IN BRIEF

It has also been agreed that any costs in excess of these caps will be borne 75% by Neptune and 25% by Global. The statement said there are no expenditure cap levels for drilling the second well. Neptune expects the rig to be available from February 2009 and also expects approval of the environmental impact assessment (EIA) study in good time to meet rig availability. “It remains the intention to begin drilling Iti-1 not later than March of this year 2009,” the statement reads in part.

ALLAFRICA, January 19, 2009

Uganda Seeks Trinidad's Help on Oil

Ugandan Minister for Energy Daudi Migereko has asked Trinidad and Tobago to train Ugandans to develop her promising oil and gas sector. Migereko met a delegation of investors and experts in the petroleum industry from Trinidad and Tobago in the ministry's boardroom. “We need support in the development of human competence with skills in the areas of development of oil and gas fields, production, refining and petrochemical,” said Migereko. The Trinidadian ambassador to Uganda, Patrick Edwards, said the eight-man delegation drawn from his country's petroleum, energy and education sectors, would also visit Rwanda and Egypt.

NEW VISION, January 15, 2009

CONFERENCES

COURSES

Oil Spill Response Training Courses Coming Soon

DATE	COURSE
September 2008	
2-4 September ZANZIBAR, TANZANIA	Oil Spill Management Course IMO Level 3
8 – 12 September SOUTHAMPTON, UNITED KINGDOM	Oil Spill Clearance Course IMO Level 2
9 – 10 September SINGAPORE	Shipping Course
15 – 17 September ABERDEEN, UNITED KINGDOM	UK Offshore Industry: Onshore Emergency Responder UK BERR Level 3
18 September ABERDEEN, UNITED KINGDOM	UK Offshore Industry: Offshore Refresher UK BERR Level 3 & 4
19 September ABERDEEN, UNITED KINGDOM	UK Offshore Oil Industry: Corporate Management UK BERR Level 2
22 – 25 September SOUTHAMPTON, UNITED KINGDOM	UK Response & Control Course UK MCA Level 4 and BERR Level 4
23 – 25 September EVERETT, WA, USA	Advanced Spill Management Course
23-26 September SINGAPORE	Oil Spill Management Course IMO Level 3
29 September – 2 October SOUTHAMPTON, UNITED KINGDOM	Oil Spill Management Course UK MCA Level 5/5P, IMO Level 3
29 – 30 September SOUTHAMPTON, UNITED KINGDOM	Oil Spill Refresher Course UK MCA Level 3-5 and IMO Level 1-3 Refresher
October 2008	
7 – 10 October GOA, INDIA	IMO Model Training Course IMO Level 2
13 – 17 October SOUTHAMPTON, UNITED KINGDOM	Oil Spill Clearance Course IMO Level 2
20 – 23 October PATTAYA, THAILAND	IMO Model Training Course IMO Level 2
20 – 22 October LIBREVILLE, GABON	Oil Spill Management Course IMO Level 3
November 2008	
3rd November SOUTHAMPTON, UNITED KINGDOM	Oil Spill Operators Course UK MCA Level 2
4 – 6 November BALI, INDONESIA	Oil Spill Management Course IMO level 3
10 – 14 November SOUTHAMPTON, UNITED KINGDOM	Oil Spill Clearance Course IMO Level 2
24 – 28 November SINGAPORE	Oil Spill Clearance Course IMO Level 2
December 2008	
8-11 December SOUTHAMPTON, UNITED KINGDOM	Oil Spill Management Course IMO level 3
February 2009	
2 – 5 February BAHRAIN	IMO Model Training Course IMO Level 2
8 – 10 February DUBAI	Oil Spill Management Course IMO level 3
16 – 20 February SINGAPORE	Oil Spill Clearance Course IMO Level 2
24 – 26 February MALTA	Oil Spill Management Course IMO Level 3
23 – 25 February ABERDEEN, UNITED KINGDOM	UK Offshore Industry: Onshore Emergency Responder UK BERR Level 3
26 February ABERDEEN, UNITED KINGDOM	UK Offshore Industry: Offshore Refresher UK BERR Level 3 & 4
27 February ABERDEEN, UNITED KINGDOM	UK Offshore Oil Industry: Corporate Management UK BERR Level 2
Client Tailored Courses	Advised on application
Full Course Listing	Please see our website www.osrlearl.com/prepared_train_signup.htm

NEWSBASE INFORMATION

HEADLINES FROM A SELECTION OF NEWSBASE MONITORS THIS WEEK

Oil and Gas Sector

Global LNG Monitor

Belgium and the Netherlands' expansion of LNG import capacity could offer an alternative to Russian gas imports.

Asia Oil & Gas Monitor

ONGC-Videsh Ltd's takeover of UK-based Imperial Energy has been approved by the latter's shareholders.

China Oil & Gas Monitor

The NDRC is to release a development plan for China's vehicle industry in the near future.

FSU Oil & Gas Monitor

Gazprom and Uzbekistan have agreed on a pricing regime for gas deliveries in 2009.

LatAmOil

Brazil's Petrobras has postponed two rig tenders because of uncertain market conditions.

Middle East Oil & Gas Monitor

The offshore Tamar-1 exploration well has discovered what could be Israel's largest gas find to date.

NorthAmOil

Shell has angered Californian politicians by cutting off supplies to a Bakersfield refinery.

Power Sector

GCEM – Global Carbon Emissions Monitor

Around 4 billion tonnes of carbon allowances worth US$118 billion were traded in 2008.

CUSTOMERS INCLUDE