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NEWS THIS WEEK...

Ultimate frontier

In terms of risk, working in Somalia seems to be about as dangerous as can be imagined – but that is exactly what Range Resources and its partners are doing.

- **A well is to be spudded in Puntland this year, which will give some indication of the area's potential. Success, though, will pose further problems, as there is no infrastructure and construction would be difficult.** *(Page 2)*

Kosmos drops dream

The US company has abandoned its plans to sell Ghanaian assets to ExxonMobil.

- **The deal had run into stiff opposition from the government and, despite Kosmos' various lobbying efforts, the execution appears to have become too great a task.** *(Page 4)*

East African oil

Anadarko's Ironclad well has found oil, but is unlikely to be exploited.

- **The reservoir conditions appear to rule out development but the discovery of oil is a boost for East African explorers.** *(Page 2)*

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

COMMENTARY

Finding its Range: Somalia and beyond

Range Resources has spread its net wide in an attempt to diversify risk and the next 12 months will reveal the strengths – or the weaknesses – of the plan

By Ed Reed

- **Range is involved in a spread of assets, from Somalia to Texas**
- **Drilling will take place in Somalia in November, the first well there since before the civil war**
- **Exploration is also to start up in Georgia, potentially drilling two wells over the 12 months**
- **Balancing Range's risk profile are interests in Trinidad and Texas**

Somalia has been off-limits to exploration for many years – and for good reason. However, plans are afoot for a well to be drilled in the failed state's semi-autonomous Puntland region in November.

Australia-based Range Resources entered into an agreement to access Puntland in 2005. The region, in the northeast corner of Somalia, has managed to avoid the all-out anarchy of other parts of the troubled country but there are concerns over security and it has become more infamous in recent times owing to its involvement in piracy.

Range farmed down its interest in its two Puntland blocks, Dharoor Valley and Nogal Valley, in 2006, with Lundin Group-affiliated Africa Oil taking 80% stakes in both and the operatorship. Subsequently, Africa Oil reduced its stake, signing 15% over to Canada's Lion Energy.

Acknowledging the problems of having exposure to only one area – and the world's most dysfunctional state at that – Range has signed up to work in the Americas and the FSU. The Australian- and London-listed minnow has low-risk, short-term cash-flow projects in Texas and has recently signed an acquisition deal in Trinidad for some producing assets. In the slightly higher-risk exploration stakes, Range has also licensed blocks in the Republic of Georgia.

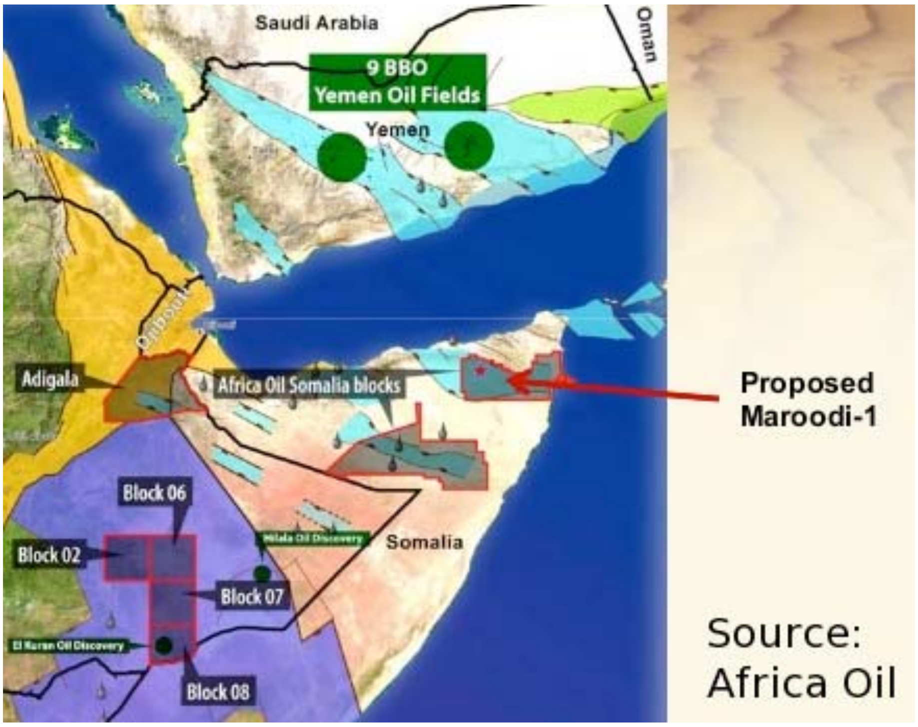
Somalia

"Puntland is the ultimate blue sky frontier," a Range director, Anthony Eastman, told *AfrOil*. "Africa Oil is set to spud a well there in November. It will be the first onshore well drilled there in the last 16-18 years."

The rationale for the Somali exploration, Eastman explained, is that the country has geology similar to that seen in Yemen. "There are three big valleys in Yemen, two of which extend into Somalia, and those valleys in Yemen have recoverable resources in the billions of barrels. No one has questioned the geology and potential there in Puntland – it's a question of the execution risk and the location."

Eastman did acknowledge the difficulties inherent in working in Somalia. Even if a discovery was made, he said, "there's no infrastructure, no pipelines, so if there was a discovery there, everything would have to be started from scratch."

Plans to drill the Maroodi-1 well, in the Dharoor Valley, are being masterminded by the block's operator, Africa Oil, which has a good track record working in Puntland. ▸▸



COMMENTARY

"Two years ago they successfully shot 750 km of seismic across the Dharoor Valley, with something like 40-50 vehicles. It's a lot easier to secure a drill site than it is a seismic team. You set up a perimeter and it's a hard location, as opposed to seismic, where you're traversing the countryside. Africa Oil completed the seismic with minimal incidents," Eastman said. The challenge, Range's director said, is in moving the equipment to the coast and then to the site.

Range also has the rights to Puntland's offshore, but the scale is too great for the minnow to go it alone. Once progress is made onshore, Eastman said, "We would like to assist the government in potentially doing an offshore licensing round. We wouldn't want to have control of all the offshore blocks. It's a massive area, so through our consultants, who have experience in South and Central America, we'd assist the government in attracting other international investors to Somalia."

Tackling the question of insecurity offshore, Eastman said: "the continental shelf is not that far from land, while the pirates are operating hundreds and hundreds of miles offshore. If people coming in have got the backing of the government [the pirates] are not that interested."

Spreading the risk

Additional exploration risk is in Georgia for Range, although not to the same degree. While the country was invaded in 2008 by Russia, Eastman is confident of the country's prospects and stability.

The Range director said it was important to the company that it move beyond Somalia, in order to provide some insurance should problems occur.

There had been exploration in Georgia in Soviet times, Eastman said, which found hydrocarbon shows – but the Russians had opted to pursue work in Siberia instead, as targets in the latter were that much larger.

The second phase of the production-sharing agreement (PSA) in Georgia required the acquisition of seismic by mid-2010, a target that has been completed. The data are now being processed and interpreted with good initial results, Eastman said.

"Hopefully, in the coming weeks, some of the targets will be closed in on," the director said, at which point the company will have to consider whether to press ahead and drill as operator or find a partner to take over that work. Farming the block out, he said, is probably the "prudent thing to do."

Georgia's infrastructure is also far superior to that in Somalia. "Should we have a commercial discovery," Eastman said, "we can get product to market quite readily."

"You look at Somalia and there's also been [violence] there. I suppose, with conflict having been there it does allow for opportunities on a discounted basis."

The Range director was also upbeat about Georgia's stability and dismissed concerns over the Russian invasion in 2008. "That conflict was nowhere near where our operations would have been," he said. "You look at Somalia and there's also been [violence] there. I suppose, with conflict having been there it does allow for opportunities on a discounted basis."

The Americas

Providing the backing for the high-risk work in Somalia and Georgia, Range also has established assets in Texas and is in the process of completing a deal for Trinidadian production. Eastman explained Range's consultants, Texas Energy Advisors, had been providing assistance on work in Somalia and Georgia. The advisors flagged up the Texas opportunity, where a partner on the Smith 1 well had declined to continue.

"We had an opportunity and we jumped at that chance. We'd just completed a placing so we had the money to pay for our share of drilling and that's obviously been successful for us." The Russell Bevly well was also spudded recently and production testing is under way, "which has again proved successful." Production is expected to start by the end of the year. The company is also working on another project in Texas, East Cotton.

Eastman explained that opting not to operate projects provided an amount of flexibility for the company, so it could concentrate on spreading its financial risk. "Our expertise lies in identifying opportunities and then having the contacts and the capital to be able to fund and acquire these assets."

Range signed a heads of agreement (HoA) to acquire a 10% stake in various Trinidadian subsidiaries in July. Gross production is around 700 barrels per day but Eastman said a plan was in place to boost this significantly, to more than 3,500 bpd, "with some workovers and some exploration."

The future

A year into the future, Range could be a different company, Eastman said, with plans to drill five or six wells over the next six to 12 months, while also bringing on production.

A well will be drilled in Somalia, two in Texas and two in Georgia, while the number for Trinidad is unknown. The Texas and Georgian assets could be tied in to production quickly, while Somalia would obviously be a more difficult prospect.

Over the next year, therefore, Range will switch from its acquisition-driven programme to a more operationally focused scheme. ■

INVESTMENT

Kosmos drops Ghanaian sale plans

Kosmos Energy has abandoned its plan to sell its Jubilee stake to ExxonMobil after a long-running struggle with the Ghanaian authorities.

The US-based Kosmos announced its decision on August 18, saying the "share purchase agreement with ExxonMobil related to the acquisition of its Ghana business has been terminated."

ExxonMobil had struck a deal with Kosmos to buy the assets for around US$4 billion in October 2009, reportedly seeing off competition from a number of international competitors, including Asian state-owned oil companies.

The Ghanaian government had long been unhappy with the deal, alleging Kosmos had not applied for authorisation to sell the assets. Ghana National Petroleum Corporation (GNPC) was reported to have formally rejected the deal in June. GNPC is said to be interested in buying Kosmos' stake for a "fair price" and has held talks with financial institutions.

Some of the difficulties associated with Kosmos' sale plans were said to be linked to the company's ties to a local company, EO Group, which was close to the previous Ghanaian administration.

Kosmos has a 30.875% stake in the West Cape Three Points block and an 18% stake in the adjacent Deepwater Tano block. The US company's stake in the unitised Jubilee development, which straddles both blocks, is 23.49%.

Kosmos, which is backed by private equity groups Warburg Pincus and Blackstone Capital Partners, appears set to continue with its Ghanaian work, at least for the near future.

The company's chief operating officer, Brian Maxted, said production at Jubilee was "fast approaching" and that Kosmos would "continue to work with our block partners and the government of Ghana to develop these resources that we believe offer multiple near-term opportunities to enhance the value significantly of these world-class assets."

Production from the Jubilee field is expected to reach 120,000 barrels per day in the first half of 2011. Kosmos is also working on exploration in Ghana, drilling a sidetrack on the Owo-1 discovery, which will be followed by the Oninya well. ■

Eni takes Ndunda stake

Eni has farmed in to the Ndunda block in the Democratic Republic of Congo (Kinshasa), taking a 55% stake and the operatorship.

The agreement, announced on August 16, was signed with UK-registered Surestream Petroleum, which kept a 30% stake. The state-owned La Congolaise des Hydrocarbures (Cohydro) has an 8% stake and International Business Oil (Ibos) has 7%.

Kinshasa has already approved the deal, Eni said, which follows on from the Italian company's strategic agreement with the country in August 2009. Eni said it would be able to start immediately "performing all studies and interpretation to evaluate the block thoroughly."

Surestream also acknowledged the deal on August 19, saying this demonstrated its commitment to Congo (Kinshasa). Ndunda covers 1,118 square km and is in the west of Congo (Kinshasa), north of the Congo River, which is shared with Angola.

The UK-based company said it had been authorised in July to farm out a 55% stake in the Lower Congo block.

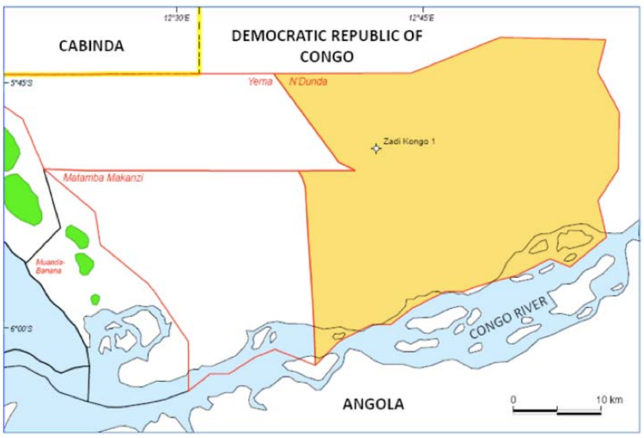
Surestream's CEO, Chris Pitman, said Eni's decision to take a stake in the block "validates the strategy of our company, [which] chose to invest in [Congo (Kinshasa)] five years ago. This move also supports the recent interest in the [country's] oil potential for the future."

Suresteam is a private company that has two other blocks in Congo (Kinshasa), Yema and Matamba-Makanzi. Partners in these two blocks, which are to the west of Ndunda, are Glencore, Cohydro and Ibos.

The company also has two blocks in Burundi, Block B and D, on Lake Tanganyika.

Surestream's chairman is Moustapha Niasse, former prime minister of Senegal, who played a United Nations-sanctioned role in 2002 in resolving the Second Congo War.

Eni has also been rumoured to be eyeing a stake in the recently – and controversially – awarded Blocks 1 and 2, in the east of Congo (Kinshasa). The blocks were signed over to Caprikat and Foxwhelp, snubbing Tullow Oil and South Africa's Divine Inspiration Group. ■



Ndunda | Democratic Republic of Congo

Source: Surestream Petroleum

Apache announces new discoveries in Egypt's Faghur Basin

Apache Corporation, one of the largest foreign investors in Egypt's hydrocarbon sector, announced on August 18 it had made two more crude oil discoveries in the Faghur Basin in the Western Desert. The Houston-based operator said discoveries were made at the Pepi-1X well and the Buchis South-1X well and that a step-out appraisal of the Faghur-8X well had extended the Faghur field by 2.7 km to the east.

The company reported the Pepi-1X well was drilled 10 km south of its Phiops field and had tested at 4,216 barrels per day of crude and 139,000 cubic metres per day from a 20.7-metre interval in the Lower Safa formation.

The Buchis South-1X well was also drilled 10 km south of Phiops. It logged 39.9 metres of pay in several Cretaceous zones, including the Kharita and Alam El Buieb (AEB) sands. A test of one zone flowed at 1,647 bpd, Apache said.

The Faghur-8X appraisal well logged 24 metres of stacked Cretaceous pay in multiple AEB sands and one test well flowed at 2,992 bpd.

"The Faghur Basin continues to be a successful focus area for Apache, with AEB and Safa reservoirs that have proved to be prolific oil and gas producers," the vice president of Apache's Egypt Region, Tom Voytovich, said in a statement. "These recent discoveries support the multi-pay potential of this oil-prone area in the Western Desert. These discoveries also provide additional evidence of the exploration potential on Apache acreage in Egypt and the benefits of working in stacked-pay areas," he added.

Apache has made five discoveries from eight exploration wells in the Faghur Basin during 2010, the company said, adding that two other wells – WKAK I-3X and Nebra-1X – were being drilled and that five more exploration wells were planned. The evaluation of 3-D seismic surveys, including a 400-square km study recently completed, continues in the search for additional exploration opportunities in the Faghur Basin, which extends across portions of several Apache-operated concessions, the statement said.

Gross production from the Faghur Basin is around 24,000 bpd. By the end of 2010, more infrastructure projects are expected to expand processing and transportation capacity from Faghur to 40,000 bpd.

During the second quarter of 2010, Apache's net production was 98,500 bpd of oil and 11 mcm per day of gas. Apache is the largest producer of liquid hydrocarbons and natural gas in the Western Desert and the second largest in Egypt. ■

Anadarko makes non-commercial oil find offshore Mozambique

Oil and gas has been found at the Ironclad well offshore Mozambique, but the find will probably not be commercial.

The Ironclad exploration well was drilled to a total depth of 5,304 metres and penetrated 205 metres of Cretaceous-age sediment, said Cove Energy on August 18. It penetrated 38 metres of oil- and gas-saturated sands. The well was drilled in Area 1 by Anadarko Petroleum, which operates the block.

The well was drilled 110 km south of the Windjammer well, which found gas. Ironclad was targeting a deepwater fan in the southern part of the permit.

Oil was confirmed by a geochemical analysis of cores taken from the well bore, while "significant" gas shows were found in the Cretaceous section. Further examination of the area's prospectivity will focus on areas expected to have good reservoir characteristics.

An Anadarko spokesman told Bloomberg that the find would probably not be commercial, as it appeared to have low permeability and low porosity.

The significance of the well, therefore, is that it found oil in the deepwater offshore East Africa, which Cove said was the "first documented instance."

The Belford Dolphin drillship, once it has finished work at Ironclad, will move on to the Barquentine well site, east of Windjammer. Barquentine is expected to take around six weeks to drill, after which two more wells will be drilled.

Cove's CEO, John Craven, said the Ironclad results were "very encouraging" in that they had found hydrocarbons in the fan system and encountered oil. "This is very promising, not just for the Cretaceous fan systems, where over 80 square km of closure have been mapped, but for additional nearby prospects already identified elsewhere in the offshore Area 1 block."

Alongside Anadarko and Cove in the permit, BPRL Ventures Mozambique, Mitsui E&P Mozambique Area 1 and Videocon Mozambique Rovuma are also participating, while state-owned Empresa Nacional de Hidrocarbonetos (ENH) is carried. ■

PERFORMANCE

Chinook scores at Jenein Centre

Canada's Chinook Energy – previously Storm Ventures International – has made a potential oil find at the Jenein Centre permit, in Tunisia.

A statement from Chinook's partner, PA Resources, on August 19 said an exploration well had encountered 45 metres of reservoir-quality sands believed to be hydrocarbon-bearing.

The well, in southern Tunisia, was drilled to a total depth of 4,334 metres and oil was found in the Acacus structure, judging from open-hole evaluation and modular dynamic test results, PA said.

Completion is anticipated in early September and results are expected at the beginning of October. PA said that, should the results be positive, a development plan would be submitted to the Tunisian authorities.

PA's president and CEO, Bo Askvik, said the well had been a "very promising discovery. We are now awaiting the results from the production test and, hopefully, we will be able to put the well in production during the first part of 2011."

PA has a working interest of 35% in Jenein Centre, while Chinook has 65%. PA farmed in to the permit agreeing to earn a 35% stake in the well by paying for 70% of its associated costs.

The area was converted from a prospecting licence to an exploration permit in October 2009, with an initial term of five years. The company committed to drilling a well to a depth of 3,500 metres and to reach the Ordovician formation.

The Acacus formation has proved to be successful for a number of operators in southern Tunisia, including Winstar Resources and OMV.

Storm Ventures International acquired all of Chinook's shares in June and changed its name. The company has conventional gas production in west Canada in addition to its Tunisian assets. Canada contributes around 6,000 barrels of oil equivalent per day, while Tunisia provides 700 boepd.

Chinook's offshore Fuchsia exploration well was abandoned in June as a dry hole. The company intends to drill the TT3 appraisal well in the Remada Sud permit in early October. Chinook also plans to begin tendering parts of its offshore Cosmos development, once discussions with the Tunisian authorities on tax and past expenditures have been completed. ■

POLICY

Sudan commits to oil transparency

Sudanese Minister of Petroleum Lual Deng told a conference in Khartoum on August 18 that the government was committed to transparency for its crude oil production and the revenues the country earns from exports.

The conference was held in order to address the issue of transparency, which gathered much international attention in 2009 when UK-based NGO Global Witness questioned in a report the reasons for discrepancies in available data for Sudan crude oil production and earnings. Global Witness said the discrepancies suggested that 9-26% of Sudan's crude oil production could not be accounted for, which translated into a possible shortfall of US$540 million to US$1.56 billion.

Global Witness attended the conference, as did the three main foreign companies operating in Sudan: China National Petroleum Corp. (CNPC), Malaysia's Petronas and India's Oil and Natural Gas Corp. (ONGC).

Deng, who is from southern Sudan, where most of the country's estimated 6.3 billion barrels of reserves are located, promised production volumes would be posted on the ministry's website and that an audit would be conducted by an independent firm on crude oil production and revenue sharing since 2005, the year a peace agreement was reached by the North and South Sudan and the 17-year civil war ceased.

As part of the peace deal, North and South Sudan promised to divide oil revenues evenly. The Global Witness report suggested that the South was not receiving its fair share of oil earnings.

Most oil is produced in the South, but exported through Port Sudan on the Red Sea, in Northern territory. The peace deal also allows for a referendum in January 2011 giving Southerners the right to vote as to whether to remain as a unified country with the North or establish itself as an independent state. There is international concern that issues between the North and the South over oil could return the country to civil war.

"We hope to comfort all the Sudanese people that there will be transparency, even if there was none in the past," Deng said, adding the audit would be carried out quickly "so the results are made available before the referendum."

The minister went on to blame "the lack of transparency, or the perceived lack of transparency, that has fuelled mistrust between partners. We want to enhance trust between the North and South." ▸▸

POLICY

For its part, Global Witness said questions remain about the data, including the operating costs of the companies working the oilfields. The firms are consuming some oil in processing and transporting the crude, while the government has said output figures could be inaccurate owing to the volume of water in the oil.

Sudan produces 450,000-470,000 barrels per day, which is exported as Nile Blend or Dar Blend. Deng said the country hoped to produce 500,000-600,000 bpd in 2011 and had set a production target of 650,000 bpd. ■

PROJECTS & COMPANIES

Libya: Waha Oil scores, BG to pull out

The Waha Oil Company has successfully tested a well in Libya's Sirte Basin, while BG Group is reported to be on the verge of pulling out of the North African state.

A statement from Libya's National Oil Corporation (NOC) said Waha Oil had drilled the 6Q1-59 wildcat to a total depth of 2,812 metres. The well is around 80 km southeast of the town of Marada, NOC said.

Initial testing from the Lidam and Lower Beda zones flowed at 1,080 barrels per day and 1,704 bpd respectively. Oil from the Lidam formation came from 25 metres of net pay and was 41 degrees API. The Lower Beda had 18.6 metres of net pay and oil gravity of 36 degrees API.

Waha Oil is a joint venture involving NOC, with three US companies: ConocoPhillips, Marathon Oil and Hess.

Exit

While Waha Oil has racked up another success, confirming its position as one of Libya's top producers, BG's results have been lacklustre, leading the company to plot its withdrawal.

A BG representative was quoted by Dow Jones on August 20 as saying the company had drilled three wells, all of which had been dry. As a result, BG has notified NOC that it is to relinquish its licences and, once the Libyan authorities acknowledge this, "Libya will no longer be a part of our portfolio."

According to information from BG, the company acquired various stakes in Libya in 2005, during the country's second licence round.

It took 100% in Area 123's Blocks 1 and 2, and a 50% non-operated stake in Area 171's Blocks 1, 2, 3 and 4.

Seismic was shot in 2007 on Area 123 and Area 171. Two exploration wells were drilled in 2008 on the former, both of which were dry, and one well on the latter, which was also dry. ■

Total farms in to Mutamba Iroru

US-listed VAALCO Energy has struck a deal to farm out a 50% stake in its Gabonese Mutamba Iroru permit to Total Gabon.

VAALCO announced the deal on August 16, saying the two companies had committed to reprocessing 400 km of 2-D seismic and drilling an exploration well. The plan also involves a one-year extension. Previously, VAALCO was obliged to acquire 200 km of 2-D data.

Approval from the Gabonese government is expected within 30 days, the US company said.

VAALCO's chairman and CEO, Robert Gerry, said: "We are pleased to welcome Total as a partner and, given their expertise in Gabon, we look forward to working with them to [focus on the best] potential prospects on the permit."

The details were not revealed, VAALCO only said Total was to fund "an agreed portion" of the work programme and receive 50% in return.

The US company will continue to operate the onshore block until the exploration well is completed. Following that, if the results warrant it, Total has an option to operate Mutamba Iroru. The French company has production infrastructure to the north of the block, at its Atora field.

VAALCO signed a production-sharing agreement (PSA) on Mutamba Iroru in November 2005. The contract, the company said, was to run for five years. The block covers around 1,092 square km, along Gabon's central coast.

The US company drilled two unsuccessful exploration wells on the block in the first quarter of 2009.

Gabon had been due to hold another licence round this year, but this was delayed because of political changes related to the new president. ■

NEWS IN BRIEF

North Africa

Solar plans lit up by US$5 billion fund

Countries in the MENA region with little or no oil and gas deposits are endowed with abundant sunlight and sparsely occupied land – resources that could make the region a renewable energy powerhouse. The World Bank is providing Egypt, Jordan, Morocco, Tunisia and Algeria with a total of US$5.5 billion in funding for solar projects to be completed by 2015. The projects' combined electricity generation capacity of 9,000 MW would equal nearly the total installed power capacity of Abu Dhabi. Jordan, Morocco and Tunisia import almost all their oil, and Egypt could become a net oil importer as early as this year. "This is a most strategic and significant initiative for MENA countries," said the bank's vice president for the region, Shamshad Akhtar. "It will facilitate faster and greater diffusion of this technology in a region which holds significant potential."

THE NATIONAL, August 17, 2010

Gas Natural hit by Sonatrach gas price ruling

Gas Natural's share price fell the most in six weeks in Madrid trading after an arbitration panel said it must pay Algeria's Sonatrach more for gas, a decision that could raise the energy supplier's costs more than 300 million euros (US$386 million) a year. The tribunal recognised Sonatrach's right to boost the price of gas supplied to Spain through the Maghreb Europe pipeline since 2007, Gas Natural said in a regulatory filing. The Spanish company will have to pay about 1.5 billion euros (US$1.9 billion) for the gas provided in 2007, 2008 and 2009, Expansion newspaper reported, citing unidentified people in the financial industry. "It's not possible for Gas Natural to simply change supplier because its contract with Sonatrach is long term," said Javier Garrido, a Madrid-based analyst at JPMorgan Chase & Co. "These contracts are usually 20 to 25 years long," Barcelona-based Gas Natural could use amounts set aside in past years and raise rates for some clients to pay for the amounts defined in the ruling, it said in the filing, without providing details on the amounts.

BLOOMBERG, August 17, 2010

Algeria invites India to TSGP

Algeria has invited Indian companies to participate in a US$10-billion project to build an ambitious trans-Saharan gas pipeline originating from Nigeria via neighbouring Niger. "We need more foreign partners outside Europe for this 4,000 km long project," Algerian Ambassador to India Echarif Mohammed-Hacene said, referring to the pipeline, which aims to provide some European companies some alternatives to Russian gas. "We hope Indian companies will show interest – not only for capital formation, but also to build the capacity itself," Mohammed-Hacene said, underscoring how much Algiers is favourably disposed to participation by India. The ambassador said Algeria, one of the largest producers and exporters of natural gas in the world, has had some good experiences with the state-run Indian Oil Corp that has a US$3 billion pact with his country's own public sector company Sonatrach. The two state-owned firms had successfully bid for major hydrocarbon blocks in Libya. Some of the world's biggest companies have evinced interest in the project, he said referring to Russia's Gazprom, Italy's Eni, France's Total and Anglo-Dutch Royal Dutch Shell. Nigeria, which claims the world's seventh largest gas reserves with about 183 trillion cubic feet, is willing to set aside 13-15 trillion cubic feet for the project. Algeria's own pipeline system extends under the Mediterranean Sea to Spain and Italy.

THE ECONOMIC TIMES, August 22, 2010

Egyptian oil and gas reserves reach highest levels ever

With 18.3 billion barrels of oil, Egypt has achieved its highest-ever proven oil reserves during the 2009-2010 fiscal year ending last June, the state's official MENA agency announced. Crossing the 18 billion barrels margin, despite increasing local consumption, is an impressive national milestone after the nation's reserves stood as low as 11.8 billion barrels in fiscal year 1999-2000, according to the report issued by the Egyptian Petroleum Authority and quoted by MENA. In 2009, gas was the dominant fuel for Egypt, accounting for an estimated 50% of primary energy demand, followed by oil at 43.1%. Minister of Petroleum Sameh Fahmy stressed that the current figures are the highest in Egypt's history, adding that proven reserves are expected to reach 20 billion barrels over the next two years. The Egyptian Petroleum Authority report cited sustained development of exploration and drilling programmes and expanding the search for oil into various regions across Egypt. The news comes as Egypt is also looking at nuclear power to meet the country's rising energy demands. Egypt penned oil agreements with a number of international corporations at a value of US$8 billion in 2009-10. Another deal struck with Germany's RWE in July to develop offshore fields, which will supply up to 1 billion cubic feet of natural gas by 2014, was worth US$9 billion.

LOS ANGELES TIMES, August 16, 2010

Fahmy underscores co-operation between Egypt and Iraq

Egyptian Minister of Petroleum Sameh Fahmy underscored the importance of supporting oil co-operation between his country and Iraq and activate the initiative of strategic co-operation in the field of oil and gas. ⏩

NEWS IN BRIEF

This came in a statement by the minister after a meeting with Iraqi Ambassador in Cairo, Nizar Alkhirallh, to discuss the outcome of the trip by two Egyptian delegations of leaders of the oil sector to Baghdad and Basra, between August 8-12. Fahmi said "this co-operation is part of the efforts of President Hosni Mubarak to support joint Arab co-operation in general and support Egyptian-Iraqi relations in particular at this stage." He stressed "the next stage will witness co-ordination at the highest level for speedy implementation of future co-operation projects that will positively contribute to the achievement of economic benefits for both countries."

KUWAIT NEWS AGENCY, August 7, 2010

Egypt to re-purchase natural gas sold to Israel

The Egyptian government is seeking to re-buy approximately 1.5 billion cubic metres of natural gas it sold to Israel as the country faces a gas crisis, Egyptian media reported. Unnamed sources told the Egyptian daily Ash-Sha'b that the Ministry of Petroleum and Mineral Resources said at least half of the natural gas sold to Israel would have to be repurchased for US$14 billion, although it was originally sold for US$2 billion. In January, the petroleum minister announced that Egypt would need to import natural gas to cover huge shortfalls in domestic-use gas and industrial diesel. He retracted his statement shortly after over concerns of a backlash from those opposed to exporting natural gas to Israel. The minister had also said that Egypt's natural gas reserve would serve the country for 38 years, and said it was increasing particularly in the Mediterranean and Nile Delta. The report follows increased anxiety in Egypt over ongoing power cuts and water cuts, and a surge in wheat prices, Agence France-Presse reported. The independent daily Shorouk reported that the power outages and recriminations between the oil and electricity ministries over who is responsible for them have embarrassed the ruling party. There is also renewed protest against a gas deal that supplies Israel with an estimated one third of its natural gas consumption, with some linking the power cuts to gas shortages, the newspaper reported. Despite concerns, the electricity minister said Egyptians would need to lower the electricity load during Ramadan, which began in the second of week of August.

MA'AN NEWS AGENCY, August 23, 2010

Eni to start Libya, Algeria long-term gas deals renegotiations

Eni is about to start renegotiations of its long-term natural gas contracts with Libya and will soon begin the same with Algeria, CEO Paolo Scaroni said. Renegotiation "windows" are allowing the Italian oil and gas company to take this step, said Scaroni on a conference call to comment on the company's second-quarter results. Eni isn't only renegotiating the price in these long-term contracts, but also the take-or-pay conditions, he said.

DOW JONES NEWSWIRES, July 28, 2010

Candax provides update on El Bibane

Candax Energy reports that the planned operation to remove the broken tubing from the El Bibane 3 well, as disclosed in the company's press releases of April 22nd, August 3rd and August 13th, has retrieved all but the last 200 metres of existing tubing and packer. The previously announced operations plan of extending the tubing into the reservoir to limit the influx of water and running logging tools to better understand the reservoir will not be possible due to the inability to remove the entirety of the old tubing. The tubing has been found in extremely poor condition and thus fishing efforts have been suspended after considerable efforts. A casing integrity tool has confirmed that the casing is in acceptable condition, and thus a new completion will be installed in the coming days down to the top of the broken tubing. Fluid losses during fishing indicate that there is communication across the fish. Based on this evidence the well will be put on production through the new production string and the 200 metres of broken tubing. Candax will issue an update once the current program to restore production from the El Bibane 3 well has been completed.

CANDAX ENERGY, August 19, 2010

Gulfsands acknowledges disappointing Tunisian drilling result

Gulfsands Petroleum is pleased to announce that ADX Energy, the operator of the Kerkouane Exploration Licence offshore Tunisia and the adjacent Pantelleria Exploration Permit in Southern Italy, has provided the following information on drilling operations on the Lambouka-1 well in a news release made earlier today in Australia. The Lambouka-1 well has intersected the complete Ain Grab section, a secondary target in this well, encountering porous reservoir sandstone as prognosed. However based on interpretation of measurement while drilling logs, the formation is considered to be water bearing. The current 12¼ inch hole section has now been drilled to a depth of 2216 metres and preparations are currently underway to set and cement the 9 5/8 inch casing prior to drilling on in a 8½ inch hole into the primary target, the Abiod carbonate formation.

GULFSANDS PETROLEUM, August 19, 2010

NEWS IN BRIEF

China warned ahead of Sudan referendum

The only way for China to retain its oil assets in Sudan is to cultivate a “strong” relationship with the semi-autonomous region of south Sudan and recognise the outcome of a referendum due in January 2011 on the region’s possible independence, south Sudan official said in statements to Bloomberg. South Sudan, whose population mostly follows Christianity and traditional beliefs, is due to hold a referendum in January 2011 to decide whether to remain united with the Arab-dominated north Sudan or secede to form the world’s newest nation. The region has been enjoying autonomous rule since 2005 when north and south Sudan signed a peace deal that ended decades of civil war fuelled by ethnicity, religion and coveted natural resources. Anne Itto, south Sudan’s minister of agriculture, told reporters yesterday in the region’s capital Juba upon returning from China that the Chinese government fears that its assets in Sudan’s oil would be “a waster” if the south opts for secession. Itto, who is also the deputy secretary-general of the SPLM, the ruling party in south Sudan, said that she had told Chinese officials that “if they want to protect their assets, the only way is to develop a very strong relationship with the government of Southern Sudan, respect the outcome of the referendum, and then we will be doing business.” The minister said that China was interested in expanding oil exploration to more blocks. She further announced that a senior delegation from the Chinese Communist Party would visit the region in early October to try to “bridge the gap.”

SUDAN TRIBUNE, August 22, 2010

Sudan, Finnish company sign oil and gas exploration deal in the North

Sudan’s oil ministry and the Finnish firm, Fenno Caledonian, has signed an oil and gas exploration agreement for block 10 located in east northern part of the country. Block 10 is located in the four states of Gedaref, Kassala, River Nile, and Gezira, and covers an area of 83,183 km. The pipeline transporting oil to Port Sudan, where is a refinery, crosses the block. According to the US$30 million deal signed in Khartoum, Fenno Caledonian holds 85% and the state owned Sudapet takes 15%. The head of the Finnish company, Heikki Jutila, said they believe Block 10 may has gas or oil “because the adjacent Block 8 had gas showings.” Fenno Caledonian also works on Block 14 in Dongola, Sudan. Oil minister Lual Deng commended the role played by oil sector in the recovery of economic sector, pointing out that the signing of the deal indicates the entry of European investment to the Sudan.

SUDAN TRIBUNE, August 19, 2010

West Africa

Boskalis wins capital and maintenance dredging project in Angola

Royal Boskalis Westminster has been awarded a contract for the capital and maintenance dredging of the Soyo LNG port in Angola. The total contract value is approximately 155 million euros in which Boskalis has a 50% share. The contract was awarded by Angola LNG. Work is set to commence in 2010 and capital dredging is set to be completed by mid 2011. Included in the contract is an optional maintenance contract running from early 2012 until early 2014. The capital dredging work scope includes the deepening and widening of the 4.5 km access channel and port basins. The capital dredging involves the removal of approximately 11 million cubic metres of sand and clay and the project will be executed with medium-sized hoppers. Besides dredging, Boskalis will also conduct a wide array of marine services ranging from installing and management of navigation aids through to hydrographic and land surveying activities for the client. The subsequent optional maintenance work of the access channel and basins is expected to be conducted with medium-sized hoppers. Boskalis executed also the initial capital dredging and reclamation works for the new LNG port on behalf of Angola LNG in 2008.

BOSKALIS, August 17, 2010

FMC Technologies Receives Total call-off

FMC Technologies has received a call-off order from Total Exploration & Production Angola for the manufacture and supply of additional subsea production equipment. The call-off is for one option included in an existing contract and has a value of approximately US$36 million in revenue to FMC Technologies. The equipment will support Total E&P Angola's Block 17 development, located offshore Angola. FMC's scope of supply includes the manufacture of four subsea trees, controls and associated equipment. The systems will be manufactured and assembled at FMC's facilities in Dunfermline, Scotland; Kongsberg, Norway; and Luanda, Angola. “Today's announcement reflects our continued support of Total's projects in Block 17,” said Tore Halvorsen, FMC's Senior Vice President of Global Subsea Production Systems. “The zone includes the Girassol, Rosa and Pazflor fields, and we are pleased that our systems and technologies continue to contribute to Total's success.”

FMC, August 19, 2010

NEWS IN BRIEF

Victoria moving forward on Douala gas project

Following the award of the gas processing plant contract to Expro in July, contracts have now been awarded for the polyethylene pipeline and fittings, directional drilling and jointing equipment. The first pipe supplies have been shipped this week. All other activities including licences and permits are progressing on schedule. The expected date for the first gas deliveries to customers remains December 2010. Our sales and gas marketing team in Douala have signed 20 year exclusive Gas Sales Agreements with the gas price fixed at US$16 per million Btu for the first 5 years. Additional customers continue to be signed up. The board also welcomes Don Nelsen to the company as country manager in Cameroon.

VICTORIA, August 18, 2010

Soco updates Nganga progress

The Nganga-1 well, in the Nganzi Block, onshore in the Democratic Republic of Congo (Kinshasa), on previously designated Prospect "B", is now drilling in the 12 ¼ inch section of the hole just prior to running and cementing the 9 5/8 inch casing. Following this, the well will be drilled into the primary reservoir section.

SOCO, August 19, 2010

Ghana’s Tema refinery restarts

The Tema Oil Refinery (TOR) has resumed operations after taking supply of 600,000 barrels of crude oil from Nigeria. The refinery had recommenced operations after the temporal shut down on account of crude oil shortage. It was, however, learnt that the Ghana National Petroleum Corporation (GNPC) had failed to deliver crude oil to TOR. The company had completed repair works on a pipeline connecting the refinery to the harbour which developed a fault.

BUSINESS DAY, August 20, 2010

UNEP cautions against early judgement on spills in Niger Delta

The United Nations Environment Programme (UNEP), at the request of the government of Nigeria, is conducting an environmental assessment of the impacts of oil spills in Ogoniland, in the Niger Delta, and options for remediation. The fieldwork by UNEP's scientific teams collecting samples of water, soil, sediment, air and plant and animal tissue is due to be completed in October 2010, and will be followed by laboratory analysis. As this process of sample collection is still under way no draft or final report currently exists. Once finalised, the report will provide a compilation of all results and present options to the government and all interested parties on the most appropriate measures to clean up the area's environment. It is due to be presented to the government of Nigeria and interested parties in early 2011. Media reports over the past days and weeks have indicated that it is UNEP's determination that 90% of oil spills are linked with so-called “bunkering” and criminal activity. In referring to this data, UNEP clearly indicated that these figures represented official estimates of the government of Nigeria, based in part on data supplied by the oil industry. They therefore do not represent nor reflect results of UNEP's current assessment process, which is still ongoing. To link this data with UNEP's study or indeed any future attribution of responsibility is incorrect.

UNEP, August 23, 2010

Shell awards SeaBird OBN Nigeria contract

SeaBird Exploration together with our local partners Sonar Limited are pleased to announce the signing of an Interim Agreement with Shell Nigeria Exploration & Production Company for the acquisition of an ocean bottom node seismic survey in Nigeria. The survey will be conducted by the Hugin Explorer with a capacity of 750 proprietary autonomous CASE Abyss nodes onboard and the source vessel Munin Explorer. Mobilisation started August 12 in direct continuation from the node survey in the North Sea for Chevron. The survey will commence on the field around mid-September 2010 with an expected duration of approximately three months including mobilisation and demobilisation. The contract is subject to the signing of a final agreement. Sonar’s vice chairman, Robert Bakre, states “This is another significant boost in applying modern ocean bottom node seismic survey technology to understanding our reservoirs in Nigeria. We are particularly pleased with this opportunity and with our partners SeaBird Exploration; we look forward to delivering world class results to Shell Nigeria Exploration & Production Company and partners.”

SEABIRD EXPLORATION, August 17, 2010

Shell declares Bonny Light force majeure

Royal Dutch/Shell said on Wednesday it had declared force majeure on its Nigerian Bonny Light oil exports with effect from August 16, days after warning of a rise in acts of sabotage on its pipelines. A Shell spokesman made no comment on whether production was affected by the move, which frees Shell from contractual deliveries to customers due to actions beyond its control. Bonny Light is a light crude popular with US and European refiners and has been Nigeria's largest oil stream, but the onshore production facilities are particularly vulnerable. Shell warned on Sunday of a rise in acts of sabotage on its crude oil pipelines in Nigeria's southern Niger Delta in recent weeks.

REUTERS, August 18, 2010

NEWS IN BRIEF

Nigeria blocks revenue loopholes in exports

The Federal Government has blocked all loopholes that facilitate loss of revenue to Federal Government in oil and gas exports, according to the permanent secretary of the federal ministry of commerce and industry, Abubakar Mohammad. The official said officials of the Department of Weights and Measures under the Ministry, have been stationed at the oil terminals to perform their duties by ensuring accurate record and measurement as well as volume of crude oil at various terminals and “it is our duty and responsibility to know the quantity of fuel lifted at the terminals.” In his contribution, the representative of Department of Petroleum Resources (DPR) Ogun Paulinks, stated that the department was taking care of late submission of application forms and that all the oil companies have agreed to collect forms early to submit to (DPR) early for processing and onward transmission to Federal Ministry of Commerce and Industry.

VANGUARD, August 18, 2010

Delta community threatens to blow up Chevron facilities

The frosty relationship between Chevron Nigeria Limited and its host, Ugborodo community in Warri South West Council of Delta State, has deepened as the community has threatened to blow up the company's Escravos Tank Farm, among other oil facilities in the area. The threat is coming on the heels of the peaceful protest embarked upon by the women of the community over alleged marginalisation in the spread of social amenities and infrastructure like electricity, shoreline protection and reclamation project in some communities threatened by coastal erosion. The community called on the government to revoke the Ode-Ugborodo reclamation contract awarded to a Port Harcourt-based company because of alleged incompetence, having abandoned the project and demobilised from the site.

DAILY INDEPENDENT, August 18, 2010

Governor: Imo ready for greenfield refinery

The Imo State Government is to go into a strategic partnership with the Nigerian National Petroleum Corporation (NNPC) to establish a greenfield refinery in the state. Governor of the state, Ikedi Ohakim, stated this when he led a high powered delegation from the state on a courtesy call to the Group Managing Director of the Corporation, Austin Oniwon, at the NNPC Towers, Abuja. Ohakim noted that the state has the highest number of unemployed graduates in the country and opined that the establishment of the refinery will go a long way in boosting the state economy, hence bringing Federal Government's presence closer to the people of Imo State.

DAILY TRUST, August 19, 2010

NLNG seeking international financing

Nigerian LNG is looking to raise US$2 billion via a corporate style seven year loan from international banks by year end. The company's US$1 billion project financing, arranged in 2002, is due to run out and only one US$80 million repayment is left. Banks have been asked to bid for an advisory mandate on the deal with Standard Chartered believed to be well placed. However work on building a larger mandated lead arranger group for the deal will begin quickly. The Shell and NNPC-led company was looking at an international bond refinancing in 2008 but dropped the plans due to the credit crunch. The funds from the new deal will partly go towards upstream gas gathering facilities for the existing six train project. Eni and Total have stakes in the scheme too. Kosmos, the private equity held company with a 23.4% stake in the Jubilee field in Ghana, is another sponsor seeking international debt for its African oil and gas asset. It has already raised US$900 million of debt to back its stake in Jubilee and is now seeking to add US$200 million plus to the deal split between senior and subdebt. This week it called off talks with Exxon Mobil to sell its Jubilee stake.

REUTERS, August 20, 2010

Controversy over US$5 billion dividend from NLNG

The Nigerian National Petroleum Corporation (NNPC) has developed yet another controversy on its financial visibility. According to the Minister of State for Finance, Remi Babalola, the company slipped into insolvency and has been incapable of meetings its financial obligations to the Federal Account, as reported by Business Day. The minister stated further that the corporation had communicated its financial issues to the Federation Account Allocation Committee, regarding its inability to pay the daily allocation and settle its fuel import bill, saying there are in fact reports that the Committee had complained to the Presidency about NNPC’s failure to remit due revenues, but received no reaction from the Presidency. It was in July this year that the controversy reached a peak, when Nigerian Liquefied Natural Gas (NLNG) announced US$4.728 billion in dividends had been paid into NNPC’s accounts. According to NNPC, this amount has been received, but the company is still to explain its whereabouts. Now Nigeria is waiting for the Presidency to speak up, after the Revenue Mobilisation Allocation and Fiscal Commission and the National Assembly raised a series of questions about NNPC and its operations.

NEWS IN BRIEF

"We therefore strongly recommend that as a matter of urgency, NNPC should provide answers to the various questions surrounding the US$4.728 billion and a clear cut and transparent way of operating the foreign domiciled account should be defined and strictly adhered to," Business Day reports. In the meantime, the media is launching a concerned campaign over who withdrew the money from the account, for what purpose and with whose approval.

NNPC's insolvency was announced earlier this year by the Minister of State Finance. "NNPC is insolvent as current liabilities exceed current assets," he announced at the time, cited by the Nigerian newspaper Vanguard, contested by Professor Dora Nkem Akunyili, Minister of Information and Communications, who said that Babalola's claims did not reflect the true position of the Corporation due to its tight links with the Federal Government, which assured constant outstanding balances.

NEWSBASE, August 19, 2010

Plan to add gas to Brass LNG under way

The plan for Nigeria's Brass LNG project to receive an additional supply of gas was confirmed last week by Brass LNG and Shell Petroleum Development Company (SPDC).

The objective is to increase the 3.3 trillion cubic foot (93 billion cubic metre) figure being discussed, which would be supplied to the Brass LNG project by Chevron Nigeria.

The chairman of Brass LNG, Gaius-Obaseki, said at a meeting to discuss the Brass LNG project: "if all talks with the suppliers progress to fruition as anticipated, the project is capable of taking Shell's 1.1 trillion cubic feet [31 billion cubic metres]." This move follows Gaius-Obaseki's effort to reassure stakeholders that Nigeria has the capability to realise this project.

The meeting is considered by the Nigerian newspaper This Day as a major step after the launch of an Invitation to Tender (ITT) at the beginning of this year, in order to provide margin for contractors to full participation in the multi-billion dollar project, in financial terms. This ITT is also a tool to assure all contractors and LNG buyers that this project is no longer uncertain and that the shareholders are commitment and capable of building it.

Gaius-Obaseki, also former director of NNPC, thus restated that Nigeria was able to move forward with Brass LNG and that the project would also strongly help the federal government's programme to provide employment to young Nigerian men and women. "[For] when [this is under] full steam during construction, it will employ up to 8,000 workers, many of whom will be drawn from the host communities – that are in the heart of the Niger Delta region of the country," he said.

The Brass LNG facility is being built on Brass Island in Nigeria's Bayelsa State. The project is expected to produce 10 million tonnes of liquefied natural gas (LNG) per year during its 20-year lifetime.

NEWSBASE, August 17, 2010

Southern Africa

Chariot appoints non-exec director

Chariot Oil & Gas is pleased to announce the appointment of Philip Loader as non-executive director with immediate effect. He is currently senior vice president of exploration for Mubadala Oil & Gas.

CHARIOT, August 18, 2010

Sasol upbeat on Ningxia project application

The review, by the appointed experts, of the Project Application Report (PAR), submitted by Sasol and the Shenhua Ningxia Coal Group, as owners of the planned Coal to Liquids (CTL) facility in Ningxia Hui Autonomus Region, to the China Development and Reform Commission, will conclude tomorrow in Yinchuan China. China's National Energy Administration (NEA) appointed the Chinese International Engineering Consultative Company (CIECC) to arrange a panel of experts, to facilitate the PAR review. The CIECC and the appointed experts have met with stakeholders over the past three days and their recommendations, to the NEA, are expected to be submitted to the administration, later this year. Speaking from Beijing, as part of South African President Jacob Zuma's official delegation, Sasol CEO, Pat Davies, said he was looking forward to the outcome of the review by the experts and the approval of the project by the Chinese authorities. "This review marks the culmination of many years of progress where the partners have put together the best possible commercially proven overall integrated technology package and we look forward to taking the next step, signing a joint venture agreement with our partners, bringing us closer to the establishment of a world class CTL facility in China," Davies said.

SASOL, August 23, 2010

East Africa

Africa Oil completes acquisition of South Omo

Africa Oil Corp. is pleased to report that it has received Ministerial consent in connection with the previously announced farm-out agreement with Agriterra – formerly White Nile – and the deal has now closed. Under the farmout agreement, Africa Oil Ethiopia, a wholly owned subsidiary of Africa Oil, has acquired an 80% participating interest in, and operatorship of, the South Omo Block in Ethiopia. South Omo represents a new opportunity for Africa Oil to secure a highly prospective block in the Omo Rift Valley of southwestern Ethiopia. ▸▸

NEWS IN BRIEF

The block spans 29,465 square km and is within the Tertiary age East African Rift, just north of Lake Turkana, Kenya and within the same petroleum system as the Company's Kenya Block 10BB and Tullow's Uganda discoveries. Pursuant to the Farmout Agreement AOEBV will pay 80% of past costs incurred by Agriterra, to a maximum of US$2.5 million, to earn its 80% participating interest. The payment of these past costs will be set-off against future cash calls made to Agriterra by AOEBV in respect of Agriterra's 20% Participating Interest. AOEBV will also fund 100% of the costs associated with a work programme comprised of 500 kilometres of 2-D seismic, a field geology programme, and a surface geochemistry programme. Total cost exposure for this work programme is estimated at US$6.5 million with the majority of these costs to be incurred in the first half of 2011.

AFRICA OIL, August 19, 2010

Africa Oil approved to acquire Kenyan Blocks 12A, 13T

Africa Oil Corp. and Alberta Oilsands are pleased to announce that the Kenyan Minister of Energy has formally approved the assignment, from Platform Resources, a wholly owned subsidiary of AOS, to Africa Oil Kenya a wholly owned subsidiary of Africa Oil, of Platform's 100% interest in Blocks 12A and 13T in Kenya. The transaction, which was initially announced on February 16, 2010 was subject to, amongst other things, Kenyan government approval. Consideration for the assignment is comprised of 2.5 million Africa Oil common shares and 1.5 million Africa Oil share purchase warrants. The new contract areas are adjacent to the Africa Oil's Block 10BB which hosts the Loperot-1 oil discovery. Existing gravity data on Blocks 12A and 13T suggests that the proven Lokichar basin and other prospective sub-basins and known strong leads in Block 10BB may extend onto these new blocks. The production sharing contracts (PSCs) covering Blocks 12A and 13T are dated September 2008 and have an initial exploration period of 3 years. The initial minimum exploration expenditures are C$3.65 million (Block 13T) and C$3.6 million (Block 12A). The initial exploration work program includes 500 km of 2-D seismic or 100 square km of 3-D seismic (or a combination thereof) on each block. Concurrent with the Kenyan Government consenting to the assignment, Africa Oil agreed to provide the National Oil Corporation of Kenya ("NOCK") a 7.5% working interest which will be carried through the exploration phase. NOCK will then be responsible for its pro-rata share of all costs incurred following the declaration of a commercial discovery. The Kenyan Government continues to maintain its optional back-in rights to a 15% paying interest on all development areas on both Blocks, as per the PSCs.

AFRICA OIL, August 17, 2010

Kenolkobil risks loss of licences, warns ERC

KenolKobil has 14 days to show cause why its import licences should not be revoked for failing to process crude oil at the Mombasa refinery. The Energy Regulatory Commission (ERC) said terms of business licence numbers 00315 and 00316 of Kenya Oil Company Ltd (Kenol) and Kobil Petroleum Ltd (Kobil) respectively have been breached. Director general Kaburu Mwirichia said the permits were issued under Energy Act of 2006 for import, export and wholesale of petroleum products except liquefied petroleum gas. He said in a letter sent to KenolKobil that the commission had been advised by Kenya Petroleum Refineries Ltd that they stopped processing crude oil for the marketer on July 13, 2010.

DAILY NATION, August 23, 2010

Government threatens to cancel Nacala refinery

The Mozambican government might cancel the project to build an oil refinery in the district of Nacala-a-Velha in the northern Nampula province, according to the paper "O Pais". Energy Minister Salvador Namburete lamented that no construction work has taken place since the signing of the agreement to build the refinery in October 2007. The minister assumed that this was due to the world financial crisis, which affected the banks that would fund the US$5 billion project. According to the minister, "what we know and hear from investors is that financing was secured by commercial banks. However, because of the financial crisis, they have had difficulties." Namburete said that the decision is imminent because the largest shareholder in the project, Ayr Logistics, has not shown signs of going ahead with the project. "There are rules laid down in law. We have been a little tolerant, because we have been following the international crisis. But the company that signed the accord with the government has not been meeting deadlines."

MOZAMBIQUE INFORMATION AGENCY, August 19, 2010

Museveni seeks final say on oil deals

Ugandan President Yoweri Museveni wants the final say on all oil and gas deals as the country prepares to launch oil production, a letter seen by Reuters shows. In the letter dated July 19 but given to Reuters on Thursday, Museveni ordered his energy minister Hilary Onek not to sign any oil or gas deals without his prior, written consent. Museveni said he was changing the normal practice of a minister signing deals on behalf of the government after advice from the attorney general, in order to safeguard against mistakes. ⏩

NEWS IN BRIEF

Museveni said the discovery of oil in Uganda had created a lot of "excitement and stampede" among some people who were scrambling for easy money from the commodity. "We should therefore not allow ourselves to be part of this stampede," he wrote in a letter copied to other senior government officials, including the vice president and attorney general. "In the case of petroleum and gas, I direct that no agreement should ever be signed without my express written approval of that arrangement."

REUTERS, August 19, 2010

Uganda to change tax rules

Uganda wants to change its income tax rules so that oil companies pay tax on revenues once production starts and from the sale of oil block stakes, a senior government official said on Wednesday. East Africa's third largest economy is poised to become a top-50 oil producer with Tullow Oil expected to begin commercial production in the final quarter of next year. It aims to produce 200,000 barrels per day by 2015. "We recognise that we're soon advancing to the production phase in our petroleum sector and the amendments we've proposed to our income tax law are necessary to maintain an effective and progressive fiscal regime," Fred Omach, state minister for finance, told Reuters. Uganda is embroiled in a tax dispute with UK-based Heritage Oil over the payment of capital gains tax after it said it sold its Uganda assets to Tullow Oil. Uganda says the deal is incomplete until tax on all capital gains are paid. Omach said the tax law amendment would not be implemented retrospectively.

REUTERS, August 18, 2010

Ugandan NGOs warn on oil deals

Civil society organisations have formed a pressure group to demand for the publication of the oil exploration agreement that government signed with Tullow Oil and Heritage Oil. Speaking at a stakeholders meeting in Mukono, organised by the Southern and Eastern Africa Trade and Negotiation Institute (SEATIN), Emmanuel Baingana, a unionist, said: "Ugandans are entitled to know about these contracts and demand for accountability as well. These are our resources, therefore, we should rise up and demand for what rightfully belongs to us." The agreement between the government, Tullow Uganda – a subsidiary of Tullow Plc – and Heritage Oil have been kept a secret. This, as analysts have warned, may lead to misunderstandings in the future.

THE MONITOR, August 23, 2010

Sinopec delegation to visit Uganda

China is sending a high-level delegation to Uganda next month to explore possibilities of building the much-needed oil refinery in the country. Uganda's ambassador to China, Charles Wagidoso, told Ugandans in China this week that the delegation from Sinopec would be travelling to Uganda on an oil mission. "The President of Uganda has been emphasising that we will not export crude oil and that we must refine it from here. The Minister for Energy has been to China for talks," Wagidoso said. "Sinopec officials will be visiting Uganda sometime in [September] for more negotiations."

THE MONITOR, August 19, 2010

CONFERENCES

CONFERENCES

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NEWSBASE INFORMATION

HEADLINES FROM A SELECTION OF NEWSBASE MONITORS THIS WEEK

Oil and Gas Sector

AsianOil

Vedanta Resources has entered into an agreement to acquire a 51-60% controlling stake in Cairn India.

ChinaOil

CNOOC increased oil product sales by 17% in the first half of the year to 5 million tonnes.

EurOil

Klesch & Co. has bought Shell's Heide refinery in Germany.

FSU OGM

The White Stream gas pipeline group will conduct a route survey and environmental study next year.

LatAmOil

Colombia boosted its oil production in July by nearly 20% year-on-year to 786,000 bpd.

MEOG

Eight companies have submitted bids to raise output at Oman's Amal heavy oilfield.

NorthAmOil

BP has accepted a record fine for safety violations in 2009 at its Texas City refinery.

Unconventional OGM

Oil India Ltd (OIL) and GAIL (India) Ltd have announced plans to link up to buy US shale gas assets.

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