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Translators: Mahyar Emami, Hamid Barimani

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**EDITORIAL**

Correlation between Oil and Politics; Crisis in  
Middle-East and North Africa / 2

**VIEWS  
ON NEWS**

Producers of Natural Gas Now Dancing to  
The Tune of Consumers / 6

**ENERGY  
HIGHLIGHTS**

/ 8

**REPORT**

Latest with Seismic Projects of Iran / 13  
Iran Misses Bunkering Target / 14



# Correlation between Oil and Politics

## Crisis in Middle-East and North Africa

The political upheavals in the Middle-East and North Africa started in Tunisia early this year and led to the swift toppling of its government.

The turmoil rapidly spread into other Arab countries of Egypt, Algeria, Jordan, Yemen, Bahrain, Morocco and Libya, where it manifested its greatest intensity.

In Jordan, king Abdullah dissolved the government, but Egypt's demonstrations caught the attention of the world

and ultimately unseated the country's lifetime president Mubarak, who headed a despotic regime for thirty long years.

From the very beginning of the wave of crises, the global oil market followed the chain of events nervously. However, the turmoil in Egypt that started on January 25th triggered a deep anxiety which showed itself in the form of quick rise in the price of crude oil. The benchmark Brent that stood at a mean of \$ 91.53 per barrel in December 2010 rose to an

average of \$ 96.35 p/b in January 2011 and consequently to \$ 100.25 in the first ten days of February. And once the crisis reached Libya, Brent jumped to over \$ 112 p/b at the end of February.

Although the upheaval in Egypt pushed up the overall level of crude prices, its impact on Europe was the greatest because Suez Canal in Egypt is the waterway through which some 2 million barrels of Middle-East crude oil and oil products pass each day.

Statistics show that out of over 34,000 ships that sailed through Suez in 2009, some 2,700 were oil tankers that carried 29 million tons of crude oil (equal to 212,750 million b/y or 582,384 b/d). That is why the news of strike by 3,000 personnel of Suez region on the 9th of February caused further worries, though no disruption in the passage of vessels through Suez was reported.

On the 5th of February, news agencies reported a huge explosion in the pipeline that takes Egyptian natural gas to Israel. Explosion took place in the northern part of Sinai desert, some 10 km way from border with the strip of Gaza, and cut its gas supply to Israel. Though it was not the first time that the gas pipeline was attacked, yet this time it coincided with the turmoil in Egypt and attracted the attention of the oil market.

Egypt supplies some 40% of Israel's gas needs and the rest is supplied in the form of Liquefied Natural Gas (LNG) near the city of Ashdod (Yam Tethys). Egypt's gas supply to Israel comes under a \$ 2.5 Billion agreement called QIZ, signed in 2005 between Mubarak's regime and Israel in 2005.

Egypt is the third largest gas producer in Africa, after Nigeria and Algeria, and a key gas exporter to Europe as well. In 2010, Egypt produced a total of 2.3 Trillion cubic feet of gas, 0.9 Trillion cubic feet of which were exported through pipeline or in the form of LNG.

Although Egypt's oil and gas industries did not stop functioning during the recent uprising, yet if they do when the global economy is doing well, the market can be deeply disturbed.

On the other hand, although Egypt has become an

importer of crude oil since 2008 (limited volumes); nevertheless the country has enough refining capacity to provide for the domestic needs as well as for parts of needs of oil products of the regional countries. The existing ten refineries in Egypt can refine one million barrels of crude oil every day, and any strike in Egypt's oil industry could lead to shortage of oil products in Suez region.

As cited earlier, the most important role of Egypt in the global oil market is attached to its ownership of Suez Canal. The Canal is the closest waterway between Middle-East and Europe and even North America, and if it is closed, ships will have to sail thousands of extra miles to reach Europe.

Besides crude oil, some 13% of world's LNG cargoes pass through Suez. Additionally, a pipeline that acts as an alternative to Suez Canal passes through the Egyptian territory and links the Red Sea to the Mediterranean Sea. This pipeline carries more than one million barrels of crude daily from the Persian Gulf and the Red Sea to the Med region. That means, consumers of oil, gas and, especially LNG were very fortunate that the Egyptian social unrest came to an end in a relatively short period and did not give rise to any effective strike by the oil and Suez Canal workers of Egypt.

The likelihood of the spreading out of the crisis onto other oil and gas producing countries of the Middle-East and North Africa (known as MENA region) has further frightened the oil market.

If the global economy was not going through the present



difficulty and there were not so much excess oil and gas available, the said crisis would have raised the prices of energy much more.

The fundamentals of oil market are fully aware of the fact that democracy in many countries of MENA is severely suppressed and the situation is potentially very volatile. Especially now that an unstoppable awareness is sweeping the entire region, which can throw the global oil market into a very deep crisis.

A survey by the Economist Intelligence Unit (EIU) about democracy in the countries of MENA showed that most such states are run by despotic regimes and the region is very tense. Although the criterion chosen by EIU could be debatable, still the important inference is that the West knows that the governments of those countries are undemocratic, but the economies of the industrial countries need the oil produced by them.

The countries of MENA region produced about 25 million barrels/day of crude oil and condensate in 2009, some 29% of the daily global output of 87.32 million barrels.

Concurrent with the upheaval in Egypt, Yemen has been witnessing demonstrations against its ruler too. As far as oil transportation is concerned, Yemen is no less important than Egypt. The Suez Canal is situated at the north of the Red Sea and Bab-el-Mandeb, located at its south, is adjacent to Yemen.

Gulf of Aden, where Somali pirates have been active in recent years, is located at the south of Yemen and to the east of Bab-el-Mandeb. Besides, Yemen exports about 100,000 b/d of crude oil and has also become an LNG exporter since 2009.

Shortly after Egypt's turmoil eased out, a huge social upheaval started in Libya, a member of Organization of Oil Exporting Country (OPEC), which is still going on.

Libya's 44 billion barrels of crude oil reserves is the largest of its kind in the whole of Africa, and many experts believe that the country has great unexplored hydrocarbon potentials too.

Libya consumes some 280,000 b/d of its oil domestically and exports about 1.5 million b/d, mostly to Europe and

mainly to Italy.

With 54.4 trillion cubic feet of gas reserves, Libya has the fourth largest natural gas reserves of Africa. When this country improved its relationship with the West in 2004, its gas export pipeline through the Mediterranean Sea was reopened. As a result its gas production started to rise and in 2008 reached 564 billion cubic feet, 368 billion cubic feet of which was exported to Europe, about 20 billion cubic feet of it in the form of LNG.

Many personnel of foreign companies in Libya are leaving the country and if the disturbances lead to a complete halt in the export of Libya's oil and gas, prices of energy will rise more sharply, especially in Western Europe.

Soon after the unrest in Egypt, limited disturbances were reported in Algeria, another important oil rich country of North Africa. This has apparently been controlled for now.

Algeria exports crude oil and natural gas (both through pipeline and in the form of LNG). In 2008, Algeria exported 1.9 million b/d of oil and was world's sixth largest gas exporter and produced about 3.03 trillion cubic feet of gas, 70% of which was exported through pipeline to Western Europe. Algeria has an on and off been an exporter of LNG to the US since the 1960s.

In view of what went above, major Western oil consuming countries are caught in a very difficult situation. On the one hand, since they need the oil they have to support the mostly despotic rulers of oil rich countries and connive at their democratic values and on the other; they have to accept the fact that social unrests in those countries can anytime destabilize the political situation in them and jeopardize the flow of oil to the industrial world.

It is also a fact that if oil exporting countries are to turn into developed states, they will try not to export their oil in its crude forms and will do their best to gain added values by converting them into final products.

No doubt, despotic regimes are the main obstacles on the way of development of oil rich countries. That means, major oil consumers find themselves committed to supporting the regimes that hamper development so that the uninterrupted flow crude oil would continue. At the same time, they

realize that such regimes can anytime be faced with popular uprisings which will endanger that flow of oil.

It therefore follows that major oil consuming countries of the West will continue to support those despotic regimes, but when people rise against them, the West will try to intervene in such a way that the power is peacefully transferred to the next despot, but under a democratic guise, so that the supply of oil remains uninterrupted. Egypt is a case in point.

Amongst countries in the table produced in this analysis, there are those that can use their high oil revenues to raise public welfare to prevent rise of discontent and social unrests. Even then, two issues will still remain unresolved. One is the existence of potential of Islamic fundamentalism in these countries, which can use the financial benefits, especially of the oil revenues, to form destabilizing groups and ceters. The other is that human nature does not tolerate despotism, and hence when time is right popular uprisings become inevitable. That is when the major oil consuming countries of the West will have to take some serious steps to ensure the supply of oil. They will most likely opt for the following scenarios:

- a) Help develop oil industries of other countries further so that sufficient 'excess oil production capacities' will be created as a cushion to compensate for any disruption of oil flow caused by an unrest in an oil producing country.
- b) Use the ploy of fight against terrorism to counter Islamic fundamentalism. Doubtlessly, this will also take care of terrorist groups like Al-Qaida.
- c) Try to replace the despotic rulers of oil rich countries with their Western educated elite so that some liberties are offered to the public and social discontents are avoided.

**Concluding Summary:**

The social unrests in the countries of MENA region have given rise to deep concerns in political corners of the world, which have been swiftly reflected in the price of crude oil. Fear of expansion of such upheavals onto other countries of the Middle-East and any consequent disruption of supply of oil to the industrial countries has caused a panic in the global oil market.

The fact is that democracy in many oil rich countries of the Middle-East and North Africa is suppressed and this is the main source of potential crises in that region, especially now that a wave of awareness is sweeping the area.

Under the circumstances, the main oil consuming countries in the West will try to intervene in the affairs of those oil rich countries in turmoil so as to prevent any disruption in the supply of oil.

For the purpose, they try to pave the way for peaceful transfer of power to the western educated elites of those countries (ensuring greater freedom in them), to create excess oil production capacities in other oil producing states and to fight terrorism in oil rich countries.

It must be said that the security of supply of energy has caused great inconsistency in the policies of the West.

It should also not be forgotten that if such crises were to erupt when the economy was in boost in the industrial countries, the consequences would have been much more disastrous. 💧

director

**Rating democracy in the Middle East - North Africa and oil production in these countries**

	Democracy Rank among 165 countries	Crude oil production in 2009 (thousand barrels per day)
Iraq	111	2366
Kuwait	114	2302
Morocco	116	294
Jordan	117	04/0
Bahrain	122	192
Algeria	125	2420
Qatar	137	993
Egypt	138	732
Oman	143	808
Tunisia	144	82
Yemen	146	298
UAE	148	2492
Sudan	151	500
Syria	152	386
Libya	158	1554
Arabia	160	9617
<b>Total</b>		<b>25035</b>



## Producers of Natural Gas Now Dancing to The Tune of Consumers

Saeed Khoshroo

It was just a while ago when the Qatari oil minister reported of the immediate commissioning of the last LNG projects in the country that would meantime register the nation a record high annual production capacity of 77 million tons of this product. He further spoke of Qatar's reluctance to involve in the construction of any new LNG projects. For many years, Qatar has resolutely insisted on producing LNG so much so that currently, that nation produces one fourth of the world's total LNG production. However, the international natural gas market is no longer rewarding for the producers and these are customers who benefit most from this market.

Up until three years ago, Europe continued to keep an eye on all skirmishes between Russia and Ukraine and did all in its power to prevent disputes between the two states from ending up in the shut off of natural gas transfer pipelines. However, following occurrence of the global economic downturn and sharp decline of demand and therefore dropping natural gas prices in 2009, these were the customers who set the terms of the game. That was to the extent that Russians foresaw a paragraph in the contracts for the sale of natural gas that stipulated penalties for the customers that fell short of purchasing sufficient volumes of gas. Simply speaking, surplus supply of gas in the market is irritating exporters of this product and they are now revising their energy policies. Surplus natural gas supply in 2011 is expected to exceed 200 billion cubic

meters.

The global economic recession, increase in the production of LNG and the rising trend of extraction of shale gases comprise the fundamental factors underlying the status in quo.

In 2010, a total of 3 trillion cubic meters of natural gas was produced in the world of which shale gases comprised 100 billion cubic meters. Also 980 billion cubic meters of natural gas was traded globally. Of this amount, one fourth was transferred to the target markets in the form of LNG and the rest via pipelines. This is under circumstances that surplus supply of natural gas to the European market in 2011 is expected to exceed 110 billion cubic meters. And for that matter, major exporters and suppliers of natural gas such as Russia, Qatar and Australia are now revising their production and export policies quite seriously.

Russia's Gazprom Company which was optimistic to sell natural gas for US\$1500 per one thousand cubic meters in 2008, sufficed to produce 508 billion cubic meters of gas in 2010 and exported less than 185 billion cubic meters of this amount. Russia's natural gas exports to Europe dropped 11% and did not exceed 108 billion cubic meters. This amount of natural gas was sold at US\$300 per one thousand cubic meters. Gazprom's natural gas price estimate for 2011 is under US\$310.

This situation has magnified pressures on the producers and exporters of LNG. The world's annual LNG production capacity is currently 283 million tons, a figure which is expected to exceed 400 million tons as soon as the ongoing LNG projects are commissioned in 2015,

whereas, LNG storage capacity does not go beyond 483 million tons, part of which remains of no avail in the US due to certain reasons such as higher natural gas production capacities and drop in demand and therefore may be used for export purposes. That is why, Qatar has given up hope on the US market and put a halt on its ambitious LNG projects. Qatar has no plans to commence any new projects for the production of LNG by 2015.

Huge reserves of shale gas and the daily increasing growth in the production of this product have worsened the situation for the exporters of natural gas at a time when global economic downturn has triggered falling demand.

The world's shale gas reserves are estimated at 970 trillion cubic meters, whereas, the world's natural gas reserves are estimated at 187 trillion cubic meters. The Americans' performance in the area of production of shale gas in recent years has been brilliant. Benefiting from modern technologies, the Americans increased production of shale gas four times in 2009 and registered a record high of 45 billion cubic meters compared with 12 billion cubic meters in 2000. With such a record high rate of production, the Americans have now become independent from LNG imports.

Production of shale gas is not confined to the US. Over 90 billion cubic meters of shale gas was produced elsewhere in the world in 2009. Shale gas reserves in Europe (Netherlands, Austria), and Asia, China in particular and promotion of technologies for the production of this product have prepared the bedrock for growing rates of natural gas supplies.

Producers of natural gas are therefore recommended to be vigilant and revise their current energy policies taking into consideration the daily increasing growth of shale gas production. Qatar has proved it is on the look out and carefully evaluates the market's structural factors. Drop of natural gas price to less than US\$4 (per million BTU) in the US market and the price of single commodity market (LNG) falling from US\$20 to less than US\$8 per million BTU is a warning signal to all producers of natural gas. 💧



## Chinese CNPC busy with 'SP Phase 11' FEED



China National Petroleum Corporation (CNPC) is stepping up its work at Iran's South Pars Phase 11, despite uncertainties about securing foreign equipment supply.

At the end of June, the company's gas engineering house China Petroleum Engineering Southwest Company (CPE Southwest) is due to complete front-end engineering and design (FEED) work of the gas processing plant of the project.

CNPC's Iranian partner National Iranian Oil Company (NIOC) is meeting CPE Southwest this week at Chengdu in Sichuan province of China to review the FEED work.

Meanwhile, CNPC's offshore engineering outfit China National Petroleum Offshore Engineering (CPOE) has confirmed it will team up with an unnamed Malaysian offshore engineering house for the project's offshore FEED work.

CNPC's South Pars FEED has experienced a few twists and turns, with

its former FEED partners having pulled out of the project due to pressure from the US over Iran's nuclear programme.

The choice of an Asian offshore engineering house for the offshore FEED follows Iran turning to Asian companies to help it develop its oil and natural gas reserves after US and United Nations-led sanctions forced Western companies to stay away.

Last year, UK-listed Petrofac withdrew from its partnership with CPE Southwest for the processing plant FEED, and Australia's Worley-Parsons walked away from partnering CPOE on the offshore FEED.

Despite progress on the FEED work, CNPC remains uncertain about the project as it faces challenges on importing key equipment to build the processing plant.

Such challenges are understood to be the main factors behind China National Offshore Oil Corporation demobilising its project team for Iran's North Pars gas project.

## Iran's CBI approves issuing POGC bonds

Central Bank of Iran (CBI) approved issuing of € 300 Mln worth public bonds for Pars Oil and Gas Co. (POGC) to be sold from 12th of March onward. Bank Sepah, Tejarat Bank and Saderat Bank of Iran will be selling the bonds as three separate € 100 Mln lots.

According to the Fars news agency, the new batch of public bonds in foreign currency is issued in accord with the CBI's authorization over the current Iranian year (ending 21st of

Mar. '11).

Last Iranian year, CBI authorized POGC to issue € 1.5 Bln worth public bonds for developing South Pars gas field, € 1 Bln of which has been sold by Iranian Bank Mellat. This bank is to accomplish the issue of the remaining € 500 Mln by the yearend.

Iran oil ministry was allowed by current Iranian year budget law to issue € 9 Bln worth public bonds this year, with National Iranian Oil Co. (NIOC) claiming for € 5 Bln of the total bonds.

## Iran to double oil output from its shared oilfield with Iraq

Abdol Mohammad Delparish - director of Corporate Planning Dept. of National Iranian Oil Co. (NIOC) - talked of the preparation of Dehloran oilfield's master development plan (MDP) and revealed that the oil production from this shared oilfield with Iraq would be raised by about 20,000 bpd, reported the Pana news

agency.

Stating that MDP of Dehloran oilfield has been approved by board of NIOC, Delparish said: "The development plan of this oilfield will start soon, and once completed, the oil production from the field will rise from 23,000 to 40,000 bpd."

## Iran tells India: Can't lower gas price



Tehran has rejected New Delhi's pre-conditions for joining the Iran-Pakistan-India natural gas pipeline and has indicated that the volume reserved for India could be diverted to the Persian Gulf.

Iranian Petroleum Minister Masoud Mir Kazemi told a government delegation from India that Tehran would not budge on gas pricing formula or its delivery point — two concerns on which New Delhi had sought his "indulgence and magnanimity" to break the impasse.

"The pricing of gas follows a fundamental formula and the price at which Iran buys gas from Turkmenistan and also sells to Turkey and Pakistan could form the base of pricing," the discussion records quote MirKazemi as saying. India's decision to join the pipeline should be based on that special formula, he added.

At the meeting held last December, India said it expects the gas price to be around \$4.2 per mBtu -- same as Reliance gas from KG D6 field. But Iran's revised pricing formula of 2009 pegs it at \$8.3 per mBtu each time crude oil touches \$60 per barrel.

Iran had originally priced its gas at

\$3.2 per mBtu but in 2007 revised the rates to \$4.93 per mBtu at \$60 a barrel with revision every three years instead of the previously agreed seven. Tehran also washed its hands of from promising secured gas delivery up to the Indian border saying that the "subject of gas transfer depended on India, as it did with Pakistan". New Delhi wants to pay for the gas only when it is delivered at the Pakistan-India border so that Tehran is roped in to ensure its safe passage through Pakistan.

But Tehran wants to hand it over at Iran-Pakistan border under a trilateral pact whereby it would get paid even though supplies are disrupted in Pakistan. Expressing Iran's inability to accept India's riders, the minister thrice emphasized that the gas was much in demand.

"He requested that India expedite its decisions so that Iran could decide on such (surplus) allocation," the minutes of the meeting quoted Kazemi. "Iran had no problem even if India decided that it is not participating in the IPI pipeline as Iran had huge demands, especially from the Persian Gulf," it quoted the minister.

## Iran Energy Fund puts in \$ 13.63 Bln in oil industry



Based on the contract signed between National Iranian Oil Co. (NIOC) and Energy Fund - signed by Bank Mellat on its behalf - the Fund will be investing \$ 13.63 Bln in Iran oil industry within 3 years, \$ 6 Bln of which will be allocated to the development of South Pars phases," said Moshtagh Ali Gohari -Corporate Planning Dept. of NIOC official- in an interview with NIOC website.

Gohari added: "Since NIOC had been in talks with Bank Mellat over the first 8 months of the current Iranian year (ending 21st of Mar. '11), it is foreseen that only \$ 750 Mln out of \$ 1.5 Bln which had been approved by

the fund for current Iranian year, will be absorbed by the yearend, and a large sum of the amount mentioned will be taken in the next Iranian year."

According to Gohari, POGC is foreseen to attract \$ 6 Bln from the Energy Fund for developing South Pars Gas field phases.

"The Fund has allocated \$ 1.8 Bln to 35 projects of National Iranian South Oil Co. (NISOC) to be mainly used for the construction of desalting plants, production plants, oil & gas pipelines, upgrading and renovating oil-related installations, upgrading seismic projects and supplying feed for Bid Boland II Gas Refinery," explained Gohari.

## Hengam oilfield jacket installation failure

One of the two jackets of Hengam oilfield development project was damaged while being installed and there is a possibility that it would sink.

According to the Marine news, Hengam oilfield's jacket E4 was disconnected from the launch barge and sank deep in the Persian Gulf waters.

However, in a contact the network made to Iranian Offshore Oil Co. (IOOC) as well as Naft Sazeh Qeshm -manufacturer of the jacket which is also in charge of its installation- they confirmed the incident and announced that the operations are underway to save the jacket from sinking.

## MP criticizes deals with Chinese firms

Sirous Sazdar- Energy Commission MP- criticized inexpert meddling in oil industry-related affairs and unjustifiable deals inked with Chinese companies in an excuse for sanctions and said: "Iran oil industry managers should avoid political views in this respect."

According to the parliament's website, Sazdar talked of the insufficient numbers of experts in

Iran oil industry and added: "We should deal with this issue more substantively and more attention should be paid to expertise in the field."

He also criticized the present management of oil industry and pointed out: "Every blow we receive in the oil industry comes from the presence of inexpert individuals and intermediaries in this field."

## Abadan phase III on stream by spring '11

Supposed to be commissioned early February, the third phase of upgrading of Iran's Abadan Oil Refinery will come on stream in spring 2011 with a delay.

According to the ISNA, once this project becomes operational, Abadan Oil Refinery's total gasoline output will rise to 16 Mln lpd, raising Iran's gasoline output by 6 Mln lpd.

The project includes the

construction of a new Fluid Catalytic Cracker (FCC) unit of 45,000 bpd capacity.

Iran's Petrochemical Industries Design & Engineering Co. (PIDEC) and Petrochemical Industries Erection & Construction Co. (ECC) are the main contractors of the project and Dubai-based Mammoth Co. has been chosen for installing the Reactor and the Regenerator of FCC.

## Iran 'HL-5000' crane barge goes inactive



Due to the damaged crane boom, 'HL-5000' crane barge of Iran's Deep Offshore Technology Co. (DOT), a subsidiary of SADRA, has been unused for a long time.

According to the Mehr News agency, this crane barge has been out of use because the 400 ton crane boom crashed with the body of the ship and completely broke off.

Considering the raw material and metal used in the crane boom manufacture, it is not possible to repair it in a short time. Moreover, the sanctions have made the purchase of the metal from abroad a lot problematic, the report added.

Some talks have been underway with some Asian companies to procure the required metal; though, they do not seem to yield much in the way of concrete results in a short term.

Offshore structures of South Pars phases, Bahregansar, Hengam, and

Salman oilfields and several other oil & gas fields of Iran in the Persian Gulf have been installed by 'HL-5000' crane barge.

This incident has caused concerns for National Iranian Oil Co. (NIOC) over the possible delays and problems the installation of topsides and jackets of South Pars new phases would encounter.

It is also said that one of the major reasons for the collapse of Hengam oilfield's jacket into the Persian Gulf, has been the absence of this barge; hence, the installation of the jacket was carried out by floating or lurching system.

'HL-5000' crane ship is a German Lewis design and weighs 11,676 tons. This advanced ship employs a floating control system, 8-point mooring monitoring system, and crane control systems which can lift and move over 5,000 ton structures.

## NGSC to develop 'Nasrabad' salt structure



Natural Gas Storage Company (NGSC) - a subsidiary of National Iranian Gas Company (NIGC) - has invited local and international companies with expertise in developing salt structures, to take part in full exploration of 'Nasrabad' subsurface salt structure to transform it into a gas storage.

'Nasrabad' subsurface salt structure is located in the south-east of Qom city in the central part of Iran.

Local companies willing to participate in this project should form a 51:49 (at its most) joint venture with a qualified international company as their partner.

A brief scope of work of the project is as follows:

- Required geological studies
- Performance of salt specific gravimetric, magneto telluric and 3D seismic surveys (Design, acquisition, process, interpretation)
- Drilling of one exploration/appraisal well
- Coring from the salt intervals
- Performance of salt specific geo-mechanical and chemical tests/analyses
- Preparation of scope of work for phase -2 of the plan (full development of the salt structure for gas storage purposes).

The project is planned to be implemented within 2 years.

Interested companies are due to submit the pre-qualification forms by mid March 2011.

## UAE to start oil exports via Fujairah in mid-year



Abu Dhabi will start pumping the first crude oil by mid-year through a new giant pipeline that will enable it to bypass the strategic Strait of Hormuz waterway by exporting as much as 1.8 million barrels a day via Fujairah, where plans for a grassroots refinery are also regaining momentum, a person close to the situation said.

Initial crude exports from Fujairah, located outside the Persian Gulf on the Gulf of Oman, are due to start in the second half and will reach full capacity in early 2012 once the pipeline is fully operational.

The \$3.29 billion, 400-kilometre pipeline will enable Abu Dhabi to export as much as 70 per cent of its crude from Fujairah, where tankers

will be able to pick up the oil instead of sailing an extra day into the Persian Gulf via the Strait of Hormuz, the narrow waterway watched over by Iran.

The strait is one of the world's busiest tanker routes through which Persian Gulf oil producers ship their crude exports. About 18 million barrels of crude oil, or 20 per cent of global consumption, are being shipped through the route every day.

The new pipeline, known as the Abu Dhabi Crude Oil Pipeline, is being built by China Petroleum Engineering and Construction Corp, a subsidiary of China National Petroleum Corp.

The project client is the Abu Dhabi government investment firm International Petroleum Investment Co.

## Latest with Seismic Projects of Iran

Over current Iranian year, six 2D and nine 3D seismic acquisition projects have been/are being carried out or put on tender. The latest status of these projects is as follows:

### 1. 2D seismic acquisition projects

- Initially 730 km 2D seismic shooting of 'Tang-e-Bijar' in the west of Iran: The project has been completed by Dana Geophysics Co., while experiencing a 25% volume increase.

- Initially 650 km 2D seismic shooting of 'Tang-e-Homam' in the west of Iran: The project which is at final stage is being carried out by Dana Geophysics Co., while experiencing a 25% volume increase.

- 1,200 km 2D seismic shooting of 'Fars 2' in Fars province: The project has been assigned to Terras Persia Seismic Co.

- 650 km 2D seismic shooting of 'Kopeh Dagh 2' in the northwest of Iran: The project has been assigned to Oil Exploration Operation Co. (OEOC).

- Exploration Dept. of National Iranian Oil Co. (NIOC) is holding a tender for 2D seismic shooting of 'Zagros 1' in Khuzestan province with a length of 750 km.

- Exploration Dept. of National Iranian Oil Co. (NIOC) is holding a tender for 2D seismic shooting with a length of 1,800 km in different regions of Iran.

### 2. 3D seismic acquisition projects

- 3D seismic shooting of Golshan and Ferdowsi in an area of 864 sq km in the Persian Gulf: This project – carried out by Chinese BGP - finished in April 2010.

- 3D seismic shooting of Lali oilfield in an area of 900 sq km in Khuzestan province: This project is being carried out by Oil Exploration Operation Co. (OEOC).

- 3D seismic shooting of Sarkan and MalehKouh oilfields in an area of 1000 sq km in Ilam province: This project, which is experiencing a long delay, is being carried out by a JV of Kavoshgaran Zharf Co. and its Polish partner.

- 3D seismic shooting of Zilae Oilfield in an area of 800 sq km in Khuzestan province: This project, which has experienced long delays, was completed by a JV of Pars Kani Co. and Chinese Sinopec last May.

- 3D seismic shooting of BibiHakimeh, Siah Makan, Kilver Karim oilfields in an area of 2,000 sq km in Khuzestan province: The project is being carried out by Oil Exploration Operation Co. (OEOC).

- 3D seismic shooting of Ramin Oilfield in an area of 500 sq km in Khuzestan province: The project is being carried out by Oil Exploration Operation Co. (OEOC).

- 3D seismic shooting of BalaRoud Oilfield in an area of 1,200 sq km in Khuzestan province: The project is being carried out by BGP Iran Kish Co.

- Khazar Exploration & Production Co. (KEPCO) is holding a tender for 3D seismic shooting of Turkmen Sahra region in an area of 1,200 sq km in the north of Iran.

- National Iranian South Oil Co. (NISOC) is holding a tender for 3D seismic shooting of Ahvaz Oilfield in an area of 1,800 sq km in Khuzestan province. 💧



# Iran Misses Bunkering Target

Over the past 10.5 months, Iran sold 1.9 Mln tons of fuel to passing ships in the Persian Gulf, which has dropped about 500,000 tons, compared to the same period last Iranian year (ended March 2010).

National Iranian Oil Products Distribution Co. (NIOPDC) sold about 3.35 Mln tons of fuel to the passing vessels in the region last year and was supposed to raise the volume to 4 Mln tons this Iranian year.

Taking into account the current market situation and the low fuel volume sold by Iran in the mentioned period, the experts believe that by the end of this Iranian year, NIOPDC might sell 2.2 Mln tons of fuel at the utmost, which - if plausible - would be about 45% less than what was planned.

Presently, five private and semi-governmental bunkering companies are active at Iran's ports of Bandar Abbas, Kish and Kharg islands and two other companies are expected to be set up at Qeshm Island and Assalouyeh Port.

Among the major reasons for fuel delivery volume to fall - experts say - are the high sale price of fuel oil and gasoil by NIOPDC to the bunkering companies as well as high operation costs, which caused de-motivation of private sector to raise the fuel delivery volume.

The experts say, Iran cannot reach its bunker sale objectives set in its fifth 'Five-Year Development Plan', unless NIOPDC considers a proper pricing formula - which accords with the regional bunkering market - for selling fuel oil and gasoil to bunkering companies.

Based on the fifth development plan, Iran has to capture a 50% share in the regional bunkering market. To reach that, the fuel delivery volume to the ships in the Persian Gulf should reach 5.54 Mln tons next year and 6.87 Mln tons in 2013.

In 2014, this figure has to rise to 7.231 Mln tons and in the fifth year (final year, 2015), Iran should be able to gain ground on 50% of the regional market by selling 7.5 Mln tons of fuel to the passing vessels. 

