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Eventually, National Iranian Oil Company (NIOC) and China National Petroleum Corporation (CNPC) signed a 5-billion-dollar contract in Beijing on June 3 for the development of phase 11 of the South Pars gas field.

According to the contract, Total and Malaysian Petronas can return to the project and collaborate with the Chinese CNPC, if they express readiness.

After signing the contract, Jashnsaz said that the deal came after much delay and waste of time by Total regarding the project.

"The project will be accomplished in 52 months and aims at producing 2 billion cubic meters of natural gas and 70,000 barrels of heavy gas condensates per day," Jashnsaz explained.

He went on to note that the first phase would become operational 44 months after the contract took effect. The SP phase 11 is projected to produce 500 million cubic meters of gas per day in the first phase.

Meanwhile, the head of the French oil major Total said on Friday that the Company's negotiations with Tehran on a multi-billion dollar contract to develop a major Iranian gas field are at a standstill, Reuters reported.

"They (negotiations) have not been broken and they have not resumed either. They are not in a very advanced state," Chief Executive Christophe de Margerie told journalists on the sidelines of an economic forum in southern France.

"Liquefied natural gas is a complicated thing and our Chinese partners are good investors and good candidates but I think,

# Total can cooperate with CNPC in South Pars: NIOC director



in the nicest possible way, that they don't have the same kind of expertise as we do," he said, adding Iran remained a key country for Total.

Previously Jean-Jacques Mosconi, head of strategy and planning at Total had said, "We are still involved in this project and

especially in the major project of South Pars phase 11, combined with the liquefied natural gas (LNG) train."

"We are not used to entering a major project without remaining a key operator. Our role cannot change in a deep way and we will remain a key operator of the project,

so this means having a key stake in the project," he said.

"I can tell you we are still in," he said, adding Total had never lost its relationship with Iranian authorities.

"For sure some Chinese companies are very active to try to play major games to gain a bigger role in Iran."

Iran has the world's second largest natural gas reserve, with approximately 16% of the global total.

Total first expanded into Iran in 1997 with a contract granted by Iranian authorities to develop phases 2 & 3 of Iran's South Pars gas field. Covering an area of more than 1,300 square kilometers, South Pars is the world's largest gas reservoir and is shared by Iran and Qatar. The Iranian part is divided into 24 phases.

Total and its two partners, Gazprom and Petronas, invested more than \$2 billion in Phase 2 & 3 of South Pars which began operations at the end of 2002.

Iran, the world's fifth-biggest oil exporter and owner of the world's second-largest natural gas reserves after Russia, on May 31 said that it plans to spend \$12.3 billion in foreign currency and rial-denominated bonds during the next three years to fund the South Pars project.



## Nabucco gas project to be signed by 12 countries: EC

BRUSSELS (RIA Novosti)

— An intergovernmental agreement on the Nabucco gas pipeline project will be signed on July 13 in Ankara, Turkey by 12 member states, a spokesman for the European Commission's energy policy said on Friday.

Ferran Tarradellas Espuny said the EC "has received an invitation to the signing ceremony" but declined to comment on the agreement, which has yet to be officially published.

He said the agreement was based on the principles "of mutual solidarity, mutual equality and interdependence."

The Nabucco project, estimated at \$7.9 billion, is designed to pump Central Asian via Turkey to Austria through Bulgaria, Romania and Hungary.

Among the potential gas suppliers for the pipeline are Azerbaijan, Uzbekistan, Turkmenistan, Iran and Iraq.

The project will be a continuation of the existing Baku-Tbilisi-Erzurum pipeline and is to transport 20 billion cubic meters of gas a year. Two-thirds of the pipe length will pass across the Turkish territory.

## Oil firms forming Venezuela Carabobo consortiums

CARACAS (Reuters)

— Nineteen companies that have shown interest in the tender for Venezuela's Carabobo heavy crude blocks are jostling to form consortiums to present bids for the three areas on offer, industry sources said.

The Carabobo Project aims to build three upgraders to turn the Orinoco belt's tar-like crude into oil for exports and produce around 200,000 barrels per day, with the initial investment seen between \$10 billion and \$20 billion per area.

A number of possible partnerships are in the works, although none are finalized, company and government sources with knowledge of the process told Reuters in recent days.

A partnership between state-run China National Petroleum Corp and France's Total is on the table along with another between CNPC and refiner Sinopec Corp also being discussed.

Chevron is evaluating working with a Venezuelan company, which limits its options to Suelopetrol, the only Venezuelan company registered in the pre-bidding process.

Another partnership in the works is between Colombia's Ecopetrol, Malaysia's Petronas and Spain's Repsol, with Portugal's Galp Energy, Brazil's Petrobras and Norway's Statoil.

The oil ministry said last week it postponed issuing final conditions of the bidding process, delaying presentation of the consortiums and which areas they may bid for.

The companies are assessing the investments needed to develop the areas, ranging from \$10 billion to \$20 billion depending on the complexity of the respective blocks.

The upgraders are likely to cost \$6 billion or \$7 billion, but the cost of technology required to meet the ministry's demand that the companies extract 20 percent of each field's reserves will vary.

## China's CNPC, Cnooc Group said to seek stake in Repsol's Argentine unit

HONG KONG (Bloomberg) — Repsol YPF SA is in talks with China National Petroleum Corp. and China National Offshore Oil Corp. about a sale of a stake in its Argentinean unit, three people familiar with the discussions said.

China National Petroleum, or CNPC, may make an offer of about \$13 billion to \$14.5 billion for Repsol's 75 percent stake in YPF SA this month, said one of the people, who declined to be identified because the talks are private. Cnooc Group, China's biggest offshore oil producer, is preparing a rival bid to buy a minority stake in the Argentinean unit, the people said.

Repsol wants to cut its controlling stake in Buenos Aires-based YPF to focus on finding new reserves in countries such as Libya, Brazil and Algeria. Chief Executive Officer Antonio Brufau in June reiterated Repsol's intention to sell a stake after the company last year delayed a planned public offering. China, the world's second-biggest energy consumer, is taking advantage of a drop in oil and stock prices to secure oil supplies through acquisitions.

"We have had many expressions of interest in our business in Latin America," said Kristian Rix, a spokesman for Repsol in Madrid. The company hasn't received any formal offers and isn't in talks with potential buyers, he added.

Zhang Guobao, vice chairman of the National Development and Reform Commission, China's top planning agency, said on Friday CNPC is in talks with Repsol, without giving further details.

### Overseas interest

Cnooc Group also wants to team up with Repsol to develop oil and gas exploration and development operations in other countries, the people said. Cnooc Group hasn't decided whether its Chinese parent or Hong Kong-listed unit will make the acquisition, two of the people said. Liu Weijiang, China National Petroleum's Beijing-based spokesman, and Li Shiqiang, a spokesman for China National Offshore Oil, also known as Cnooc Group, weren't immediately available to comment.

Overseas oil companies are renewing their interest in Argentina after the government of President Cristina Fernandez de Kirchner lost its majority in congress in legislative elections on June 29, said Daniel Montamat, a former energy minister of Argentina who now works as an industry consultant.

"I can't see the government trying to block this," Montamat said. "I see a weakened government right now. There are new political expectations in Argentina."

Fernandez nationalized about \$24 billion in pension funds last year, and Congress in December approved her plans to take over the country's biggest airline, Aerolineas Argentinas SA, from Spain's Grupo Marsans. Under the government of Fernandez's husband and predecessor Nestor Kirchner, Argentina nationalized the largest water utility and the national postal service.

(Contd. on P. 15)

## Brazil's Petrobras sees few prospects for Iran oil

RIO DE JANEIRO (Reuters) — Brazil's state oil company Petrobras expects exploration of an Iranian block will yield disappointing results, a company director said on Friday, adding another Iranian block has shown similarly dim prospects.

Petrobras International Director Jorge Zelada said in an interview that the offshore Tusan block in the Persian Gulf that the company won rights to in a 2003 bidding round was geologically unappealing.

"Our expectation is for a sub-commercial reserve," said Zelada. "It is a small reserve ... we have not yet finished the report, but the expectation is that it does not have commercial possibilities."

Petrobras invested around \$100 million to drill two wells in Tusan and in February said it had found signs of oil.

The company had also been evaluating data from a block in the Caspian Sea, but decided against an exploration campaign because the block appeared to hold mostly natural gas, rather than oil, in an area that did not have infrastructure for gas production.

"There is no Petrobras exploration activity in the Caspian Sea. There was an opportunity that Petrobras reviewed and decided not to continue with," he said.

An Iranian official told Reuters this week that a Malaysian company was now in the running for a Caspian Sea block that Petrobras had previously been evaluating.

Petrobras produces around 215,000 barrels per day (bpd) of oil outside Brazil but is mostly focusing on developing massive

offshore reserves buried under a thick layer of salt off Brazil's coast.

It continues to develop upstream projects in Turkey, Namibia and the Gulf of Mexico, but is not seeking out new foreign opportunities because it wants to channel resources toward sub-salt projects, Zelada said.

He said by the end of the year the company should begin drilling in the Black Sea block of Kirklareli and by early next year in the deep water Sinop Block, both in a 50-50 partnership with Turkey's state oil company.

In the U.S. Gulf of Mexico, Petrobras in about a year will begin operating a floating production storage and offloading (FPSO) terminal, the first such operation to be deployed there, for the the Cascade and Chinook fields.

Petrobras has almost 300 oil and gas blocks in the U.S. Gulf, most of which are relatively small and still in exploration phase.

Zelada said Petrobras is unlikely to double the capacity of the 100,000 bpd Pasadena refinery in California after earlier insistence on new investments sparked a dispute with its partner in the refinery Astra Oil Trading.

"I don't think it's likely that we will double (capacity), but the investments in terms of improving the refinery ... are part of an economic and technical study," he said.

An arbitration committee tapped to help settle the dispute said this year that Petrobras should pay \$466 million for the remaining 50 percent stake in the operation.



## OPEC says 'satisfied' with current crude oil price

BEIJING (Bloomberg) — OPEC is "satisfied" with the current oil price, OPEC President Jose Maria Botelho de Vasconcelos said on Friday in Beijing.

The current price is "good for all of us, the consumers and the producers," de Vasconcelos said. The world economy has recovered and "this price is a balanced price for us," he told reporters at the Global Think Tank Summit.

Oil has risen 50 percent this year, reaching a seven-month high of \$73.23

on June 11, on speculation fuel demand will rebound. OPEC is unlikely to change production quotas in September providing market conditions are similar to today with oil prices close to \$70 a barrel, Kamel Al-Harami, an independent oil analyst based in Kuwait, said on Friday.

OPEC is producing about 25 million barrels of oil a day and the organization is contributing to the oil market balance, de Vasconcelos said. OPEC doesn't have a price target, he said, when asked if \$80 a

barrel is the group's oil-price goal.

An oil price of \$60 is "normal," de Vasconcelos said earlier on Friday, according to a translation of his comments on the conference's Web site.

Crude oil in New York was trading at \$66.59 a barrel at 5:48 p.m. in Singapore.

Oil reached a record \$147.27 a barrel in July and dropped to about \$33 in December. The market is "very fragile and tiny unrest could result in big shocks on the oil price," de Vasconcelos said.

## Oil hovers above \$66 after weak jobs data

Oil prices hovered above \$66 a barrel Friday in light holiday trading a day after grim unemployment numbers from the U.S. and Europe sent prices tumbling.

By mid-afternoon in Europe, benchmark crude for August delivery was down 16 cents to \$66.57 a barrel in electronic trading on the New York Mercantile Exchange. On Thursday, it fell \$2.58, nearly 4 percent, to settle at \$66.73.

Trading in the U.S. is closed Friday for the Independence Day holiday.

Oil came off an eight-month intraday high of \$73.38 a barrel earlier this week on growing investor concerns that a doubling of the crude price since March isn't justified by a sluggish global economy.

"Renewed concern over the global economy, reflected in lower equities, is

the main driver of weaker oil market sentiment," said Britain's KBC Market Services. "However, in contrast to recent months, weak oil market fundamentals seem at last to be exerting some influence."

KBC mentioned rising oil inventories and U.S. gasoline stocks as evidence of weak demand.

"There is no longer a shortfall, or support, in any key sector of the oil complex," KBC said.

Weak jobs figures released Thursday suggested consumption will remain tepid and crude demand may not pick up quickly.

A Labor Department report showed the U.S. economy lost a larger-than-expected 467,000 jobs in June. The unemployment rate climbed to 9.5 percent, a 26-year

high. Unemployment in the 16 countries that use the euro spiked to a ten-year high in May, also at 9.5 percent.

The dismal economic data undermined investor confidence and sent the Dow Jones industrial average down 2.6 percent Thursday. Most Asian and European stock indexes also were lower Friday.

In other Nymex trading, gasoline for August delivery was down 0.73 cent to \$1.7835 a gallon and heating oil rose 0.44 cent to \$1.7060. Natural gas for August delivery rose 6.4 cents to \$3.679 per 1,000 cubic feet.

In London, Brent prices slid 27 cents to \$66.38 a barrel on the ICE Futures exchange.

(Source: AP)