

OPEC output increased in October, Bloomberg News survey shows

NEW YORK (Bloomberg) — The Organization of Petroleum Exporting Countries raised crude-oil production last month to the highest level in 10 months as members took advantage of higher prices, a Bloomberg News survey showed.

Output averaged 28.76 million barrels a day in October, up 80,000 barrels from September, according to the survey of oil companies, producers and analysts. The entire gain came from the 11 OPEC members with quotas, all except Iraq. The 11 countries pumped 26.31 million barrels a day, 1.465 million barrels above their target. Iraqi output was unchanged.

OPEC cut output quotas by 4.2 million barrels to 24.845 million barrels a day last year as fuel demand tumbled during the worst recession since the 1930s. The group, which left the targets unchanged at a Sept. 9 meeting in Vienna, is set to meet again on Dec. 22 in Luanda, Angola.

"They are looking at prices near \$80, and a stronger economic picture, and have decided it's a good time to earn a bit more," said Rick Mueller, a director of oil markets at Energy Security Analysis Inc. in Wakefield, Massachusetts.

Crude prices have more than doubled from a four-year low of \$32.40 a barrel reached at the end of last year, which caused OPEC to make production curbs. Oil has traded between \$65 and \$82 since Aug. 1. Prices on Oct. 30 fell \$2.87, or 3.6 percent, to \$77 a barrel on the New York Mercantile Exchange.

"Until inventories get so high that prices have to fall, or we get bad economic news from the U.S. or China, you can expect OPEC to continue to squeeze additional barrels out of their fields," Mueller said.

OPEC had 5.74 million barrels a day of spare capacity last month, down from 5.82 million in September, the survey showed. Saudi Arabia can increase daily output by 2.65 million barrels, the most of any member.

African output

OPEC's two West African members, Nigeria and Angola, had the biggest production increases last month.

Nigeria's output rose 70,000 barrels to an average 1.875 million barrels a day in October, the highest since December. Production was 202,000 barrels a day above the country's quota. A cease fire and amnesty agreement with the Movement for the Emancipation of the Niger Delta, the country's main militant group, has allowed Nigeria to regain ground lost during the summer.

Angola increased production by 65,000 barrels to 1.88 million barrels a day last month, the most since August 2008. Angola pumped 363,000 barrels a day above its target.

The Chevron Corp.-operated Tombua-Landana and Mafumeira Norte offshore fields were responsible for most of the increase. The company began pumping oil at Tombua-Landana in August and at Mafumeira Norte in July.

"The oil majors have sunk a lot of money in Angola's deepwater projects and want a decent return on their investment," Mueller said.

Light, sweet oil

Nigerian and Angolan crude grades are light, low-sulfur varieties favored by U.S. refiners for the quantity of gasoline they yield.

Saudi Arabia, OPEC's biggest producer, pumped 8.15 million barrels of crude oil a day in October, down 50,000 barrels from the previous month. Production was 99,000 barrels a day above the country's quota of 8.051 million.

The kingdom's September total was revised 185,000 barrels higher. Production from the Khurais and Nuayyim fields, which came on line this year, were responsible for much of the gain.

Kuwait and Qatar were the only OPEC members to keep within their targets in October. Kuwaiti output rose 15,000 barrels a day to 2.2 million, according to the survey. Output was 22,000 barrels a day lower than the country's quota.

Qatar, the second-smallest producer in the group, pumped 720,000 barrels a day last month, unchanged from September and 11,000 barrels below its target. Work to expand output of the country's Al-Shaheen grade didn't affect October loadings.

Exceeding targets

Iran produced 3.78 million barrels a day in October, unchanged from the prior month, the report showed. The country pumped an average 444,000 barrels a day above its target, making it the least compliant with output limits.

Venezuelan output dropped 10,000 barrels to 2.22 million barrels a day last month. The South American country pumped 234,000 barrels above its target of 1.986 million a day. Venezuela has the third-worst quota compliance, after Iran and Angola.

The United Arab Emirates reduced output by 20,000 barrels to 2.25 million barrels a day, the second-biggest decline after Saudi Arabia. Production was 27,000 barrels a day above the country's quota.

Libyan production fell 10,000 barrels a day to 1.51 million, the survey showed. The dip came amid lower output from fields operated by Suncor Energy Inc.'s Petro-Canada unit.

Gazprom inks Azar oilfield development MOU



Teheran Times Economic Desk

TEHRAN — Iran's Petroleum Engineering and Development Company (PEDCO) and Russia's Gazprom signed a memorandum of understanding for development of Azar oilfield, west of Iran.

Based on the inked MOU, which was approved by National Iranian Oil Company, the Russian firm has to propose its plan of action in three months, SHANA news agency reported on Monday.

Previously, NIOC was negotiating with Iran's Oil Industries Engineering and Construction Company (OIEC) for the development of Azar oilfield as a result of Statoilhydro Company's waver.

Norway's Norsk Hydro and Lukoil worked together on an exploration contract for the Anaran block's Azar oilfield located in

Oil rises from a two-week low as China's manufacturing expands

LONDON (Bloomberg) — Crude rose from a two-week low after manufacturing in China, the world's second-biggest oil user, expanded at the fastest pace in 18 months.

A purchasing managers' index released by HSBC Holdings Plc on Monday and a government-backed PMI issued on Sunday showed that China's manufacturing grew in October. In the same month, output from the Organization of Petroleum Exporting Countries expanded to its highest in 10 months, a Bloomberg survey showed.

"Everything coming out of Asia shows they are developing better than other countries," said Sintje Diek, an analyst with HSH Nordbank in Hamburg. "Elsewhere, demand is still weak, and it's going to take a long time to lower the oversupply in crude and product inventories."

Crude oil for December delivery rose as much as \$1, or 1.3 percent, to \$78 a barrel in electronic trading on the New York Mercantile Exchange. It was at \$77.87 a barrel at 10:45 a.m. London time. Earlier it fell to \$76.56, the lowest price since Oct. 15.

Futures lost 4.4 percent last week, the first pullback in a month, after U.S. crude oil and gasoline stockpiles rose, equities declined and the dollar's rebound reduced the investment appeal of commodities. Prices were down 3.6 percent Oct. 30 after a report showed U.S. consumer spending in September fell for the first time in five months.

Iraq signs new overseas oil deal

Iraq's oil ministry has signed an initial agreement with a consortium led by the Italian firm, ENI, to develop the Zubair oilfield in southern Iraq.

The deal, which needs cabinet approval, calls for the group to extract 200,000 barrels of oil a day, rising to 1.1 million a day within seven years. The project could be Iraq's second major contract with overseas oil firms since the US-led invasion in 2003. Last month, Iraq signed off a deal with Britain's BP and China's CNPC.

The two oil companies will develop the giant southern oilfield

Dubai's Enoc moves upstream with \$2b Dragon bid

LONDON (Reuters) — Dubai's Emirates National Oil Company (Enoc) has agreed to pay \$1.9 billion to take control of Dragon Oil in a further push by the state-owned refiner into exploration, even as the emirate struggles under a huge debt burden.

Dragon's committee of independent directors, formed after the bid approach was announced in June, advised investors to accept the 455 pence a share bid for the 48 percent of Dragon ENOC does not own, valuing the Turkmenistan-focussed oil explorer at 2.36 billion pounds (\$3.88 billion).

Analysts said the stock was probably worth more -- Werner Riding at Amrban said he still valued it at 500 pence a share -- but that it was the best offer investors were going to get.

"We believe that 450p/share is the minimum share price minority shareholders will accept ... and given that another bidder is not likely to emerge, the offer is likely to go through," Taleh Musayev, oil analyst at Merrill Lynch said.

One hedge fund manager, who holds the stock, agreed: "It's not great but it's kind of there. I think it has a good chance of success," he said.

Dragon said in a statement on Monday that the offer represented a 34.6 percent premium to Dragon's closing price on the last trading day before it received the bid approach.

However, Peter Hutton, oil analyst at NCB brokers, recommended investors hold out for a higher bid and raised his price target for the stock to 805 pence.

Dragon shares traded up 8.5 percent at 445 pence by 1032 GMT.

Heavy debts

Enoc is a downstream-focussed company, operating service stations, fuel terminals and oil tankers in the Persian Gulf region.

Its investment in Dragon has largely been a financial one, industry sources said, and one of the key aims of the deal is to bring Dragon's upstream oil and gas exploration and production expertise in-house, Enoc said.

Iran's southwestern province of Ilam, and discovered oil there in 2005. The companies later said the field holds 2 billion barrels of oil.

Norway's Norsk Hydro held 75 percent of the exploration license, while Lukoil held 25 percent.

Statoilhydro ASA, a Norwegian energy company, was formed by the 2007 merger of Statoil with the oil and gas division of Norsk Hydro. The company changed its name to Statoil ASA as of November 1, 2009. Statoil ASA is the biggest offshore oil and gas company in the world.

The Azar field lies in Ilam province in western Iran and holds 400 million barrels of oil. Based on the reports the field could produce as much as 50,000-65,000 barrels of oil per day for 25 years.

OPEC output averaged 28.76 million barrels a day in October

up 80,000 barrels from September, according to a Bloomberg survey of oil companies, producers and analysts. The entire gain came from the OPEC members with quotas, all except Iraq. The 11 countries pumped 26.31 million barrels a day, 1.465 million barrels above their target. Iraqi output was unchanged.

Demand 'not robust'

"It doesn't help OPEC's cause if, as reports indicate, they decide to increase production at a time when demand is still not very robust," said Christopher Bellew, senior broker at Bache Commodities Ltd. in London. "It may be some time before there's another test of \$80."

Hedge-fund managers and other large speculators increased their bets on rising oil prices to a 19-month high last week, according to U.S. Commodity Futures Trading Commission data.

Speculative net-long positions, the difference between orders to buy and sell the commodity, climbed 47 percent to 109,619 contracts in the week ended Oct. 27, the commission said Oct. 30. That's the highest since March 14, 2008.

Brent crude for December settlement climbed as much as \$1.18, or 1.6 percent, to \$76.38 a barrel on the London-based ICE Futures Europe exchange. The contract was at \$76.26 at 10:44 a.m. in London.

in Rumaila.

The project aims to almost triple output at the 17-billion-barrel field - increasing it by two million barrels a day.

Iraq has the world's third largest oil reserves, but production has yet to reach full potential.

The country's total daily output of about 2.4 million barrels is lower than it could be, because of sanctions against former Iraqi governments, lack of investment and insurgent attacks, analysts say.

(Source: BBC)

Its acquisition of Dragon Oil is the first large-scale acquisition by a Dubai government entity in more than two years and comes as the emirate seeks to restructure a debt pile of about \$80 billion.

Dubai, one of the UAE's seven emirates, propelled itself into the spotlight as a tourism hub during a six-year oil-fuelled boom, but the downturn rocked its foundations based on excess lending and a transient expatriate population.

Enoc will fund the bid from its own cash and debt provided by Standard Chartered and the National Bank of Dubai, part of Emirates NBD ENBD.DU, Dragon said.

Any debts taken on to fund the acquisition need not be a drain on Dubai or Enoc for long.

Dragon had almost \$900 million in cash on its balance sheet at the end of June, which some analysts believed it should have used to make acquisitions in the first half of the year when the credit crunch hit oil field prices.

Enoc could use the money to repay some debt taken out to purchase the 48 percent stake while Dragon's strong cashflow -- the company generated \$120 million in the first half -- could sustain a high level of gearing inside the company.

Dragon's main assets are oil and gas fields in Turkmenistan, which has become a focus for international oil companies in recent years after a change in leadership led to a more open approach toward foreign investment.

Last week, Dubai raised \$1.9 billion in the biggest Islamic bond sale from the Persian Gulf Arab region this year, marking the emirate's return to the fixed-income market.

The government of Dubai launched a \$6.5 billion bond plan in October, consisting of \$4 billion euro medium term notes and a \$2.5 billion Islamic bond, or sukuk, programme to help refinance debt and finance infrastructure development.

Dragon Oil was advised by HSBC and Davy Corporate Finance. Standard Chartered bank advised Enoc.

(\$1= .6090 pound)

OMV-Led consortium discovers gas, oil in offshore UK drilling

VIENNA (Dow Jones) — Austrian oil and gas company OMV AG said Monday its UK subsidiary OMV Ltd. has completed a successful drilling offshore the Shetland Islands, north of the British mainland.

OMV's exploration ship Stena Carron discovered oil and gas by a drilling in a Northatlantic exploration block co-owned by OMV and a number of international consortium partners, marking the first successful deep-sea drilling carried out by OMV.

"This proves that OMV can perform exploration operations also in challenging offshore areas," OMV's head of exploration and production, Helmut Langganger, was cited as saying in a statement.

The drilling took place at the P.1190 exploration block at a water depth of 1,048 meters and reached a total depth of 2,638 meters.

"An extensive set of data has been collected in order to allow early determination of the commercial viability of the discovery," OMV said.

Additional drillings will also be necessary to determine which steps should be taken next, OMV added.

Russia's oil output up 0.8% in January-October

MOSCOW (RIA Novosti) — Russia's crude oil output increased 0.8 percent, year-on-year, in January-October 2009 to 410.3 million metric tons (10 million barrels per day), the Energy Ministry reported on Monday.

Russia's oil exports increased 2.6 percent in the reporting period to 203.9 million metric tons (1.5 billion barrels), crude oil supplies for refining in Russia declined 0.9 percent to 195.6 million metric tons (1.4 billion barrels) while primary refining dropped 0.6 percent to 195.2 million metric tons (1.4 billion barrels), the ministry said.

Russia's oil output declined 0.7 percent in 2008 from a year earlier to 488 million metric tons (9.8 million barrels per day). The Economic Development Ministry projects oil output in Russia to stabilize at 490 million metric tons (9.84 million barrels per day) in 2009-2012. Oil output in 2009 is expected to reach 492-493 million metric tons (9.88-9.9 million barrels per day).

Russia's oil exports are expected to rise to 246 million metric tons (1.8 billion barrels) in 2009 from 243.1 million metric tons (1.78 billion barrels) in 2008 and remain at 245.8 million metric tons (1.8 billion barrels) in 2010-2011. Oil exports are expected to decline to 241.8 million metric tons (1.77 billion barrels) in 2012.

Russia's natural gas output declined 16.7 percent, year-on-year, in January-October 2009 to 460.31 billion cubic meters, with gas exports down 21.3 percent to 123.64 billion cubic meters, the ministry said.

Russian energy giant Gazprom's natural gas output contracted 20.6 percent in the reporting period to 364.18 billion cubic meters, the ministry said.

The Economic Development Ministry projects natural gas output in Russia to reach 580 billion cubic meters in 2009, rise to 623 billion cubic meters in 2010, 634 billion cubic meters in 2011 and 649 billion cubic meters in 2012.