

**SINGAPORE (Bloomberg)** — Crude oil rose in New York and was poised for a weekly gain on increasing signs the recovery is taking root, while a weaker dollar heightened crude's appeal as a hedge against inflation.

Futures are heading for a 4.1 percent gain this week before an October report forecast to show that the U.S. lost the fewest jobs in more than a year. European equities advanced a third day. U.S. crude-oil stockpiles fell twice as much as analysts predicted last week, a Nov. 4 Energy Department showed.

"The big move from \$65 to \$80 was due to a lot of buying from very large speculators, linked to the dollar and equities," said Olivier Jakob, managing director of Zug, Switzerland-based Petromatrix GmbH. "It's difficult to find fundamental justification for these prices. Demand in the U.S. is still lagging."

Crude oil for December delivery rose as much as 72 cents, or 0.9 percent, to \$80.34 a barrel in electronic trading on the New York Mercantile Exchange. It was at \$80.15 a barrel at 9:51 a.m. London time. Futures have advanced 80 percent this year.

Europe's Dow Jones Stoxx 600 Index added 0.3 percent to 241.24 as of 9:38 a.m. in London, heading for the first weekly gain in three weeks. On Thursday, the Dow Jones Industrial Average closed above 10,000 for the first time since Oct. 22.

"If you look at the trend over the

# Oil rises as weaker dollar, recovery signs spur weekly gain



past eight months, we're certainly in a recovery phase," said Toby Hassall, a research analyst at CWA Global Markets Pty in Sydney. "There are forecasts out there for \$85 to \$90 by year's end, which I would say aren't too far off the mark."

#### Fewer job cuts

U.S. employers probably cut

the fewest jobs in October in more than a year as the economic recovery eased the worst labor-market slump since the 1930s, economists said before the Labor Department payrolls report, due at 8:30 a.m. on Friday in Washington.

Payrolls fell by 175,000 workers, the smallest drop since August

2008, according to the median estimate of 84 economists surveyed by Bloomberg News. The jobless rate may have climbed to a 26-year high of 9.9 percent, the survey also showed.

The dollar weakened to \$1.4895 against the euro at 9:17 a.m. in London. On Thursday it touched

\$1.4917, the weakest level since Oct. 27. The dollar's decline bolsters the attractiveness of commodities as an alternative investment.

U.S. crude oil stockpiles fell 3.94 million barrels last week, more than reversing inventory gains made over the previous three weeks, the Energy Department said Nov. 4. An increase of 1.5 million barrels was forecast, according to a Bloomberg News survey of analysts.

Oil analysts and traders were split over whether crude oil prices will rise or fall next week, as investors focus on a weak dollar and ample product stockpiles.

Fourteen of 35 respondents polled by Bloomberg News, or 40 percent, said futures will drop through Nov. 13. Fourteen predicted that oil will rise, while seven said prices may be little changed. Last week, 44 percent of survey respondents said the market would fall.

Brent crude oil for December settlement rose as much as 82 cents, or 1.1 percent, to \$78.81 a barrel on the London-based ICE Futures Europe exchange. The contract was at \$78.62 a barrel at 9:43 a.m. in London.



## Oil partnerships formed, eye big

### Venezuela project

**PORLAMAR, Venezuela (Reuters)** — International oil companies have formed at least five consortiums to bid on the massive Carabobo project in Venezuela's Orinoco heavy oil belt, sources involved in the process said.

Despite fears generated by the OPEC nation's history of nationalizing oil assets, 16 companies have expressed interest in bidding on the massive Carabobo project.

"The consortiums are ready," one of the sources said at the third World Heavy Oil Congress.

The bidding round, the country's first in a decade, will take place between January 12 and 18, after repeated delays since the project was announced last year.

Carabobo is eventually expected to produce 1.2 million barrels per day from seven blocks in the Orinoco heavy oil belt.

China National Petroleum Corporation (CNPC), currently developing the Junin 4 block of the Orinoco, plans to partner with the French Total, which has operated a heavy crude upgrader for years, according to the sources.

CNPC, whose presence in the South American nation has grown due to political ties between Caracas and Beijing, will make a separate bid with Sinopec, another Chinese company. The American Chevron will partner with three Japanese companies and the Venezuelan Suelopetrol, while Spain's will partner with Malaysia's Petronas and India's ONGC.

The Portuguese Galp Energia is negotiating a partnership with Norway's Statoil STO.OL. Petrobras was expected to be part of that partnership, but sources said the likelihood of that occurring has decreased in the last few weeks.

London-based BP will bid alone and the British-Dutch Shell, which has not yet made a firm decision, will also bid alone if it decides to participate in the tender.

Russian participation in the tender is unlikely due the commitments it has made to develop other areas of the Orinoco, the sources said.

#### Deals hinge on conditions

International companies have repeatedly stressed that the success of the Carabobo project will depend heavily on the terms and the conditions set by Caracas.

Anders Hatteland, president of Statoil in Venezuela said that Statoil's participation in the upcoming Carabobo tender depends on the terms and conditions set by Venezuela.

"I hope the ministry will understand what will be required to attract foreign capital," Hatteland said at the World Heavy Oil Congress.

Earlier this week, Chevron's president of Africa and Latin America exploration, Ali Moshiri told Reuters that the fiscal terms of the deal are key.

"What's the government's willingness to share? We believe it has to be fair if we want this partnership to last 40 or 50 years," Moshiri said.

Venezuelan President Hugo Chavez's practice of nationalizing of oil company assets has made some investors wary of participating, experts say.

Last month, Venezuela made an attempt to boost the deal's attractiveness by reducing the royalty rate to 20 percent from 30 percent, depending on the profits generated. In October, the South American nation extended the timeline of the project, allowing four years instead three for the construction of upgraders, which will cost at least \$6 billion.

Carabobo is an integral part of Caracas' plan to develop the large oil reserves in the Orinoco region, which it hopes will boost production by 40 percent from 3.04 million bpd to 4.25 million bpd by 2015.

## Estonia may sell Eesti Energia stake to fund plant upgrades

Estonia's government may sell as much as a third of Eesti Energia AS, the biggest Baltic utility, to help fund an estimated 20 billion krooni (\$1.9 billion) of planned investments including oil-shale power plant upgrades.

Prime Minister Andrus Ansip's cabinet will decide on a possible initial public offering by the end of the year, according to Sandor Liive, chief executive officer of the state-owned utility. He ruled out a sale to a minority investor.

"This is a stable electricity business with growth potential from a liberalizing market," Liive said in an interview in Tallinn, Estonia, on Thursday. "In combination with its oil-shale production potential, it's an offer to investors that is unique."

The utility plans to build two units at its power plants in north-eastern Estonia, both with a capacity of up to 300 megawatts, at an estimated cost per megawatt of "less than" 1.5 million euros, Liive said. Estonia is the only country in the world where oil shale, a rock from which petroleum-like shale oil can be extracted, is the primary source of energy and Eesti Energia is planning to export this technology to Jordan.

The size of the share sale may be in the range of 300 million to 500 million euros (\$447 million to 743 million), said Peter Priisalm, a fund manager at Tallinn-based Avaron Asset Management.

"Eesti Energia is well-capitalized for the current businesses and therefore the company's value will largely depend on returns from future investment projects," Priisalm said.

## Melrose gets approval to develop Bulgarian gas field

Oil and gas explorer Melrose Resources Plc on Friday said it got approval from the Bulgarian government to develop the Kavarna gas field, which has estimated reserves of 24 billion cubic feet (bcf).

The company, which is trying to accelerate its gas projects in Bulgaria and Romania, expects the Kavarna field to be on stream by July 1, 2010.

Melrose also applied with the Bulgarian government for commercialization of the Kaliakra field reserves of 57 bcf and sees gas production to begin by October next year.

Chief Executive David Thomas said, "We are also looking

forward to an active near-term exploration program in Egypt with some important wells to drill in the Nile Delta and 2-D seismic to acquire in the Mesaha block."

Melrose holds a 40 percent working interest in the Mesaha block and expects to spud the first exploration well in the region in late 2010.

The company's South Khilala field in Egypt, which has estimated reserves of 36 bcf, began production on Oct. 16.

Shares of the company closed at 334.30 pence Thursday on the London Stock Exchange.

(Source: Reuters)

## Oil set for \$91 on range break, BarCap says

**LONDON (Bloomberg)** — Crude oil is set to reach \$91 a barrel in New York after breaking through its four-month trading range and 200-week moving average, according to technical analysis by Barclays Capital.

Crude is poised to close above its 200-week mean for a third week after staying below this level for the past year. The commodity has also breached a range roughly between \$60 and \$76 that held from June to October, the bank said.

This creates the potential to form a new range of similar size that may take prices in a "measured move" up to \$91 a barrel, Barclays said.

"The breakout of that range gives an upside target to the \$91 area," Barclays analyst MacNeil Curry said in a telephone interview from New York.

Oil for December delivery traded at \$80 a barrel on the

New York Mercantile Exchange at 8 a.m. London time, above its 200-week moving average of \$75.35. The last time the commodity held above this average was Oct. 10, 2008.

On Sept. 14, Barclays analysts correctly predicted that crude had found a floor near \$67 to \$68 a barrel, and might rebound. Since then, oil has fallen no lower than \$65.05 and rose to a one-year high of \$82 a barrel on Oct. 21.

Another sign that oil is poised to rise further is the formation of a "bullish flag" on Nov. 3, when prices dropped to the top of their previous trading range at around \$76.55 a barrel before rebounding, Curry added.

"This indicates consolidation ahead of the resumption of the prevailing trend, and is supportive of upside in the near-term," said Curry.

## OPEC output measures not needed for now: Ecuador

**QUITO (Reuters)** — OPEC measures on production are not necessary for now and the market is on the way to stability in prices, Germanico Pinto, Ecuador's minister for nonrenewable natural resources, told Reuters on Thursday.

"We have to keep looking at how the market is. Right now we believe it is not necessary to take any measures that alter the current conditions," he said.

OPEC next meets on Dec. 22 to discuss production targets, and both Venezuela and Iran have said OPEC need not increase output then. Ecuador last month said the Organization of the Petroleum Exporting Countries should not cut output next year.

Oil prices fell to around \$80 a barrel earlier on Thursday with traders locking in profits amid weak equity markets and a strengthening dollar.

## Putin thanks Sweden, Finland for approving Baltic gas pipeline

**MOSCOW (RIA Novosti)** — Russia's prime minister thanked Sweden and Finland on Thursday for approving the construction of a Russian-German natural gas pipeline through their economic zones in the Baltic Sea.

"Sweden's government has given its permission to the Nord Stream consortium to build two parallel pipelines to carry gas through the Swedish economic zone in the Baltic Sea," Vladimir Putin told the Cabinet. "I want to thank the Swedish government for this decision."

"And a big thank you to our Finnish partners," he said.

Denmark approved the \$12 billion pipeline, set to bypass the traditional transit nations of Ukraine, Poland and Belarus, last month.

Russia and Ukraine, which transits around 80% of Russia's Europe-bound gas, have had a series of conflicts over gas prices and debts in recent years, which led to brief cut-offs in supplies in 2006 and at the start of this year.

The 1,200-kilometer (750-mile) Nord Stream pipeline is designed to pump some 56 billion cubic meters of gas a year from the Russian port of Vyborg to the German port of Greifswald. Putin said the pipeline consortium had tackled environmental concerns expressed by Sweden.

"Nord Stream has consistently fulfilled what the Swedish government demanded," he said.

Sweden's environment minister, Andreas Carlgren, said approval was given following "an extensive analysis of the pipeline's impact on the environment."

Nord Stream senior management adviser Lars O Gronstedt said Sweden's permission was "a result of major environmental studies, and years-long close cooperation with state bodies and discussions with the parties involved and experts."

The Finnish government said later on Thursday that Nord Stream was still to receive an environmental permit from the country's regulator overseeing the area, including over security measures to be taken while exploding wartime mines and munitions.

Poland, which receives gas fees from transiting Russian gas via its territory, has also objected to the project. Another Baltic state, Estonia, has lobbied against building the pipeline, citing environmental concerns. Some analysts in Russia have called the country's objections political.

The pipeline is being built by Russia's Gazprom, which holds 51% in the project, Germany's E.ON Ruhrgas and BASF-Wintershall which own 20% each, and Dutch gas transportation firm Gasunie with 9%.

Nord Stream and the South Stream gas pipeline to carry gas to southeastern Europe are part of Russia's efforts to cut dependence on transit nations. South Stream is a rival project to the EU-backed Nabucco, which would bypass Russia. The project is now to be formally approved by Russia and Germany.

A senior official in Russia's Natural Resources Ministry said on Thursday Russia could approve the project in late November or early December.

The operator has already submitted the required documents to the environmental watchdog, Rospirodnadzor.

"To my knowledge, a decision to approve the gas pipeline in Russian territorial waters is to be taken in late November - early December this year," Vladimir Ilev said.

Nord Stream spokesman Steffen Ebert said Germany was expected to give its formal approval before the end of the year. The construction is due to begin in 2010 and completed in 2012.