



Tech Talk - A Russian Update and the OPEC MOMR

Posted by [Heading Out](#) on March 7, 2013 - 5:41am

The Arctic is a less forgiving place than many folk care to recognize. Shell has just moved back the date on which they plan to [restart drilling in the Chukchi Sea](#) and won't be going up there this year. At the same time, Gazprom announced last August that the development of the Shtokman gas field off the Russian coast and also in the Arctic had been put [on an indefinite delay](#). Yet the region still shows considerable promise. ExxonMobil and Rosneft have [agreed to exploration](#) in the Chukchi, Laptev and Kara Seas, with the latter considered as possibly having the highest potential.



Figure 1. Location of the Kara and Laptev Seas. (Google Earth)

The blocks that will be explored are south of the island of Novaya Zemlya, in relatively shallow water. They lie north of the Yamal Peninsula, and the Shtokman field is on the other side of the island.



Figure 2. The locations of the East Prinovozemelsky blocks south of the island of Novaya Zemlya ([Rosneft](#))

Rosneft estimates that the recoverable reserves are 6.2 billion tons of oil, and a total of 20.9 billion tons of oil equivalent when the natural gas content is included. The first wildcat well is scheduled to be [drilled in 2015](#).

While Gazprom and Rosneft share access to these offshore resources, Lukoil has [found a site](#) at Khatanga Bay in the Laptev Sea where it believes that it can be successful. Despite the difficulties, the need for Russia to sustain production is forcing the companies offshore into more difficult waters, where the future production lies, and the Russian economy [needs the income](#). The February [OPEC Monthly Oil Market Report](#) notes that Chinese demand has now topped 10 mbd on a quarterly average, the highest to date and growing at 6%. The greatest increase has been in the use of gasoline. Global demand is anticipated to top 91 mbd by the end of the year. Russia is anticipated to produce some 10.42 mbd on average this year. OPEC has, however, a few caveats:

The Vankor oil field is expected to average 435 tb/d in 2013, a minor increase from the level of 410 tb/d achieved by the end of 2012. Some operators provided that new technologies will be utilized to stop natural decline. On the other hand, the supply forecast remains associated with a high level of risk, due to technical, political, geological and price factors. On a quarterly basis, Russian oil supply is expected to average 10.43 mb/d, 10.42 mb/d, 10.42 mb/d and 10.42 mb/d, respectively. Preliminary figures indicate that Russian oil production stood at 10.46 mb/d in January, steady from the previous month.

As usual, it is interesting to compare the OPEC production results for the last few months, based both on the reports obtained from secondary sources, and those numbers that the individual nations provide.

OPEC crude oil production based on <i>secondary sources</i> , tb/d									
	2011	2012	2Q12	3Q12	4Q12	Nov 12	Dec 12	Jan 13	Jan/Dec
Algeria	1,240	1,210	1,214	1,209	1,186	1,188	1,187	1,151	-35.7
Angola	1,667	1,732	1,738	1,709	1,721	1,712	1,733	1,812	79.2
Ecuador	490	499	496	501	502	502	501	502	1.8
Iran, I.R.	3,628	2,970	3,086	2,742	2,668	2,677	2,663	2,691	28.2
Iraq	2,665	2,979	2,956	3,135	3,118	3,208	3,006	3,033	27.5
Kuwait	2,538	2,796	2,791	2,805	2,821	2,812	2,833	2,850	17.0
Libya	462	1,394	1,424	1,466	1,471	1,481	1,424	1,401	-23.2
Nigeria	2,111	2,072	2,143	2,110	1,962	1,858	2,064	2,017	-47.0
Qatar	794	755	748	745	740	738	741	755	14.3
Saudi Arabia	9,293	9,760	9,911	9,813	9,494	9,565	9,181	9,105	-75.8
UAE	2,516	2,624	2,607	2,653	2,650	2,651	2,652	2,623	-28.8
Venezuela	2,380	2,359	2,367	2,348	2,342	2,337	2,358	2,379	21.3
Total OPEC	29,785	31,151	31,481	31,234	30,673	30,728	30,341	30,320	-21.2
OPEC excl. Iraq	27,119	28,172	28,525	28,099	27,555	27,520	27,335	27,286	-48.7

Figure 3. OPEC crude production based on secondary sources ([OPEC February MOMR](#))

It is important to note that Saudi Arabia has dropped its production by around 300 kbd or so for the last couple of months. While I suspect this is to keep markets a little tighter and thus hold prices stable, others might suggest that the Saudis may have some slight difficulty sustaining the higher numbers.

OPEC crude oil production based on <i>direct communication</i> , tb/d									
	2011	2012	2Q12	3Q12	4Q12	Nov 12	Dec 12	Jan 13	Jan/Dec
Algeria	1,173	1,203	1,213	1,201	1,184	1,175	1,170	1,195	25.0
Angola	1,618	1,704	1,716	1,677	1,690	1,640	1,753	1,736	-16.6
Ecuador	500	504	500	509	503	504	503	505	1.6
Iran, I.R.	3,576	3,740	3,758	3,746	3,713	3,708	3,710	3,705	-5.0
Iraq	2,653	2,944	2,936	3,150	3,058	3,190	2,953	2,920	-33.0
Kuwait	2,660	2,977	2,990	2,957	2,967	2,985	2,988	2,876	-111.6
Libya	462	1,449	1,503	1,504	1,493	1,544	1,375	1,478	102.6
Nigeria	1,896	1,943	1,971	2,032	1,891	1,915	1,972	1,944	-28.0
Qatar	734	734	737	726	727	730	726	728	2.6
Saudi Arabia	9,311	9,763	10,002	9,760	9,413	9,492	9,025	9,050	24.8
UAE	2,565	2,652	2,615	2,727	2,664	2,674	2,673	2,808	135.1
Venezuela	2,795	2,805	2,818	2,820	2,787	2,819	2,769	2,766	-2.8
Total OPEC	29,942	32,418	32,758	32,808	32,091	32,375	31,618	31,713	95
OPEC excl. Iraq	27,290	29,474	29,823	29,658	29,033	29,185	28,665	28,793	128

Figure 4. OPEC oil production figures as reported by the producing countries. (sources ([OPEC February MOMR](#)))

While Iran continues to have a disparity of around 1 mbd between the two tables, Iraq still seems to be struggling to get over 3 mbd, and Venezuela has a discrepancy of around 400 kbd. In short, not much new.

Turning back to look for just a moment at Gazprom activities - although they have continued to keep Lukoil out of the Arctic, they have also continued to seek resources abroad. The company has [acquired territory in Iraqi Kurdistan](#) and is reported to have an 80% stake in the Halabja project with reserves of around 700 mb. The field lies on the Iranian border in the Kurdish part of the country, and Baghdad objected to the deal going forward. It might, however, help raise Iraqi overall production. Gazprom has two [other projects in the region](#) at Garmian and Shakal, and one at Badra which falls under the control of the central government.

Also in Middle East oil news, Gazprom is in talks with Israel to buy LNG from the offshore Tamar field and [ship it to Asia](#) to serve markets that it cannot easily reach with its pipelines. The intent is to use a floating liquefaction plant that will take gas from both Tamar and Dalit, at the rate of around [3 million tons a year](#) with production starting in 2017.

Gazprom recognizes that, if it is to develop Asian customers it must provide LNG and so it has begun work on an LNG plant in Vladivostok with three trains, each capable of producing 5 million tons of LNG a year, from the Sakhalin, Yakutia and Irkutsk gas fields. With production aimed to begin in 2018, the market will, again, be [in the Asia-Pacific](#) region and may be one of the

reasons to accelerate production from the Kovyktinskoye field. At the present time Gazprom has brought the Zapolyarnoye up to full production, and they estimate this will produce 20% of Russian natural gas as the field moves to be the [largest producer in the country](#).

And, while tracking down some of the information for this post, I did find a picture of a polar bear and cub in the region that ExxonMobil is venturing into. It was taken on the island of Novaya Zemlya. Hopefully environmental concerns won't raise the same sort of difficulties in developing these sites that they have in other places further East.



Polar Bear and cub on Novaya Zemlya on the Shores of the Kara Sea (the photo is on Google Earth and was taken at the red arrow in Figure 2 by

Oh, and before I forget, the Alaska pipeline continues to run [below 600 kbd](#) with an average of 577, 604 bd. for January.



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