
Turkey fishes for offshore reserves

Tamsin Carlisle 7/6/2008

Petrobras, the deepwater oil exploration specialist from Brazil, has moved up its Black Sea drilling schedule to next year, from 2011. Corbis Turkey does not figure prominently on any list of oil-rich countries, yet it hopes to surprise the world with big deepwater oil discoveries in the next few years, as its existing land-based wells begin to run dry.

The potential black-gold deposits lie beneath up to 2,200 metres of water in the eastern Black Sea, where there are natural oil seeps. Turkish Petroleum, the state-owned energy company, and Petrobras, the national producer of Brazil, have identified promising geological structures. But the reserves, if present in commercial quantities, will not be easy to tap. 'Turkey has plans to become a significant oil producer in the near future, but that is not very easy,' Mete G rrel, the vice president of Turkey's Dogan Holding Energy Group, recently told a Dubai energy conference.

Oil self sufficiency has long been an illusive dream for the country of 70 million people, which provides a crucial energy conduit between oil- and gas-rich Middle Eastern and Caspian regions and Europe's big markets. Tantalisingly, the geology of southern Turkey is a northern extension of structures containing big oil fields in Iraq and Iran. But today, Turkey pumps just 70,000 barrels per day (bpd) of crude from about 75 small oil fields containing a modest 290 million barrels of proved reserves. That represents an increase from less than 40,000 bpd produced in the first quarter of 2006, but is 23 per cent less than Turkey's peak oil production of 90,400 bpd, reached in 1991.

Most of the producing fields are located in the country's mountainous southeastern region, near its border with Syria and Iraq. Those oil deposits are smaller and more fractured than discoveries in northern Iraq. They also contain a heavier grade of crude that is costlier to extract and refine. Moreover, the Turkish fields are ageing, with many depending on enhanced oil recovery techniques to keep oil flowing - contributing to substantially higher per barrel costs for oil production in Turkey than in neighbouring states. And while three to four new fields were discovered each year in Turkey prior to 1998, there have been no major oil finds in the past decade.

At the same time, Turkey's oil consumption has grown to 600,000 bpd, making it a large net oil importer. So the prospect of striking commercial quantities of oil in a new and largely unexplored region has captured the government's imagination.

Mr G rrel said Turkey's government planned to introduce a new petroleum law that would reduce state royalties from oil production to two per cent from 12 per cent. The intent was to encourage offshore exploration, especially in the Black Sea. Petrobras, the successful deepwater oil exploration specialist from Brazil, has responded by moving up its Black Sea drilling schedule to next year, from 2011. The company has allocated US\$400 million (Dh1.5 billion) in the next four years to further offshore exploration in the region.

Mehmet Uysal, the general director of Turkish Petroleum, has said the Turkish company and Petrobras hoped together to find at least five billion barrels of new oil reserves. However BP, which previously conducted seismic exploration in Turkish and Georgian sectors of the Black Sea and drilled a test well in Turkish waters, said it had no plans for further drilling in the region and has transferred

licence back to Turkish Petroleum. BP declined to comment on the results of its Black Sea exploration programme, or the reasons for its decision. 'It speaks for itself,' said the company's spokesman, Robert Wine. Three US oil companies - Chevron, Anadarko Petroleum and Treador Resources - have stepped in to fill the gap. Treador has already struck gas in shallow water.

Although Turkey's biggest exploration prospects are in the Black Sea, it is also eyeing offshore targets in the Aegean Sea. In February, Hilmi Gökler, the Turkish oil minister, said Turkish Petroleum had started drilling in the Gulf of Saros, which Turkey shares with Greece.

Improved relations between the two countries may have played an important role in reviving Turkey's interest in the oil potential of its Mediterranean waters. In 1987, Turkey and Greece almost went to war over oil exploration in the Aegean Sea, where Greece has many islands and outstanding unresolved territorial claims with Turkey. But this time, Greek officials gave assurances that they would raise no objections to Turkish drilling.

In addition, Turkish Petroleum plans to invest \$826m this year in oil and gas exploration in Turkey and abroad.

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