

E&P Daily

EXCLUSIVE NEWS SERVICE FOR THE GLOBAL OIL AND GAS INDUSTRY

Italgas buys seven Italy blocks

Italgas has signed an agreement with CPL Concordia for the acquisition of a portfolio of seven gas concessions in southern Italy.

The overall valuation of the portfolio (enterprise value) has been set at US \$15.5m (€13m). At the closing of the transaction the price will be paid entirely in cash, net of debt. Completion is expected by March 2018 and is subject to certain pre-closing conditions.

The blocks Italgas has landed are:

- * Three concessions for the methanisation of Barano, Lacco Ameno and Casamicciola on the island of Ischia;
- * One concession for the methanisation of the island of Procida;
- * One concession for the methanisation of the Calabria Basin 12 composed of 10 municipalities in the province of Reggio Calabria;
- * Two concessions for the methanisation of the municipalities of Favara and Siculiana in the province of Agrigento.

Upland bags Moray Firth block

Upland Resources has agreed to farm into Block 11/24b in the Inner Moray Firth offshore Scotland and plans to start drilling in late 2018.

The firm has signed a farm-in agreement with Corallian Energy for a 40% stake in UK Seaward Production Licence P2235 (Block 11/24b). The block holds the Wick prospect, which could hold in-place P50 resources of around 250m bbl.

Upland describes the Wick prospect as a relatively low risk, low cost, potentially transformative near term drilling opportunity using a jack-up rig in late 2018, adding that Corallian has already started environmental permitting for the well.

Upland will pay 53.33% of the first \$5.7m (£4.2m) of costs related to the environmental survey and the first Wick well; costs above that cap will be funded pro rata to stakes in the block.

Steve Staley, CEO of Upland, said: "I am delighted to announce this deal, which will (subject to completion) move the company into the second phase of our strategy. The Wick prospect and other potential targets within P2235 could host large volumes of hydrocarbons which, with near term drilling, gives Upland a clear pathway to potentially transformative value growth.

"We have taken our time in assessing this opportunity, in particular to gain a good understanding of the key fault risk in the Wick prospect, before making an investment decision," added Staley.

OPEC to extend cuts

OPEC has agreed to extend the oil production cuts for another nine months after the original agreement expires next year, reported Bloomberg.

The original deal, reached last year between OPEC and several non-OPEC nations, was to lower production by a total of around 1.8m b/d. This deal is set to expire in March 2018.

According to Bloomberg, OPEC members made a decision to extend the production cuts beyond the March 2018 deadline, to the end of 2018, and talks are now being held to get the Russia-led non-OPEC block on board with the extension.

OPEC has yet to come out with the official statement on the outcome of its Vienna meeting.

Sound's Morocco volumes

Sound Energy has unveiled its first volumes estimate of the exploration potential of the Sidi Moktar exploration permits onshore Central Morocco.

The Sidi Moktar permits cover 2,700sq km in the Essaouira Basin and contain an existing gas discovery in the Lower Liassic (Kechoula) and significant pre-salt potential. Sidi Moktar is close to existing infrastructure and gas demand, including the large-scale Moroccan state owned OCP phosphate plant, Sound said.

Sound said the results of the Echo Geoscience Management (EG) study confirms the substantial upside of this pre-salt play.

"Much of the potential lies within 11 of the pre-salt Triassic and Paleozoic leads ranging in size individually from 5.67 Bcm (200 Bcf) to 70.82 Bcm (2.5 Tcf). The EG study highlights an exploration potential best case of 252.12 Bcm (8.9 Tcf) with an high of 317.28 Bcm (11.2 Tcf) and a low case of 189.80 Bcm (6.7 Tcf), unrisked gas originally in place (gross)," Sound said.

BRENT/WTI LATEST PRICE

Oil rises on OPEC move

Oil rose after OPEC and other major producers agreed to extend their production cuts in a widely expected move. The prices at 07.30 GMT, compared to the previous London close, were as follows:

WTI Jan \$57.64 a bbl +24c



Brent Feb \$62.97 a bbl +34c



Statoil bags Argentina block

Statoil has been awarded the Bajo del Toro Este exploration licence in Argentina's western Neuquén Basin.

The Bajo del Toro Este permit covers an area of more than 133sq km. Statoil has committed to one exploration well within the four-year exploration period, which starts in 2018.

The Norwegian player will operate the licence with a 90% stake, while Argentina's state-owned Gas y Petróleo del Neuquén (GyP) will hold a 10% interest.

"With the Bajo del Toro Este licence award we are building our light oil position in a world-class unconventional resource play, the Vaca Muerta Formation," said Statoil's executive vice president for Exploration, Tim Dodson.

The Bajo del Toro Este licence borders the Bajo del Toro licence to the west. Statoil and Argentina's YPF entered a preliminary agreement to jointly explore the Vaca Muerta Formation in the Bajo del Toro block in August 2017.

CERCG offers to buy AWE

China Energy Reserve and Chemical Group (CERCG) has tabled a proposal to buy 100% of the shares in Australia's AWE Limited.

AWE said that state-owned CERCG wants to acquire 100% of the shares in AWE, on a fully diluted basis, at a price of US \$0.71 cash per share under either a recommended takeover bid or a scheme of arrangement (indicative proposal). This price would value AWE at around \$430m.

The indicative proposal includes the acquisition of any shares that are issued by AWE under the recently announced share purchase plan that is currently scheduled to close 14 December.

AWE said its initial reaction is that the proposal is "not sufficiently attractive to provide access to due diligence."

The company added that there was no guarantee that the indicative proposal would result in a transaction.

AWE has previously received and rejected takeover offers, one in May 2016 and one in 2013.

In 2016, AWE received a \$421.5m proposal from Lone Star Japan Acquisitions on behalf of the Lone Star Fund. In 2013, AWE rejected a takeover by Senex Energy deeming it not in the best interests of AWE shareholders.

UK Kraken output boost

EnQuest's Kraken development in the UK North Sea has been producing "above expectations" with output reaching 40,000 b/d in late in November.

First oil from Kraken, which is a large heavy oil field in the East Shetland Basin, west of the North Viking Graben, was flowed on 23 June 2017.

EnQuest said in its operational update on 30 November that the four wells from drill centre 1 (DC1) and three wells from drill centre two (DC2) produced at initial gross rates above expectations and had stabilised flow rates, which confirm the field development plan, EnQuest said.

The operator added that the sum of DC1 maximum individually tested well rates had been around 24,000 b/d, with stabilised combined well rates at around 15,000 b/d.

One DC2 well was tested at a rate higher than 10,000 b/d, showing "excellent reservoir properties with water injection wells also performing in line with expectations".

'Confidence returning' to UK

The 27th Oil and Gas Survey – conducted by Aberdeen & Grampian Chamber of Commerce in partnership with the Fraser of Allander Institute and KPMG – indicates that confidence is returning to the UK oil and gas sector.

Contractor confidence in the UK Continental Shelf (UKCS) has increased, with nearly 50% being more confident about their prospects for the first time since 2013, according to the report.

The findings showed that 49% of contractors surveyed are more optimistic about their activities in the current year, up from 38% since the spring survey.

The survey looked at work in the six months to October 2017, asking firms about their prospects in the year ahead as well as the next three to five years in order to assess trends in exploration and production, decommissioning, renewable and unconventional oil and gas extraction activities both in the UK and international markets.

The report noted that a net balance of 39% continue to expect a rise in optimism in the year ahead, with nearly half (48%) more confident and only 9% less confident; while a net balance of 28% of firms are forecasting an increase in the value of production-related work in the coming year.

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Newsdesk: London, UK: 44 (0)191 567 8497

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