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BP Pledges Angola, Azerbaijan Oil Sales in $5 Billion of Spill-Fund Loans

BP Plc is pledging oil sales from Angola and Azerbaijan to raise $5 billion of loans as it builds a cleanup fund for the worst U.S. environmental disaster.

The larger of the two loans, for as much as $3 billion, is backed by oil sales from BP's interest in fields off Angola, lenders said. A second, $2 billion-loan is backed by revenue from crude drilled in BP's Azeri-Chirag-Deepwater Gunashli field, off the coast of Azerbaijan.

BP, Europe's second-biggest oil company, has lost 38 percent of its value since its Gulf of Mexico oil well blew up on April 20, spilling about 4.9 million barrels of crude. To pay for the catastrophe, the company already got $12 billion of bank credit lines in the second quarter and is seeking $30 billion from asset sales around the world.

Royal Bank of Scotland Group Plc and Societe Generale SA are arranging the Azerbaijan loan, while BNP Paribas SA and Standard Chartered Plc are coordinating the Angola facility.

Both loans will pay an interest margin of more than 1 percentage point above the benchmark lending rate, according to two people familiar with the matter who declined to be identified. The loans are amortizing and have maturities of five years, the banks said in separate statements.BP's London-based spokeswoman Sheila Williams wasn't immediately able to comment on the loans.

Commitments on both loans are due Sept. 13 and signing is scheduled to take place by the end of next month, the lenders said.

Goldman Says Crude Demand May Have Topped Supplies as Tankers Stored Less

Global crude oil demand may have exceeded supply in the past two months as inventories stored on tankers fell to an 18-month low, Goldman Sachs Group Inc. said.

Now that floating storage has dropped to its lowest levels in over 18 months, we expect to experience declining onshore inventories in coming months, Goldman Sachs analysts including David Greely and Stefan Wieler said in a report today. Given that world demand tends to increase seasonally in the second half, we would expect the draw on world inventories to accelerate.Oil held on ships may have dropped by as much as 40 million to 45 million barrels in June and July, in part due to the clearing of a large portion of Iranian floating storage, Goldman said.The June-July discharge of floating storage suggests that the draw at sea has more than offset the build on shore, which the International Energy Agency estimates at 21 million barrels, Goldman analysts said.World oil demand exceeded supply by 600,000 barrels a day, or 36.9 million barrels more than normal in June and July, based on the IEA estimate of a 13.3 million barrels draw on combined onshore OECD inventories and global floating storage, Goldman said in the report.West Texas Intermediate crude time spreads, the difference between monthly futures contracts, have strengthened, suggesting a tighter physical oil market, Goldman said.Goldman said that the time spread from the first to the 60th month gained as much as $10 a barrel to trade at about minus $8 to minus $10.We continue to expect the WTI forward curve to flatten in the second half, lifting prompt WTI prices into the $85-$95 a barrel range, Goldman said.The company reiterated its recommendation to buy December WTI crude futures, which traded up 44 cents to $77.38 a barrel at 11:49 a.m. on the New York Mercantile Exchange

Imo State in Southeastern Nigeria to Build Refinery With State Oil Company

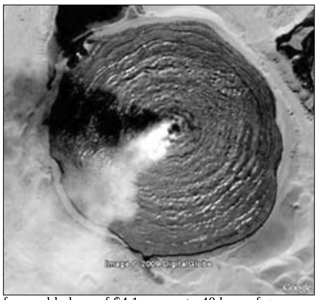
Nigeria's southeastern Imo state plans to build an oil refinery in partnership with the Nigerian National Petroleum Corp., the national oil company said.

Imo Governor Ikedi Ohakim met Austen Oniwon, head of the oil company known as NNPC, to iron out modalities for the partnership, the NNPC said in an e-mailed statement today from the capital, Abuja. It gave no further details of the capacity of the refinery planned or when it will be completed.

Nigeria, which is Africa's top oil producer, depends on fuel imports to meet domestic needs because four refineries run by the NNPC are unable to process enough due to ageing equipment and rising domestic demand.

NNPC and China State Construction Engineering Corp. in May agreed to seek $23 billion to build three oil refineries with a combined capacity to process 750,000 barrels of crude daily, to help curb the country's dependence on fuel imports.

Turkmenistan Welcomes U.S. Oil Firms



State television named Chevron Corp , ConocoPhillips, Houston-based TXOil Ltd and Abu Dhabi-based Mubadala Oil and Gas as the preferred bidders for two offshore oil blocks within Turkmenistan's portion of the Caspian Sea.

It also reported that Turkmenistan expected to secure a loan from China to develop the lucrative South Iolotan gas deposit, the second round of financing for a project contracted out to Chinese state oil and gas firm CNPC and other Asian companies.

Ex-Soviet Turkmenistan is looking to diversify energy sales from its traditional market, Russia, and is courting investors from the West, China and other Asian countries keen for a share of gas to be pumped from the world's fourth-largest reserves.

President Kurbanguly Berdymukhamedov gave the order to the relevant sector leaders to hold productive negotiations with the State Development Bank of China for the receipt of a favourable loan of $4.1 billion, state television reported.

A source in the government, speaking on condition of anonymity, told Reuters the credit was required for the second phase of South Iolotan, a deposit that Turkmenistan estimates could contain up to 16 trillion cubic metres (tcm) of gas. British firm Gaffney, Cline and Associates audited the field in 2008 and said at the time it contained between 4 and 14 tcm.

The first pipeline between gas-rich central Asia and energy-hungry China opened in 2009 and the expanded link should be able to carry up to 40 bcm of gas a year to China by 2012-13, if enough gas is pumped out of the ground to fill the multi-billion dollar pipelines.

There's obviously a supply risk involved in that and one way that they can mitigate the supply risk for this pipeline is by ensuring that the investment goes into the upstream project, Ian Thom, head of Caspian energy research at Wood Mackenzie in Edinburgh said.

They can't build the pipeline and then not have the gas. This to me just looks like another step in China's penetration into the Central Asia energy sphere.

Firms from China, South Korea and the United Arab Emirates in December won $9.7 billion worth of contracts to drill and build gas plants at South Iolotan.

As well as CNPC, South Korea's LG International Corp, Hyundai Engineering Co. and the United Arab Emirates' Petrofac Emirates won these tenders.

U.S. PROGRESS

Chevron had earlier held talks about its possible participation in developing the South Iolotan field, a company official said in November.

Its selection among the four companies to drill blocks 9 and 20 in the Caspian Sea marks a step forward for U.S. companies in the country, which had to date been unable to secure licences. Richard Morningstar, Washington's energy envoy for the Eurasian region, said during a visit to Ashgabat on Aug. 3 that U.S. companies had made a lot of progress with offshore projects in Turkmenistan.

Cnooc's Profit Growth to Exceed PetroChina's, Shell's as Oil Output Climbs

Cnooc Ltd., China's biggest offshore oil producer, may post first-half profit growth more than double that of PetroChina Co. and Royal Dutch Shell Plc after selling more crude to meet diesel demand from factories and farmers.Net income probably rose 85 percent from a year earlier to 23 billion yuan ($3.4 billion), according to the median estimate of six analysts compiled by Bloomberg. Cnooc is set to outperform PetroChina and China Petroleum & Chemical Corp. because it doesn't turn crude into fuels as its larger domestic rivals do and isn't constrained by government caps on fuel prices, analysts including UOB-Kay Hian Ltd.'s Wang Aochao said.Chairman Fu Chengyu expanded Cnooc's overseas oil and gas interests beyond Australia, Africa and Southeast Asia this year with the $3.1 billion purchase of a stake in Argentina's Bridas Corp. to help boost output by as much as 28 percent. Exxon Mobil Corp. is forecasting production growth of up to 4 percent in 2010, while Shell expects volumes to be on par with last year.

What marks Cnooc from its rivals is strong production growth, said Wang, UOB-Kay Hian's head of China energy research in Shanghai. We may not see 25 percent increases in production every year, but the company forecasts output could be rising up to 10 percent a year by 2015, which is impressive.The output targets are achievable as much of China's offshore oil and gas reserves remain untapped, Wang said. In the first quarter, Cnooc made five offshore discoveries and started pumping crude at three fields out of the nine planned for 2010.Cnooc's first-half oil and gas production may reach a record 138 million barrels of oil equivalent, driven by new field startups in Bohai Bay and the South China Sea, Gordon Kwan, head of regional energy research at Mirae Asset Securities Ltd., said by e-mail. 'Squeezing Its Assets'

The shares jumped 27 percent in Hong Kong trading in the past 12 months, outperforming Shell's 12 percent gain in London and Exxon's 10 percent decline in New York. PetroChina rose 1.9 percent and China Petroleum dropped 4.8 percent, while the benchmark Hang Seng Index advanced 4.8 percent.For the full year, Cnooc may report a 48 percent increase in profit to 43.8 billion yuan as oil prices rise, according to a median estimate of 15 analysts surveyed by Bloomberg. Crude gained 50 percent in the first six months to average $78 a barrel compared with a year earlier. Oil and gas production accounts for 99 percent of the company's income.Cnooc is really squeezing its assets hard as it increases production, said Laban Yu, an energy analyst at Macquarie Hong Kong Ltd. The growing output is part of the government's policy of finding the energy assets the country needs.

Overseas Ventures

The Bridas stake purchase marks Cnooc's entry in Latin America and tops the $2.7 billion it paid in 2006 for a share in a Nigerian oilfield. The acquisition, completed in May, will expand the Chinese company's production by an average of 46,000 barrels a day, or about 16.8 million barrels a year.

Fu, 59, chairman since 2003 and holder of a master degree in petroleum engineering from the University of Southern California, aims to boost Cnooc's output to 290 million barrels of oil equivalent this year.Shell, based in The Hague, posted a 35 percent increase in first-half profit, while Exxon, the world's largest company by market value, recorded a gain of 63 percent, according to Bloomberg data.

Domestic Peers

PetroChina, whose exploration and production accounted for 69 percent of its operating income last year, may report a 36 percent growth in first-half profit, a Bloomberg survey of nine analysts shows.China Petroleum, deriving 62 percent of its 2009 operating income from refining and marketing, likely had a 2 percent drop in profit during that period, according to 10 analysts. Domestic fuel prices remained capped by the state to control inflation while the cost of crude rose, eroding earnings from processing crude into oil products.

The company known as Sinopec sold 82 million metric tons of diesel last year, 48 percent more than PetroChina, to supply the world's fastest-growing major economy. Gasoline sales of the two companies totaled 61 million tons, according to their annual reports.

Cnooc is due to announce its first-half earnings on Aug. 19, Sinopec on Aug. 22, and PetroChina on Aug. 26.