OPEC Communiqué: 157th Meeting Of The OPEC Conference

Vienna, Austria, 14 October 2010.

The 157th meeting of the conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 14 October 2010, under the Chairmanship of its President, HE Wilson P?stor-Morris, Minister of Non-Renewable Natural Resources of Ecuador and Head of its Delegation, and its Alternate President, HE Masoud Mirkazemi, Minister of Petroleum of the Islamic Republic of Iran and Head of its Delegation.

The conference congratulated HE Dr Youcef Yousfi, HE Wilson P?stor-Morris and HE Mrs Diezani Alison-Madueke on their appointments as: Minister of Energy and Mines of Algeria and Head of its Delegation; Minister of Non-Renewable Natural Resources of Ecuador and Head of its Delegation; and Minister of Petroleum Resources of Nigeria and Head of its Delegation, respectively, and paid tribute to the services rendered to the organization by their predecessors in office, HE Dr Chakib Khelil of Algeria, HE Germ?nico Pinto of Ecuador and HE Dr Rilwanu Lukman of Nigeria.

The conference recorded its firm support for the democratically-elected President and Government of Ecuador and voiced its sincere hope that order and peace will prevail in this member country.

The conference considered: the Secretary General's report on a variety of issues; the report of the Economic Commission Board; the report of the Ministerial Monitoring Sub-Committee (MMSC), chaired by HE Shaikh Ahmad Al-Abdullah Al-Ahmad Al-Sabah, Head of the Delegation of Kuwait, thanking its members for their continued efforts on the organization's behalf; as well as various administrative matters. The conference also exchanged views on, inter alia, the outcome of the 12th International Energy Forum and the 7th Ministerial Meeting of the EU-OPEC Energy Dialogue, recent developments on multilateral environment matters and preparations for the 16th Session of the Conference of the Parties of the UNFCCC (COP-16/CMP-6) that will take place later this year. The conference recorded its appreciation and endorsement of the crucial work carried out by the Secretariat in relation to the very important topic of climate change negotiations and requested the Secretariat continue this valuable work.

The conference reviewed current oil market conditions and future prospects and observed that, whilst economic recovery is underway, there is still considerable concern about the magnitude and pace of this recovery, especially in the major industrialized countries of the OECD. Moreover, whilst there has been some easing of the overhang in crude oil stocks, market fundamentals remain weak, refinery utilization rates are low and product inventories have risen considerably.

Accordingly, based on its detailed analysis of important market drivers, which clearly reveals that the market remains well supplied, and given the persisting significant downside risks to world economic recovery, the conference decided to leave current production levels unchanged. In taking this decision, the conference reaffirmed its determination to ensure reliable supply to the market, at reasonable and fair prices, supported by an adequate level of spare capacity for the benefit of the world at large. Indeed, the organization remains cognizant of the consuming countries' concerns over security of supply and its members are committed to optimizing the pace of their capacity expansion so that they are able to respond to expected growing global demand and increased calls on OPEC crude in the future. At the same time, member countries remain firm in their intention to swiftly respond to any developments which might jeopardize oil market stability and their interests. Therefore, in addition to continual monitoring of supply/demand fundamentals, the conference agreed to reassess the market situation at its 158th (Extraordinary) Meeting, to be held in Quito, Ecuador, on 11 December 2010.The conference elected HE Masoud Mirkazemi, Minister of Petroleum of the Islamic Republic of Iran and Head of its Delegation, as President of the Conference for one year, with effect from 1 January 2011, and HE Dr Husain al-Shahristani, Minister of Oil of Iraq, as Alternate President, for the same period.

The conference decided to reconstitute the Ministerial Monitoring Sub-Committee under the Chairmanship of HE Shaikh Ahmad Al-Abdullah Al-Ahmad Al-Sabah, Minister of Oil and Minister of Information of the State of Kuwait, and with HE Dr Youcef Yousfi, Minister of Energy and Mines of Algeria; HE Mrs Diezani Alison-Madueke, Minister of Petroleum Resources of Nigeria; and the Secretary General as members. In so doing, the conference recorded its deep appreciation of the valued contribution made by the Islamic Republic of Iran during its many years as a member of the MMSC.

The conference appointed Engineer Goni Musa Sheikh, Governor for Nigeria, as Chairman of the Board of Governors for the year 2011, and Mr Issa Shahin al-Ghanim, Governor for Qatar, as Alternate Chairman for the same period, with effect from 1 January 2011.

The conference reviewed the report from the Deputy Ministers on Long Term Strategy and decided to adopt the revised Long Term Strategy for the organization. The conference recorded the organization's particular thanks to HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud, Chairman of the Meetings of the Deputy Ministers of Petroleum/Energy on the Review of the Long Term Strategy; Dr Bernard Mommer, Alternate-Chairman; HE ?Abd Allah al-Badri, the Secretary General; all Heads and Members of Delegations to these meetings; as well as the staff of the Secretariat involved, for the excellent work performed in drawing up this revised, comprehensive Long Term Strategy for the organization.

The conference decided that its next Ordinary Meeting will convene in Vienna, Austria, in the first week of June 2011.

Statoil agrees $1.3bn US shale gas venture

OSLO:

Norwegian oil firm Statoil is expanding further its shale gas operations in the US, saying it has created a joint venture with Canada's Talisman to acquire acreage on the Eagle Ford prospect in Texas for $1.325 billion.

Statoil said the deal, its second major shale gas acquisition in North America, would give it recoverable reserves of about 550 million barrels of oil equivalent, and would help it develop technologies it sees as key to its growth worldwide.

In 2008 Statoil acquired a 32.5 per cent stake in the Marcellus Shale project from Chesapeake, a holding covering 1.8 million acres in the Appalachian region of North-East America.Shale gas - natural gas trapped in layered rock, rather than porous reservoirs - has revolutionised the US gas market by offering an abundant new supply source, driving prices down. Statoil said mastering shale gas technology, such as horizontal drilling or hydro-cracking, is key to the growth of international oil companies in general and Statoil in particular. "The use of this technology will not be applied to America alone; it will be applied globally, particularly in China, where we think is one of the fastest growing gas markets over the next few decades," John Knight, senior vice-president for business development and global unconventional gas, told Reuters.

"So we hope we will be able to operate in China in due course and learn those skills in the US," he added. Statoil previously said it was in negotiations with Chinese oil companies about shale gas exploration in the Asian country.Statoil said it and Talisman were jointly buying 97,000 acres of land in southwest Texas from Denver-based Enduring Resources for $1.325 billion and have formed a 50/50 joint venture to develop these assets.The Norwegian firm will also buy half of Talisman's existing assets in the Eagle Ford play for $180 million. "As a result, Statoil and Talisman will together hold 134,000 net Eagle Ford acres and associated assets and production in the joint venture," it said.

Oil Supplies Will Rise on Refinery Slowdown, Survey Shows: Energy Markets

U.S. crude-oil inventories probably rose to the highest level in more than three months as refineries idled units to perform seasonal maintenance, a Bloomberg News survey showed.Stockpiles climbed 1.5 million barrels, or 0.4 percent, in the seven days ended Oct. 15 from 360.5 million a week earlier, according to the median of nine analyst estimates before an Energy Department report tomorrow. That would leave supplies at the most since the week ended June 25. Eight respondents forecast a gain and one a decline.The glut threatens to end a rally that's pushed futures to a five-month high of $84.43 a barrel in New York on Oct. 7. The U.S. dollar tumbled to the lowest level since January against the euro on Oct. 15, bolstering the appeal of commodities as an alternative investment. "Refineries don't need the crude because they are using less capacity," said Addison Armstrong, director of market research at Tradition Energy, a Stamford, Connecticut-based procurement adviser. "This adds to the bearish fundamental picture for oil and raises questions about the continued strength of a rally that has had more to do with the weakness of the dollar than with supply and demand."Crude oil for November delivery slid 93 cents, or 1.1 percent, to $82.15 a barrel on the New York Mercantile Exchange as of 7:14 p.m. local time . It closed at $83.08 , the highest level since Oct. 6.

Refinery Programs

Refineries operated at 81.9 percent of capacity in the week ended Oct. 8, the lowest level since March, last week's report showed. Refinery runs, or the amount of crude oil input to processing units, dropped 1.6 percent to 13.9 million barrels a day during the period, the lowest level since February. Companies shut units for maintenance in autumn, when gasoline use falls and winter heating-oil demand has yet to increase.

Exxon Mobil Corp. started planned work at its Baytown, Texas, plant, which accounts for 27 percent of the company's U.S. refining capacity, on Aug. 25. The refinery can process 584,000 barrels of oil a day, the most in the U.S., according to data compiled by Bloomberg.Refineries probably operated at 82.2 percent of capacity last week, up 0.3 percentage point from the previous week, according to the Bloomberg survey.

"The drop in crude demand looks like it's coming to an end," said Antoine Halff, head of energy research at Newedge USA LLC in New York. "Refinery activity may have bottomed out, or be close to doing so, but remains remarkably low."

Gasoline stockpiles slipped 1.4 million barrels, or 0.6 percent, from 218.2 million, the survey showed. The drop would leave supplies at the lowest level since December. All of the respondents projected a decline.

Gasoline Production

Refiners produced 8.73 million barrels of the motor fuel in the week ended Oct. 8, the lowest level since February. Consumption dropped 2 percent to 8.81 million barrels a day during the period, also the least since February.Stockpiles of distillate fuel, a category that includes heating oil and diesel, probably declined 1 million barrels, or 0.6 percent, from 172.2 million, the survey showed. Eight analysts anticipated a fall and one forecast that supplies were unchanged. Inventories in the week ended Aug. 20 were the most since 1983.Falling fuel supplies aren't "too much of a concern given that inventories remain at exceptionally high levels and demand remains subdued, so the safety cushion is as tall as the Empire State Building," Halff said.Total fuel consumption slipped 0.7 percent to 18.3 million barrels a day in the week ended Oct. 8, the lowest level since November.U.S. stockpiles of oil and fuel climbed 3.3 million barrels to 1.14 billion in the week ended Sept. 17, the highest level since at least 1990, when the Energy Department began to collect weekly data.

Fuel Exports

Total fuel exports have averaged a record 2.16 million barrels a day since Sept. 10, according to the department.

Demand for U.S. fuel may climb as French truckers block highways and officials said they will use police to prevent strikers from cutting fuel supplies as the standoff hardens over President Nicolas Sarkozy's plans to raise the retirement age to 62.

The department is scheduled to release its weekly report at 10:30 a.m. tomorrow in Washington.