

LONDON (Bloomberg) — Crude oil rose a third day as a weaker U.S. dollar heightened the hedging appeal of commodities and economic data reinforced confidence in the global recovery.

Crude inventories fell 3.28 million barrels last week to 336.2 million, the industry-funded American Petroleum Institute said on Tuesday. The U.S. Energy Department will release its own weekly supply report later on Wednesday. Factory orders in the U.S., the world's biggest oil consumer, rose for the fifth time in six months in September, the Commerce Department said on Tuesday.

"If you look at the pure data we've received, these have been positive," said Tobias Merath, a commodity analyst at Credit Suisse Group in Zurich. "The dollar has been weaker, and sentiment across commodities has improved, so we're testing the upper end of the \$75 to \$80 range."

Crude oil for December delivery rose as much as 80 cents, or 1 percent, to \$80.40 a barrel in electronic trading on the New York Mercantile Exchange. It was at \$80.30 a barrel at 10:42 a.m. London time. Oil has gained 80 percent this year.

Oil climbed 1.9 percent on Tuesday after India's central bank bought 200 metric tons of gold from the International Monetary Fund.

"Commodities overall last night seemed to take the lead from the strong move in gold prices," Toby Hassall, a research analyst with CWA Global Markets in Sydney, said by

Crude rises a third day on economic data



phone. "Oil probably tapped some strength from the economic data as well."

Inventory forecasts

The U.S. Energy Department was sched-

uled to release its supply report for the week ended Oct. 30 on Wednesday at 10:30 a.m. in Washington. Analysts forecast that stockpiles increased by 1.5 million barrels, according to

the median of 16 responses in a survey conducted by Bloomberg News.

Oil-supply totals from the API and Energy Department moved in the same direction 75 percent of the time in the past four years, according to data compiled by Bloomberg.

Wednesday's report is expected to show that distillate fuel inventories, including heating oil and diesel, probably declined 1 million barrels. Gasoline supplies probably increased 400,000 barrels, the survey showed.

Brent crude for December settlement was at \$78.67 a barrel, up 56 cents, on the London-based ICE Futures Europe exchange at 10:44 a.m. London time. The contract increased \$1.56, or 2 percent, to end Tuesday's session at \$78.11 a barrel.

The Federal Open Market Committee may indicate there's no need to raise interest rates when it concludes a two-day meeting later on Wednesday, economists said. The dollar weakened to \$1.4765 per euro from \$1.4724 Tuesday.

Foreign firms eye Oman power plant plans

MUSCAT (Reuters) — Foreign and local companies including General Electric Co, Mitsubishi Corp and AES Corp are interested in bidding for two power plant projects in Oman due to be tendered in December as the Persian Gulf Arab state looks to boost generation capacity.

In a statement on Wednesday Oman's tender board also said it had set a Dec. 7 deadline to bid for the plants, which will provide power for projects ranging from petrochemicals to airports.

Urbanization and years of growth have put Oman's existing grid under strain and prompted moves by authorities to recruit private sector investment alongside its own.

Bank Muscat, the projects advisor for the state-run Public Authority for Electricity and Water, said in a report to be distributed to prospective bidders that the government would sign a 15-year power purchase agreement with investors.

The build, operate and finance contracts would cover the Barka phase three and Sohar phase two power plant, where the government is planning new projects worth \$12 billion in the



industrial zone.

Other firms to have shown interest include Suez Tractebel, part of France's Suez Energy International, Hyundai Heavy Industries, Galfar Engineering GECS.OM and Siemens AG.

The government plans to announce the preferred bidders by February 2010 with both plants scheduled to be operational by May 15 2012, the report added.

Persian Gulf Arab oil exporters have amassed enormous surpluses from an oil price rally that started in 2002 and enabled them to invest in infrastructure at home, including power, healthcare and transportation.

Non-OPEC oil producer Oman is investing heavily in electricity projects to meet demand which is growing by about 15 percent annually. Consumption up to June 2009 reached 3,600 megawatts, 16 percent more than the same period in 2008.

So far the private sector operates power plants with a total capacity of 2,500 megawatts. The total cost of building these plants cost the private sector some 700 million rials (\$1.8 billion).

Zambia government buys Total stake in oil refinery

LUSAKA (Reuters) — Zambia's government has bought French oil giant Total's 50 percent stake in the country's sole refinery, the 24,000 barrel-per-day Indeni plant, for \$5.5 million, a senior government official said Wednesday.

"The Government now owns 100 percent shares in Indeni after concluding the talks with Total. We have taken over the 50 percent shares previously owned by Total," the Finance Ministry's permanent secretary, Berlin Msiska told Reuters.

Msiska could not immediately state whether Zambia would look for another partner or hold on to all the shares in the plant.

BP, CNPC sign contract to develop Iraq's Rumaila field

MOSCOW/LONDON (RIA Novosti) — BP and China National Petroleum Corporation (CNPC) said on Tuesday they had signed a technical service contract with Iraq's state-owned South Oil Company (SOC) to expand production from the Rumaila oilfield.

"We are pleased to have this opportunity to work with the people of Iraq to develop one of the world's great oilfields and we see this as the beginning of a long-term relationship with Iraq," said BP's chief executive Tony Hayward.

The signing followed BP's successful bid for the contract with CNPC in Baghdad in June.

The consortium led by BP (38 percent) with partners CNPC (37 percent) and the Iraq government's representative State



Oil Marketing Organization (SOMO, 25 percent) agreed to nearly triple the Rumaila field's output to almost 3 million barrels of oil a day, which would make it the world's second largest producing oilfield.

BP and CNPC said they plan to invest "approximately \$15 billion in cash over the 20 year lifetime of the contract with the intention of increasing plateau production to 2.85 million b/d in the second half of the next decade."

They said the Rumaila Field Operating Organization (ROO) would manage the rehabilitation and expansion project.

ROO will be staffed mainly by employees from South Oil Company and will contain a small number of technical experts and managers from BP and CNPC.

Statoil chief says costs will gain on challenging resources

OSLO (Bloomberg) — Statoil ASA, the world's largest offshore oil and gas operator, expects production costs to rise as it expands in unconventional petroleum resources and areas such as the Russian Arctic and Canada.

"As the industry takes on much more challenging resources, it will naturally affect our production unit costs," Chief Executive Officer Helge Lund said on Wednesday in Oslo. He maintained a production cost estimate of 33 kroner to 36 kroner (\$6.30) a barrel until 2012.

Statoil cut production unit costs 20 percent to 37.7 kroner a barrel in the 12 months ended Sept. 30 while output in third quarter rose 8 percent to 1.874 million barrels of oil equivalent from a year earlier. The decline in costs was mainly due to the merger of Statoil with Norsk Hydro ASA's oil unit in 2007, the

company said.

Statoil, which has operating rights on about 80 percent of Norway's oil and gas production, is expanding to countries such as Canada, Russia and Brazil and into harder-to-reach resources such as U.S. shale gas as North Sea reserves wane. Norway's oil production is forecast to drop almost 10 percent this year, according to the country's Petroleum Directorate.

"Our four main focus areas going forward will be deepwater projects, more complex offshore developments like in the Arctic, heavy oil and gas value chains," Lund said. "We have very efficient production on the Norwegian shelf, where many projects were established in the 1980s and early 1990s, with the cost structure that was in place then."



Arab-Finnish group set to win Syria power deal

DAMASCUS (Trade Arabia) — An Arab-Finnish consortium is well placed to win Syria's first private power concession and help solve big electricity shortages, a senior executive in the group said.

The Syrian state, which has been controlled by the ruling Baath Party since 1963, is seeking private sector investment after decades of Soviet style policies to overhaul the rundown infrastructure and boost electricity output that falls one third short of demand.

"Syria, out of necessity, not luxury, is moving to private-public partnerships because they don't have sufficient money to finance infrastructure," Mahmoud Al-Khoshman, chief executive officer of Marafeq, a venture between Syria's Cham Holding and the Kuwaiti conglomerate Al-Kharafi, told Reuters.

"To the consumer we will ensure one thing - reliability. There will be electricity when they need it," said Al-Khoshman, referring to the 240 megawatt project in Nassserieh, northeast of the Syrian capital.

Marafeq bid for the project several months ago as a consortium with Finnish engineering company Wartsila, whose role Al-Khoshman said would include a turn-key contract for the design, construction and commissioning of the 200 million euro plant.

Electricity minister Ahmad Al-Kayali said Marafeq and Terna Energy of Greece qualified as last stage bidders.

The project is Syria's first power privatization deal in decades, but officials avoid referring to it as so, with the government struggling to shed the legacy of a command economy that has transformed Syria, a once open country, into an anomaly among more prosperous neighbors.

Under the 25-year build, own and operate deal, the Syrian government would provide fuel free of charge to run the power plant, buy and distribute the electricity.

Syria at present produces around 7,000 megawatts of electricity, compared with a 10,000 megawatt demand. Power cuts for five hours a day in Damascus are common.

Oman targets 900,000 bpd oil in 2010

MUSCAT (Reuters) — Oman's oil production is expected to rise up to 900,000 barrels per day (bpd) in 2010, the Oil Minister has said.

Non-Opec producer Oman is investing heavily in oil production to replace ageing fields and in September, it hit its target of producing an average of 800,000 barrels per day from 757,000 bpd in 2008.

Oman is a small producer, but its crude is used to set the price for around 12 million bpd of crude exports to Asia from some of the largest exporters in the world in the Persian Gulf.

"We expect our production to be between 850,000 to 900,000 barrels per day by the end of 2010 due to increased output from all producers in Oman," said Mohammad Al-Rumhy, Oman's Oil Minister.

"Our investments in the oil sector are beginning to pay off," Rumhy said.

Oman spent OR468.4 million (\$1.22 billion) to boost oil production in the first eight months of 2009, 17 per cent more than the same period last year.

Oman's oil output peaked at 956,000 bpd in 2001.

Total's profit falls on lower demand, weak refining

PARIS (Bloomberg) — Total SA, Europe's third-largest oil producer, said third-quarter profit fell 54 percent as the global recession eroded energy demand, slashing crude and natural-gas prices.

Profit excluding changes in inventories and the value of a stake in Sanofi-Aventis SA declined to 1.87 billion euros (\$2.8 billion) from 4.07 billion euros a year earlier, the Paris-based company said on Wednesday in a statement. The company was estimated to make 1.8 billion euros, according to the median estimate of 15 analysts surveyed by Bloomberg News.

Output rose 0.5 percent to 2.243 million barrels of oil equivalent a day in the third quarter compared with the same period last year and 2.8 percent compared with the previous quarter when production fell to the lowest in at least nine years.

"Total's production is back on track," Chief Executive Officer Christophe de Margerie said. The French oil company's spending is "in line" with a target of \$18 billion for 2009.

Total in September said it expects production to drop this year, reversing a prediction of a gain, and estimated annual growth of about 2 percent through 2014 as five developments this year offset an annual decline rate projected at 5 percent.

Total has started four of five developments planned this year, including the Akpo oilfield off Nigeria in March, liquefied natural gas plants in Qatar, the Tahiti field in the Gulf of Mexico and Angola's Tombua-Landana field. A Yemen LNG project will export its first cargo on Nov. 7, two people familiar with the matter said. It also started output at the Tyrihans field in the Norwegian Sea.

Output boost

Total's share in these projects will add as much as 230,000 barrels of oil equivalent a day in output in 2010 and 70,000 barrels to 80,000 barrels of oil equivalent a day this year, according to Chief Financial Officer Patrick de la Chevardiniere.

Production in the coming months "should reflect the ongoing ramp up from the major projects started up in 2009 and maintenance levels normally below that of the third quarter," according to the statement.

Total plans to make final decisions "in the coming quarters" on whether to invest in the Surmont Phase 2 in Canada, Clov in Angola and Laggan-Tormore in the U.K., according to the statement.

Shut plants

Europe's biggest refiner has shut refining operations because of eroding margins for turning crude into gasoline and other fuels. Refining margins in Europe slumped 85 percent to \$6.6 a metric ton in the quarter, the lowest in at least seven years, from \$45 a ton a year earlier, Total said. It was \$12.40 a ton in the second quarter.

"Despite modest improvement in diesel margins, European refining margins remain at very weak levels, requiring the group to maintain voluntary throughput reductions," Total said. The utilization rate was 82 percent compared with 92 percent a year ago.

Adjusted downstream net operating income tumbled 84 percent to 146 million euros because of a "sharp decrease in refining margins," according to the statement.

The company may sell refining assets and will continue a program to improve profitability amid overcapacity in Europe and the U.S., de Margerie has said. Total plans to cut 555 jobs at its refining and petrochemicals operations in France. It will also reduce output at the Gonfreville refinery in Normandy by 25 percent to 12 million tons a year, and shut a fluid catalytic cracker, lowering gasoline output by 60 percent.