

MARKET NEWS

Oil bust saps U.S. students' enthusiasm for petroleum degrees

Enrollment in U.S. petroleum engineering degree programs fell for the first time in 13 years this fall, as an oil industry slump makes college students wary of entering the boom and bust world of oil and gas.

The drop, revealed this week in annual data provided by the country's 21 petroleum engineering departments and made available to Reuters, is modest - the number of enrollments dipped just 1 percent from a record high of 11,332 hit last year when oil was around \$100 a barrel. With oil now at around \$45, the 21 departments estimated that enrollments would fall by a further 7 percent next year.

Coming after years of steep gains that could mark the start of a long slide similar to one that followed a price slump in the 1980s and continues to leave a hole in the industry's workforce, some department heads and industry experts said.

"The students who haven't made a long term commitment yet are making a change based on what they are seeing," said Lloyd Heinze, professor of petroleum engineering at Texas Tech University, who compiled the data.

Penn State University will graduate its largest petroleum engineering class ever next year, according to Turgay Ertekin, the head of the university's department of energy and mineral engineering. But enrollment this year dropped to 782 from 860, and the university estimates it will drop further to 565 in 2016.

"Petroleum engineering degrees will lose attractiveness in the years to come," Ertekin said. "Last time it lasted for 20 years," he said.

Past data shows it takes about two years for a dive in oil prices and a subsequent slowdown to discourage students in meaningful numbers. A quick rebound in prices could temper the enrollment drop.

Still, it is a worrying prospect for oil companies that have struggled with a graying workforce and skill shortages for much of the previous decade; many workers that joined in the early 1980s are now retiring.

OMENS FROM THE '80S

In 1983, with U.S. oil fields gushing, 11,014 students enrolled in petroleum engineering programs, according to the Texas Tech data, but by 1990 the industry was in a slump and that number had dropped to 1,387.

Enrollments remained below 2,000 until 2005 when oil

and gas companies began finding ways to extract significant amounts of oil and gas from shale rock deposits, paving the way to a drilling boom that had lasted well into last year.

Now there are signs of that cycle repeating itself.

The number of oil companies at job fairs fell this year, according to professors and students who attended such events.

Major oil companies, such as Chevron and ConocoPhillips have also cut the number of internships they offer and it has become harder to land interviews with prospective employers in the sector, students said. ConocoPhillips acknowledged that it was being forced to adapt to the downturn, but did not elaborate.

"We are actively evaluating what our programs look like going forward. It's clear that our programs and targets will change," a company spokesman said.

Chevron did not respond to requests for comment.

Joseph Triepke, managing director of Oilpro.com, a job and networking website for oil professionals, said lower recruitment now could hurt productivity in the future by leading to labor constraints, talent shortages and project delays.

"The real concern is that when we recover, will we be able to grow to meet demand?" he said.

David Kong, 29, who enrolled in a graduate geology program at California State University in Bakersfield three years ago and completed an internship at Chevron this summer, is already considering other options.

Kong is thinking of using his undergraduate major in mechanical engineering to pursue a career in environmental regulation.

"I would advise joining students to be aware," Kong said. "These booms and busts happen often. You always have to watch out and have a plan B when oil prices drop."

As China gas boom falters, state giants grapple with wave of imports

China's energy giants - after years spent scrambling to secure supplies for the world's third-biggest gas market - are being forced to sell a glut of the fuel to buyers in other countries as soaring demand grinds to a halt.

Consumption has been hit by a cooling economy, but also state policies that ensure Chinese pay among the world's highest gas prices, threatening Beijing's targets of curbing pollution and emissions by using more of the clean-burning fuel.



This will increase pressure on Chinese policy makers to speed up planned reforms of its oil and gas sector, as well as weigh on global gas prices.

Chinese state oil firms agreed to a string of long-term liquefied natural gas contracts with producers from Qatar to Papua New Guinea, as gas consumption jumped five-fold between 2004 and 2013, but that was before demand growth went from double-digits to less than 3 percent this year.

Faced with a wave of new LNG imports, China's Sinopec Corp is in talks with global firms on selling part of the 7.6 million tonnes per year contracted from 2016 to 2036 at the Australia Pacific LNG project, said an industry source.

"Many oil majors have been making presentations to Sinopec about how to manage its perceived oversupply from AP LNG," said the source, who declined to be named due to the sensitivity of the issue.

As a buyer and a quarter shareholder in AP LNG, Sinopec had leverage on diverting cargoes away from China, but would still need the consent of other shareholders, said the source.

The company is likely to sell abroad only a chunk of the first few years of output, traders have said.

Sinopec, which does not normally disclose operational matters, did not immediately respond to a request for comment.

Facing similar headwinds, China National Offshore Oil Corporation, or CNOOC, recently concluded its first-ever tender to sell two surplus cargoes to buyers outside China and industry sources said it is holding private talks with counterparts about selling off more in 2016 and beyond.

With the slowdown already forcing state firms to cut back domestic onshore production and delay developing new offshore fields, consultancy SIA Energy said it would take at least five years for state firms to digest the over-contracted volumes

GAS PRICES AMONG WORLD'S HIGHEST

Experts put a large part of the blame for the slowdown in China's gas demand on the state's pricing policy, as well as supply and infrastructure bottlenecks.

Oil giants PetroChina, CNOOC and Sinopec dominate domestic production and imports, and while the state sets a price ceiling they have little motivation to cut prices even when demand falls.

Natural gas demand was 178.6 billion cubic metres last year, according to the National Development and Reform Commission, China's top economic planner.

SIA Energy and Wood Mackenzie have cut their 2020

demand estimates to a range of 271-305 bcm, well below the 360-400 bcm forecast late last year by Chinese industry researchers.

This throws doubt on China's target of having gas take a double-digit share of its energy mix by 2020, from less than 6 percent now, and has highlighted the role of pricing, as well as reforms to allow private firms to enter the market.

"We've been closely monitoring the gas market since April, evaluating if the pricing system needs a revamp," said a senior government official close to the pricing policy.

China regulates oil and gas prices and while the gap between domestic petrol pump prices and global levels has narrowed, pricing of gas has not kept pace.

The current scheme, which ties prices to the cost of fuel oil and liquefied petroleum gas, has left China's domestic wholesale gas prices currently at around \$13.80 per million British Thermal Units on China's southeast coast, versus \$2.86 in the United States and \$6.90 in Europe.

With the last price adjustment in April, gas has also lost competitiveness against diesel, stalling an industry campaign to turn gas into a transportation fuel.

Rather than a one-off price cut, industry experts expect a revamp in the pricing scheme to include linkages to alternative fuels and more frequent adjustments.

"A quick fix would be a change in pricing to send signals to consumers, as changes in infrastructure and market reform would takes at least several years," said Li Yao, founder of SIA Energy.

Commodity company distress may be turning point for markets

Commodity traders have a message for big raw material producers: modest cutbacks in production are not enough; they want to see blood.

And they may get their wish because of pressure from the capital markets.

After a rout that has more than halved the price of many major commodities over the past year, the financial pressure on some producers is becoming too much to bear, particularly those laden with tens of billions of dollars in debt accumulated during boom times.

Swiss-based mining and trading giant Glencore PLC's shares have fallen more than 35 percent in the past month, even as the price of key commodities it produces such as copper have begun to stabilize.



U.S. oil and gas producer Samson Resources Corp filed for Chapter 11 protection two weeks ago, the largest but not likely the last big driller to fail or get bought. Alcoa this week split in two, shining a harsher spotlight on a struggling bulk smelting business.

While painful for investors, these corporate crises may be cathartic for commodity markets, forcing a more rapid halt to higher-cost mining and drilling operations - something perennially optimistic chief executives are often loathe to do.

"It's high time that overcapacity in commodity markets is wound down," said a trader with a major trading firm, speaking on the condition of anonymity. "But I've come to the view that this will only be possible through capital markets, meaning insolvencies."

The trader said that immediate output cuts by some producers had been "cosmetic at best." Those included Glencore's announcement a month ago that it would close down the equivalent of 2 percent of the world's copper production; small-well shut-ins by some Canadian conventional producers; and cutbacks at aluminum smelters across the world.

Those measures may have helped stem the rot in commodity prices, but further reductions in supply - or a more robust pick-up in demand, unlikely due to China's slowdown - would be needed for markets to quickly bounce back, some say.

Corporate woes could help convince some traders that the rebound is coming.

"We would not be surprised if the well-publicized problems at Glencore actually mark a trough for the prices of many industrial commodities," Julian Jessop, Head of Commodities Research at Capital Economics, said in a note this week.

RELATIONSHIP CHANGING?

There are signs that the relationship between commodity prices and capital markets is beginning to shift in ways that may lend hope to bullish traders.

For most of the past year, falling raw material prices were driving up borrowing costs for producers, pushing high-yield bond indices to their widest spreads versus benchmark Treasuries since the 2008 financial crisis.

Lately, however, they have decoupled, with credit pessimism deepening despite the relative stability in commodity prices.

Last month, while U.S. oil prices traded in a narrow channel around \$45 a barrel, the Bank of America Merrill Lynch high-yield energy index - comprising 167 issuers with notional debt of US\$210bn - widened by

nearly 150 basis points to Treasuries plus 1115 on Wednesday, a new post-2008 record.

As a result, it is now a deteriorating credit market that may be contributing to a glint of optimism in commodities.

The "rebalancing is under way already ... less credit speeds up the process," says Greg Sharenow, executive vice president at PIMCO overseeing its commodities portfolio, which has about \$16 billion in assets that track a basket of prices.

ROCKS NOT GOING ANYWHERE

To be sure, not everyone agrees that upheaval and consolidation among commodity producers is going to wipe away persistent oversupply any time soon.

Jan Stuart, global energy economist at Credit Suisse, expects to see further consolidation as companies with stronger balance sheets buy up good assets from weaker companies - but says that doesn't necessarily lead to less production.

"In some industries you could argue that if a company disappears, there go the assets and whatever it was producing," he said. "In this universe, the rocks aren't going anywhere."

Russia oil output at post-Soviet high on foreign projects, Rosneft

Russian oil output, one of the world's largest, reached a new post-Soviet monthly high of 10.74 million barrels per day (bpd) in September thanks to foreign-led projects and Rosneft, Energy Ministry data showed on Friday.

Output rose from 10.68 million bpd in August and eclipsed the previous record of 10.71 million bpd reached earlier this year, adding to a global glut that has battered oil prices.

In tonnes, oil output reached 43.961 million, versus 45.17 million in August.

Russian oil production has surprised analysts and industry watchers with its almost uninterrupted rising trend despite widely assumed predictions it would fall due to the depletion of fields in West Siberia, the country's largest oil province.

New technologies and active drilling helped production to rise.

Russia has been unwilling to cut output to support the price of oil, which has more than halved since peaking in June 2014 to trade just below \$50 per barrel - the level on which Russia's budget is formed.



According to Kuwait's oil minister Ali al-Omar, global crude oversupply is around 1.8 million bpd. He expects oil prices to rise by the end of 2015.

Friday's data showed that Russian oil output under production-sharing agreements, designed in the 1990s to encourage investment by foreign oil firms, jumped 10 percent in September from August to almost 1.23 million tonnes (300,000 bpd).

The ministry gave no breakdown of the data for those projects, which include Sakhalin-1 developed by Rosneft, ExxonMobil, ONGC and Sodeco; Sakhalin-2 involving Gazprom, Shell, Mitsui and Mitsubishi; and Kharyaga with Total, Statoil and Zarubezhneft.

Sanctions do not affect those projects.

Production at Rosneft, the world's largest listed oil producer by output, edged up 0.4 percent.

Pipeline oil exports via the Transneft monopoly stood at 17.784 million tonnes (4.345 million bpd), up from 16.903 million tonnes in August.

Gas production was at 47.17 billion cubic metres (bcm) last month, or 1.57 bcm a day, versus 43.7 bcm in August.

India to pay \$700 mln Iran oil dues on Oct. 12 – sources

India will pay the second tranche of \$700 million in oil dues to Iran on Oct. 12, sources said, within weeks of paying a similar amount after a July deal that set the roadmap for the lifting of sanctions aimed at Tehran's nuclear activities.

Iran in August asked India to release \$1.4 billion of the payments it was owed in two equal instalment, the first of which was paid on Wednesday.

The payment by the Indian refiners this month will be similar to the first instalment, sources said on Thursday. India is Iran's biggest oil client after China, although New Delhi has reduced purchases under pressure from the sanctions.

As of end-August, Indian refiners owed about \$6.6 billion to Iran. Partial payments have been allowed since early 2014.

Toughened sanctions put in place in early 2012 halved Iran's oil exports and strangled its oil revenue, crippling its economy and finally bringing it to the negotiating table.

The sanctions are widely expected to be terminated in 2016 if Iran complies with the terms of the deal agreed on July 14.

In the first payment by Indian refiners this week, Essar

Oil paid \$335 million, followed by \$300 million from Mangalore Refinery and Petrochemicals Ltd, \$62 million by Indian Oil Corp and \$3 million by Hindustan Petroleum Corp.

Indian refiners have been depositing 45 percent of their oil payments to Iran in rupees with UCO Bank since 2012. Tehran uses the funds, currently more than 170 billion Indian rupees (\$2.6 billion), for importing non-sanctioned goods from New Delhi.

Refiners have been holding the remainder after a route to pay for oil through Turkey's Halkbank was stopped in 2013 under pressure from sanctions, although payment of some of those funds was allowed after an initial temporary deal.

The sources said HPCL-Mittal Energy (HMEL), which last made purchases from Iran in 2013, will not participate in the payment of the second instalment.

Tehran is now India's seventh-biggest supplier of oil, down from the No. 2 spot in the pre-sanctions era.

Blackout at major Venezuelan refineries ends

An electricity blackout that hit Venezuela's largest oil refinery and another major refinery for most of the working day on Thursday has ended, state oil company PDVSA said.

PDVSA said a fault in the electricity system at 0940 local time (1410 GMT) cut power to the 645,000 barrel-per-day Amuay installation and the nearby 310,000 bpd Cardon refinery, but did not cause any damage or injuries to workers.

Power was restored by early evening, and the reactivation of both refineries was under way, PDVSA said in a statement.

"They started the process of safe re-start," PDVSA said, adding national fuel supplies were guaranteed from inventories. "In the next few days, the normalization of work in both refinery complexes will continue."

Workers told Reuters that employees and nearby residents had been evacuated from Amuay, while the flexicoker and catalytic plant at Cardon were down.

"The fault came from Cardon, from an insulator in a power line of 115,000 volts and it affected the entire system of Cardon and Amuay," one worker said, asking to remain anonymous because he was not authorized to speak to media.

The two refineries belong to the Paraguana Refining Center (CRP), one of the largest in the world.

The OPEC country's refinery circuit has been plagued with unplanned stoppages in recent years, with power



outages at Paraguana last year pushing PDVSA to import gasoline and diesel.

An explosion at Amuay in 2012 that sparked a huge fire killed more than 40 people and halted operations.

Critics argue that lack of maintenance and a shortage of spare parts due to strict currency controls that crimp imports have left the OPEC country's refineries chronically operating well below capacity.

Amuay was operating at roughly 400,000 bpd, while Cardon was at 180,000 bpd on Wednesday before the outage, said union leader and PDVSA critic Ivan Freitas, attributing the figures to an internal report.

Venezuela, which has the world's largest oil reserves, often says sabotage is to blame for power outages and stresses it is working to modernize its refineries.

During an hours-long televised broadcast on Thursday night, President Nicolas Maduro said right-wing "terrorists" were looking to destroy the country's power grid.

"Today they sabotaged another very important (energy) plant in Falcon," said Maduro, referring to the state home to Amuay and Cardon. He did not provide further details.

Enbridge's Line 9 oil pipeline to displace foreign crude in Quebec

Enbridge Inc's long-awaited start of its Line 9 oil pipeline to Montreal will allow Quebec refineries to run on 100 percent cheap North American inland crude, leaving around 100,000 barrels per day of foreign crude searching for a new home.

The Calgary-based energy company received approval from regulators on Wednesday to finally start operating the 300,000 bpd pipeline carrying mainly light crude from Sarnia, Ontario, to Montreal, Quebec, nearly a year after it was first expected in service.

For Quebec's two refineries, Suncor Energy's 137,000 bpd Montreal plant and Valero Energy's 265,000 bpd Jean Gaulin facility, the approval is a welcome boon.

Both will be able to switch to a diet of 100 percent West Texas Intermediate-linked crude such as Canadian light synthetic or North Dakota Bakken, displacing pricier Brent-linked feedstock from regions including West Africa and the North Sea.

At present the refineries receive crude by rail, seaborne imports into Quebec, and volumes from the Portland-Montreal pipeline, which transports imported crude north.

Data from Statistics Canada show in July, the most

recent month available, Quebec imported 113,000 bpd of crude from Azerbaijan, Algeria and Nigeria. Another 206,000 bpd came from the United States and Canada. Total foreign crude imports into the province from outside North America vary from month-to-month, according to the data, but range around the 100,000 bpd mark.

Other countries that have exported to Quebec so far this year include Norway, Russia, Angola and the United Kingdom.

"Once Line 9B is operational, the refinery will replace more-expensive crude with less-expensive crude," said Valero spokesman Bill Day.

A recent Valero investor presentation showed the refinery currently takes around 80 percent North American crude, with the rest imported from overseas.

Suncor did not specify how much overseas crude it processes but spokeswoman Sneh Seetal said some of the Brent-linked crude comes from Suncor's own offshore Atlantic Canada projects.

Analysts said Line 9's ability to deliver crude to Montreal will be a further blow to the struggling crude-by-rail industry.

Suncor has capability to receive 40,000 bpd by rail, while Valero has capacity to take 60,000 bpd, although the actual volumes vary depending on economics.

"Some of those railed barrels will be displaced by piped barrels because of cheaper transportation costs," said ITG Investment analyst Judith Dworkin.

Dworkin said Valero also imports barrels from the Gulf Coast, shipping them north on foreign-flagged vessels to Montreal, and those flows will likely be disrupted too.

NY gasoline flat, diesel futures lower after rally on storm threat

New York gasoline futures ended near flat and diesel slipped on Thursday after a volatile session as the oil market was roiled by shifting forecasts for Hurricane Joaquin and concerns that the storm may disrupt supplies along the U.S. East Coast.

Gasoline futures led oil futures' early rally, as ultra-low sulfur diesel (ULSD) also pushed higher, on expectations Joaquin could hit the New York area as a tropical storm on Tuesday.

The concern is that Joaquin could potentially follow the destructive course of Hurricane Sandy, which wreaked havoc on the vital New York harbor oil supply and distribution hub in October 2012.

Gasoline ULSD and crude futures all pared gains after



the U.S. National Hurricane Center shifted its forecast storm track slightly east.

While the earlier forecast had suggested the storm would weaken early next week before it reaches the Northeast, dealers said it was better to be safe than sorry.

"The gains for products could be temporary, depending on what the storm ends up doing," said Jim Ritterbusch, president at Ritterbusch & Associates in Galena, Illinois. After reaching \$1.4233 a gallon and retreating to \$1.3701, U.S. benchmark RBOB gasoline futures settled at \$1.3668, up 0.01 cent on the first day with the November contract in the front-month position.

The RBOB spread over crude ended at \$12.67 a barrel based on November RBOB and crude oil futures settlements, after swinging from \$11.57 to \$13.15 during the session.

The November/December RBOB spread rose to 3.50 cents during Thursday's session, its highest since August and up from 2 cents on Tuesday.

U.S. November ULSD fell 1.76 cents to settle at \$1.5198 a gallon, after reaching \$1.5817. The ULSD crack ended at \$19.09 a barrel, having traded from \$18.90 to \$19.96. New York Harbor is the delivery point for gasoline and ULSD futures contracts on CME Group's New York Mercantile Exchange, and the East Coast has nine refineries with an operable capacity of about 1.3 million barrels per day, according to government data. Sandy knocked out major refineries, shut down parts of the harbor and disabled terminals, causing a weeks-long disruption in the fuel supply chain.

U.S. crude and Brent crude futures also pared gains and settled lower in seesaw trading, after strengthening early on the rally in refined products prices and on geopolitical fears over Russia's involvement in Syria and the Middle East.

With days numbered, Dauphin focused on Trafigura transition

When Claude Dauphin, the billionaire founder of Trafigura, was diagnosed with cancer two years ago, few doubted he would entirely abandon the fierce work ethic or grueling travel that helped him build one of the world's biggest commodity traders.

In fact, according to some insiders, he barely slowed down in the months prior to his death this week in Bogota, Colombia, where he went to inspect the firm's facilities.

Over the past 18 months, the 64-year-old Frenchman

worked hard, hoping to ensure a smooth succession, naming a new chief executive and often bringing senior managers with him on trips to hand over the key relationships he won over four decades in the business, according to sources.

"His idea was simple. My days are numbered. But I want the company to continue for many more decades," according to one senior Trafigura executive. Dauphin, who died on Wednesday, is survived by his wife and three children.

Yet there is also little doubt his death leaves Trafigura with a daunting task: How to keep it growing without the founder, whose demand for performance and decades of unrivaled contacts built it into an enterprise with \$125 billion in annual revenue that trades more oil, copper and coal than almost any firm.

As Dauphin jetted around the world in Trafigura's corporate plane between chemotherapy injections, the impeccably dressed Frenchman didn't just pack his travel schedule with courtesy visits and ceremonial meetings. He kept making deals.

Weeks before dying, Dauphin traveled to Nigeria to clinch an oil swaps contract with the new government of President Muhammadu Buhari, according to sources. In Angola, where Dauphin enjoyed close relations with the government of long-serving President Jose Eduardo dos Santos, Trafigura reached an agreement this summer to maintain its status as the main supplier of refined products, despite fierce competition.

"Not only didn't Claude retreat to an island or slow down, he increased the pace," said an longtime acquaintance.

"NEVER FULLY READY"

Dauphin handed the CEO role to former risk manager Jeremy Weir, an ex-geologist, 18 months ago, and encouraged a more collective leadership structure to prepare for the transition, sources say.

Even so, he remained a towering figure within the company.

"Let's be completely honest. You can be intellectually attuned to the idea that one day the top man might be gone, but in reality you are never fully ready when it comes," the source said.

Sources at Trafigura's rivals remember Dauphin as a formidable competitor. Some argue that transferring relationships and knowledge is never straightforward.

"It takes decades to build such relations. Sometimes they are just not transferable," an executive at a competitor said.



Craig Pirrong, a U.S. academic who spent a number of days inside Trafigura's offices in the summer of 2013 speaking to major trading desk heads and executives said: "If Trafigura was publicly traded, the stock probably would have been down today."

Trafigura's publicly traded bonds have shot up since August due to a steep decline in commodities prices and as listed rival Glencore Plc came under shareholder pressure.

On Wednesday, the yields widened further but on Thursday and Friday they dropped steeply.

On Thursday, Trafigura also closed a heavily oversubscribed \$2.2 billion loan, supported by 28 banks, highlighting the strong relationship with lenders that Dauphin built since founding the firm in 1993, when he broke away from famed trader and ex-U.S. fugitive Marc Rich.

With a 20 percent stake in the company, Dauphin was France's 32nd richest person with a net worth of \$1.4 billion, according to Forbes.

DON'T FALL IN LOVE WITH ASSETS

Rivals will watch Trafigura more closely in the coming months as it becomes the first modern-day trading house to make a full transition. Rivals from Glencore to Mercuria are still run by the charismatic traders who founded and expanded them.

Others who have attempted to hand over the reins of power found the process tough.

Richard Elman, the founder of Hong Kong-based trader Noble Group Ltd, stepped down as CEO in 2010 after nearly 25 years running the firm. He then went through two successors in two years.

French trading firm Louis Dreyfus, closely controlled by the founding family, has been marked recently by a series of lengthy and embarrassing efforts to find a permanent CEO.

While Weir, the new Trafigura CEO, has not told staff whether he will retain Dauphin's strict dress code, he is sticking with the core strategy that helped it boost revenue over the past decade: buy assets but sell them

when the price is right.

"It is important not to fall in love with assets," he said in April, while maintaining Dauphin's stance that private ownership was the best option for trading houses.

That view will likely be strengthened as management at publicly listed firms like Noble and Glencore have come under shareholder pressure since their shares collapsed this year.

Dauphin himself was saying a team effort would be needed to develop Trafigura in the future. "In the 1980s, all you needed to be a successful trader was to speak several languages. These days you have to have a mountain of technical knowledge," he once said, according to an acquaintance.

Iraq's September oil exports slip to 3.052 mln bpd

Iraq's oil exports fell in September to an average of 3.052 million barrels per day, from 3.078 million bpd the previous month, the oil ministry said on Thursday.

The vast bulk of the exports - 3.03 million bpd - were from Iraq's southern ports, the ministry said in a statement.

Revenues from the country's September sales totalled \$3.6 billion, with the oil sold at around \$40.3 per barrel, it added.

Shipments from Iraq's north via Ceyhan in Turkey averaged only 22,000 bpd, the ministry said.

Iraq's semi-autonomous Kurdistan region has ramped up independent oil sales since mid-June while cutting allocations to Iraq's state oil firm SOMO in an escalating dispute over export rights and budget payments.

Lower oil revenues are straining Iraq's budget, as it fights an Islamic State insurgency that controls large swathes of territory in its north and west.

Iraq's southern oil exports will rise modestly to around 3.25 million bpd in 2016, the head of state-owned South Oil Company (SOC) told Reuters earlier this week, as the country struggles to boost production in the face of slumping crude prices.

(Inside U.S. Oil is compiled by Kishan Nair in Bengaluru)

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