

# TURKMENISTAN

*By Interfax-CNA*

In 2001, Turkmenistan achieved rapid economic growth once again. Capital investment rose by 26% equating to 36.8% of GDP. Turkmen companies and organisations financed 46% of investments; loans financed 18% (of which foreign loans were 13%); state funds 19%; and central and local budgets 4%. Foreign direct investment accounted for 5% of total investment.

The state sector contributed 65% of total industrial output. The greatest growth was 24% in the food industry, 19% in light industry, 12% in oil production, 9% in oil refining, and 5% in natural gas production. The gas sector produced 43% of industrial output, the oil industry 17%, light industry 17%, the food industry 6%, cotton ginning 7%, oil refining 4% and the power sector 3%.

Turkmenistan had a foreign trade surplus of US\$271 million in 2001. The trade turnover grew 16% year-on-year to US\$4.969 billion, as exports rose 5% to US\$2.620 billion and imports jumped 32% to US\$2.349 billion. Exports included 57% natural gas, 14% oil products, 12% crude oil, 3% cotton fiber and 2% cotton yarn.

The government plans to set up a supervisory body to co-ordinate fuel and energy-complex exports from the republic and to monitor the implementation of export deals for fuel and energy products. It is planned that the new body will begin operating this year. According to the new mechanism, auctions for the sale of fuel and energy complex products will be carried out on the Turkmenistani commodity exchange, under the supervision of the new body.

Historically, Turkmenistan has not extracted or processed any significant amounts of metallic ores and, so far, no metallurgical plants have been built in the country. Turkmenistan, however, holds the fourth place in the CIS as

a natural gas producer, and fifth as an oil producer. Turkmenistan's oil reserves, including off-shore Caspian deposits, are estimated at 12,000 Mt. In addition, Turkmenistan develops deposits of industrial minerals, notably kaolin and building granite. There is also the Zulfagar alunite deposit in Badkhyz in southern Turkmenistan and the Zeaklinskoye alunite deposit.

According to the Oil and Gas Industry Ministry, the country's oil and gas reserves are estimated at 45,440 Mt of oil equivalent. The Turkmenistani oil and gas industry requires investment of US\$25 billion in the period from 2001 to 2010, including over US\$7 billion needed to buy oil and gas equipment. According to Turkmenistan's officials, the country is interested in attracting foreign companies to develop offshore oil and gas fields and to develop energy-sector infrastructure.

Turkmenistan drew up a programme for geophysical operations in 2001-2002 totalling US\$92.97 million. Under the programme, the state-owned company Turkmengeologiya will sign contracts with Western Geco on joint geophysical work to be carried out for the state oil company Turkmenneft. The agreements involve joint analysis and interpretation of geophysical data for the calculation of hydrocarbon reserves in the Korpedzhe-Ekerem group of fields in southwestern Turkmenistan (US\$1.73 million) and joint seismic surveying work at the Ekerem territory (US\$5.31 million). In addition, Turkmenneftegaz will sign contracts for the acquisition of geophysical equipment, instruments and materials for divisions of Turkmengeologiya, Turkmenneft and Turkmengaz. Companies engaged in the geophysical projects will be exempted from all taxes, customs payments and mandatory payments to the hard-currency reserve and the interbank currency exchange arising from these projects.

Turkmenistan has developed a programme to provide licences for the exploration and production of hydrocarbons to 2010. The new programme would give foreign companies broader opportunities to conduct business in Turkmenistan. The programme defines the list of licence territories, that include 32 blocks in the Turkmen sector of the Caspian Sea and 15 properties on dry land, and the procedures for licensing. Licenses for exploration and development will be issued through direct negotiations. They can be provided to foreign companies with possible participation by Turkmen companies. Turkmenistan is preparing information packages for each licence property, to include the coordinates of the property, infrastructure, the degree of geological and geophysical exploration, including estimates of possible resources and commercial reserves. The information will be sold to interested foreign companies.

Turkmenistan boosted gas extraction in 2001 by 9% over the total for the previous year to 51.3 billion m<sup>3</sup>. Of this total, 37.2 billion m<sup>3</sup> were exported, exceeding the 2000 export figure by 11%. The biggest gas producer was state-run Turkmengaz - 85%. The state-run Turkmenneft's share was 15%. Turkmengaz plants produced 43.6 billion m<sup>3</sup> of gas last year, or 5% more than in 2000. Turkmenneft produced 7.7 billion m<sup>3</sup> in 2001, 32% more than in the previous year.

Turkmenistan produced 8.02 Mt of oil and gas condensate last year, or 12% more than in 2000. Turkmenneft accounted for 91% of output, foreign companies for 6.8%, including oil Turkmenistan received from the Kokdumalak field in Uzbekistan. Turkmengaz accounted for 2.2%.

In August 2001, the first exploratory well drilled by Saudi Arabian Dragon Oil at the Jeikhun deposit (Cheleken contract zone) in the Turkmenistani sector of the Caspian Sea gave daily yields of over 200 t of oil and 500,000 t of natural gas. This was the first well to be drilled in the Turkmenistani offshore

zone in the past 10 years. Oil from the Jeikhun deposit contains practically no sulphur.

Dragon Oil produces about 7,000 bbl/d from 17 wells in Turkmenistan. The company plans to increase its production in the region by 900% by 2008. Dragon Oil has been developing the Cheleken zone, as part of a joint venture, since 1993. In 1999, the Turkmenistani Government and Dragon oil signed a production-sharing agreement for Cheleken, which includes two deposits - Jeikhun and Jigalybek (formerly the LAM and Zhdanova banks). According to experts, reserves at the deposits amount to about 82.2 Mt of oil and 65 billion m<sup>3</sup> of gas. Oil production could reach 5 Mt by 2007.

In August 2001, drilling of a search well at Nebitlidzhe in western Turkmenistan produced oil flows with daily yield of 80 t. This proved that the region where development began in 2000 under an investment project at Nebitlidzhe, Western Nebitlidzhe, Shatut, and Gerchek, holds oil and gas. The well was drilled to 3,605 m and pay structures were identified at 3,020 - 3,042 m. A 7 km pipeline will be built to South Kamyshlydza, where new wells are being developed, to speed the introduction of the wells. The investment project to explore and develop the four fields was signed for 16 years. Turkmenneft will invest US\$12.6 million in the project this year. Yield at the first well will make it possible to increase oil production to 40,000 t/y. Production from the fields by 2010 is projected at 1 Mt.

In December 2001, Mobil Exploration & Production Turkmenistan Inc., a subsidiary of ExxonMobil, began drilling its first exploratory well in the Cheleken site (located 6 km inland from the Caspian coast). The drilling marks the beginning of a new stage in the implementation of a production-sharing agreement that ExxonMobil signed with the Turkmen Cabinet in July 1998 for a term of 25 years. Under the agreement the 4,500 km<sup>2</sup> Garashsyzyk-2 area, which includes seven large oil and gas fields, will be explored and developed, with oil being pumped up from the lower strata.