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EUROPEAN BUSINESS NEWS

Turkmenistan Gas Field Is One of World's Largest

By **GUY CHAZAN**

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A long-awaited study of a big natural-gas field in Turkmenistan identified it as the fifth largest in the world, independently confirming for the first time the Caspian state's status as one of the world's great hydrocarbon provinces.

Gaffney Cline & Associates, an oil advisory firm, said the South Yolotan-Osman field in the southeast of Turkmenistan contained between 4 trillion and 14 trillion cubic meters of gas in place. The upper end of that estimate is three times the European Union's annual consumption of the fuel.

Turkmen state media quoted Jim Gillett, Gaffney Cline's manager for business development, as saying the field could ultimately produce 70 billion cubic meters a year -- roughly equivalent to Turkmenistan's current total annual production of gas. Gaffney Cline declined to comment.

Turkmenistan has long been on the radar screens of the world's big oil companies. But for years, its reclusive and eccentric dictator Saparmurat Niyazov closed it off to the outside world, steering a fiercely isolationist course and shunning investors. After he died in December 2006, Western oil majors including BP PLC, Chevron Corp and Total SA flocked to the Turkmen capital Ashgabad hoping for deals.

But there was always lingering uncertainty about the real size of the country's reserves. That fueled fears that Turkmenistan, which had signed major deals with China, Russia, Iran and Europe, had overcommitted its gas, and might struggle to fulfill its export commitments.

Mr. Niyazov never tried to dispel those fears by allowing a full, independent audit of Turkmenistan's energy riches by a reputable Western firm. That omission was quickly rectified by his successor as president -- his former dentist -- Kurbanguly Berdymukhamedov. One of Mr. Berdymukhamedov's first acts in power was to commission an audit by Gaffney Cline.

The first results of the survey indicate previous assessments have severely underestimated Turkmenistan's gas reserves. The BP Statistical Review of World Energy, an industry bible, sets the country's reserves at 2.67 trillion cubic meters. Analysts expect that to be upgraded in light of the information on South Yolotan.

The findings suggest Turkmenistan should be able to confidently move ahead with plans to boost its exports of gas. At the moment, it sells most of its gas to Russia -- about 50 billion cubic meters a year, which is mostly resold to Ukraine -- and a little to Iran. But it has plans to export to China and Europe too, as well as significantly boost sales to Russia. China is building a pipeline from Turkmenistan that will have the capacity to bring 30 billion cubic meters a year, and Ashgabad has also agreed to sell 10 billion cubic meters to Europe. The European Union hopes that a gas pipeline will one day be built across the Caspian Sea, which would enable direct imports of Turkmen gas, bypassing Russia.

Many observers wondered whether Turkmenistan really had enough resources to realize those expansion plans. But the Gaffney Cline figures showed it "clearly does have enough gas to supply Russia and China," said Ian Thom, a Caspian analyst with consultancy Wood Mackenzie. "All the same, the existing export infrastructure is insufficient, so they'll clearly need additional capacity and new pipelines," he said.

—Alexander Kolyandr contributed to this article.

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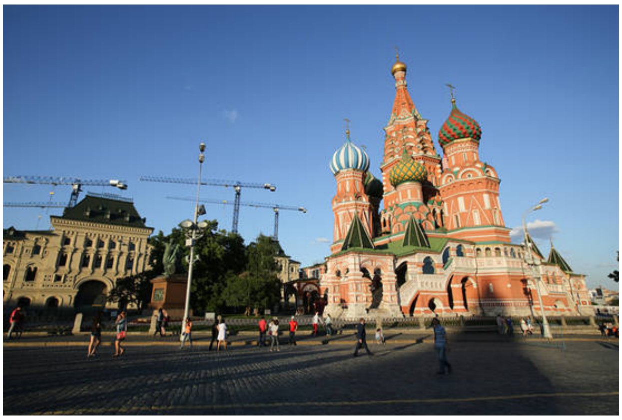

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