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Egypt signs \$2b exploration deal with Italy's Eni

THE Ministry of Petroleum said yesterday it had signed an energy exploration deal with Italy's Eni worth \$2 billion following an Memorandum of understanding (MoU) signed in March during an investment conference.

The deal paves the way for the modification of some previous deals between the Ministry and Eni that include gas price adjustments, the Ministry said in a statement.

Eni will be able to explore in Sinai, the Gulf of Suez, the Mediterranean and areas in the Nile Delta.

The Italian company will invest \$1.5 billion over four years in exploration, development and operation in Sinai and the Delta.

A further \$360 million will be invested in digging five new wells in northern Port Said; \$80 million on digging a well in Sinai and repairing an existing one; and \$40 million in the Gulf of Suez.

The agreement also includes signature bonuses totalling \$515 million that would partly repay some of Egypt's debts to Eni.

Meanwhile, crude oil prices dropped yesterday as the dollar rose and on expectations that OPEC production would remain high, stoking worries of oversupply despite declining US rig operations.

The Organisation of the Petroleum Exporting Countries (OPEC) pumped at a two-and-a-half year high of 31.22 million barrels of oil per day (bpd) in May, **Reuters** monthly survey shows.

The 12-member cartel meets in Vienna on Friday, but is expected to maintain its current production policy, keeping the world oil market amply supplied for the foreseeable future.

Front-month Brent crude LCOc1 fell \$1.00 a barrel to a low of \$64.56 before recovering a little to around \$64.65 by 1025 GMT. US light crude CLc1 was down 75 cents at \$59.55 a barrel.

"OPEC continues to produce well above target, and also well above demand for its oil," said Carsten Fritsch, senior oil analyst at Commerzbank in Frankfurt.

The dollar gained 0.3 per cent against a basket of currencies yesterday, making oil more expensive to holders of other currencies.

The euro fell after Greece missed a self-imposed Sunday deadline for reaching an agreement with its lenders to unlock aid, keeping alive fears of a debt default and potential exit from the eurozone.

Crude oil jumped almost 5 per cent on Friday, its biggest rally in a month, as a larger-than-expected fall in US oil rigs in operation sent markets upwards.

However, analysts said US oil production remained on track for year-on-year growth, despite the recent falls in rig activity.