The newly independent state of South Sudan managed to sell, via tender, a cargo of Nile Blend crude for December. It will load at the highest premium in at least four years and is fueled by fears of possible conflict with its northern neighbor, traders told Reuters on Tuesday.

South Sudan is the world’s newest nation as of July after its citizens voted in January to secede from the Arab-Muslim dominated north.

The new nation took with it 75% of Sudan’s oil reserves but remains dependent on the north to transport and export its oil to the outside world.

Sudan and South Sudan have yet to agree on oil transit fees to be assessed for using the north’s oil infrastructure. The two nations are now in deeply strained relations amid accusations that each side is supporting rebel groups on the other side of the borders.

Traders today said South Sudan sold the 600,000-barrel cargo to Chinaoil at a premium of $1.20 a barrel to Indonesia Crude Price (ICP) Minas.

It also sold a second cargo to European trading company, Trafigura at a premium of 90 cents a barrel to ICP Minas.

Nile Blend’s spot premium last surged more than $1 a barrel in 2007 when a massive earthquake rocked Japan, they said.

The heavy sweet crude is popular among North Asian refiners and is typically processed in complex refineries to produce feedstock for fluid catalytic crackers.

In a separate tender, South Sudan sold 3.8 million barrels of Dar Blend crude for December loading at a narrower discount than the previous month, partly on stronger fuel oil cracks.

The cargoes were sold to Chinaoil, Unipec and Vitol at around $8 a barrel below dated Brent, traders said.

**DIMINISHING PRODUCTIVITY**

In a related issue, South Sudan officials said that oil productivity from wells in Unity state have dropped as a result of variety of factors.

Unity State oil minister William Garjang Gieng said according to Reuters that only 15 of 138 wells are operating in Unity and Mid oil fields, causing the state’s output to drop to around 80,000-95,000 barrels per day (bpd), down from around 115,000-120,000 bpd.

Some of the wells could not be accessed during the rainy season because Sudanese staff, materials and road-building equipment pulled out before independence, he said. He expects production to bounce back to normal early next year.

"There are some wells that have problems and they need to be reworked by the service rigs, but they don’t have access to the roads because that is a swamp area," Garjang told reporters in Bentiu, the state capital, late on Tuesday.

"The other problem that is facing people is the (amount) of manpower that is working in the area."

Unity oil field, the largest of three in the state, is run by Greater Nile Petroleum Company, a consortium of national oil companies from China, Malaysia, India and South Sudan.