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Tethys initiates third-party audit of Oman oil finds

Source: *RigZone*, 27 January 2010

Tethys Oil has contracted Gaffney, Cline & Associates (GCA), an independent international petroleum consultancy, for the third party audit of the Farha South and East Saiwan oil discoveries made in 2009 on Blocks 3 and 4 onshore Oman. GCA will also act as engineering advisor for Tethys on these future development projects.

GCA will provide an independent third party resources and reserves report according to standard of The Society of Petroleum Engineer's Petroleum Resources Management System (SPE PRMS), also adopted by WPC, AAPG and SPEE. The report will cover the Farha South structure on Block 3 and the East Saiwan structure on Block 4.

The audit will be based on data available after the ongoing 3D seismic study over the East Saiwan structure has been completed, which is expected in early March.

"We are delighted to work with Gaffney Cline on our Omani projects. The technical support provided by GCA is second to none in the industry, and a resource/reserve audit conducted by GCA will further the understanding and evaluation of these discoveries," said Magnus Nordin, Managing Director of Tethys Oil AB.

Tethys has a 50 percent interest in the licences covering Blocks 3 and 4. Consolidated Contractors Energy Development (Oman) Ltd holds the remaining 50 percent and is operator.

omanoil wins marine fuel bunker license

Source: *Times of Oman*, 24 January 2010

Oman Oil Marketing Company (omanoil) was recently awarded a marine fuel bunker license by Sohar Industrial Port Company (SIPC) for the establishment of worldclass marine fuelling operations in the Port of Sohar.

The agreement was signed by Maqbool Ali Sultan, Minister of Commerce and Industry and Chairman of SIPC. The license was awarded by SIPC, the Port's key authority, in partnership between Oman Oil Marketing Company and Matrix Marine Holding to supply marine fuels of various grades including; marine fuel oil, marine gas oil and marine lubricants to all local and international vessels calling the Port' terminals at the anchorage area.

Eng. Omar Ahmed Qatan, CEO of omanoil said, "Attaining this imperative bunkering license is a clear reflection

of our world-class reputation which has drawn a large number of industry giants to partner with us. As the flagship of the nation, we are proud of further solidifying our partnership with SIPC, which will add an immense degree of value to the Port's activities and strategic advantages as they continue to expand their operations."

omanoil views bunkering as a critical component of a vessel's dynamic operations which requires important coordination between all parties involved from the point of ordering until completion of delivery at the Port.

In addition, the Company invests heavily in maintaining safe working practices through sound HSSE practices and well trained staff in all aspects of its operations, with particular focus on safe fuelling to avoid oil marine pollution.

BankMuscat, ORPC sign 77m-rial term loan

Source: *Oman Tribune*, 3 January 2010

BankMuscat, the leading financial services provider in the Sultanate, recently signed a 77 million rials (\$200 million) term loan facility with Oman Refineries & Petrochemicals Company (ORPC) to partly refinance its working capital needs. The dual currency facility will be available either in Omani rial or US dollar and has a maturity period of up to 25 months, according to a press release.

ORPC, a wholly-owned government company, has two refineries at Mina Al Fahal and Sohar.

The loan agreement was signed by BankMuscat Chief Executive AbdulRazak Ali Issa and Masoud Al Msalmy, GM, Corporate Support and acting CEO of ORPC. Issa said the agreement was a significant milestone in the long-standing relationship between BankMuscat and

ORPC. "BankMuscat is focused on playing a prominent role in projects that are of national importance and this association will further strengthen this approach.

The Bank is grateful to the Government of Oman and the management of ORPC for their confidence in the bank" he said. The project and structured finance activity of the bank will continue to focus on major national projects such as ORPC, he added.

Al Msalmy said ORPC was pleased to sign the term-

loan facility with BankMuscat. "Our business relationship has grown over the years and we look forward to further mutually beneficial deals."

In line with the government's strategy for economic diversification and attracting private sector participation, BankMuscat has taken the lead in financing most of the Sultanate's infrastructure projects, the release said. The bank has been closely involved in privatisation projects of the government as well as major industrial projects, it said.

Quantity of oil used at Oman Oil Refineries declines

Source: *Oman Observer*, 2 January 2010

The quantity of oil used at Oman Oil Refineries and Petrochemicals Company declined by 7.2 per cent to 29,822,300 barrels during the first ten months of the year 2009, as compared to 32,149,300 barrels during the same period in 2008. Statistics bulletin issued by the National Economy Ministry pointed out that the production of the company declined by 4.1 per cent by the end of October 2009 to 29,962,100 barrels compared to 31,241,000 barrels during the same period in 2008.

The products included super and regular car petrol. Super petrol production rose by 26 per cent to 3,743,300 barrels by the end of October 2009, as compared to 2,970,000 barrels during the same period in 2008. Production of regular petrol declined by 25.6 per cent to 1,813,300 barrels during the first ten months of the year

2009, as compared to 2,438,200 barrels by the end of October in 2008. Production of aircraft fuel rose by 4.8 per cent to 2,712,400 barrels by the end of October 2009, as compared to 2,588,200 barrels during the corresponding period in 2008.

Production of diesel declined by 14.8 per cent to 5,763,800 barrels by the end of October 2009, as compared to 6,761,400 barrels by the end of October 2008. The bulletin said that production of petrol gas (Biotin) fell by 3.8 per cent to 741,400 barrels by the end of October 2009, as compared to 770,500 barrels by the end of October 2008. Products of refinery waste rose by 5.7 per cent to 16,160,700 barrels by the end of October 2009, as compared to 15,289,400 barrels during the same period in 2008. — ONA

Sultanate's crude exports rise over 10%

Source: *Oman Tribune*, 26 December 2009

The Sultanate's crude exports rose by 10.9 per cent to 199.54 million barrels during the first 10 months of 2009, against 180.4 million barrels during the same period in 2008, said the monthly statistical bulleting published by the National Economy Ministry.

The bulletin said the production of crude and condensates stood also rose by 6.9 per cent to 245.44 million barrels in the end of October 2009, against 229.664,7 million barrels during the same period in 2008.

The average daily production rose 7.2 per cent to touch at 807,400 barrels by the end of October 2009 against 753,000 barrels during the same period in 2008.

But the average price of Oman oil decreased by 48.6 per cent during the first ten months of 2009 to \$50.83 per

barrel, against \$104.80 per barrel during the same period in 2008, added the bulletin.

China topped the countries importing Omani oil as it imported 65.25 million barrels during the first eight months of 2009, despite a 26.3 per cent fall in its imports.

Thailand came second as it imported 28.49 million barrels by the end of October 2009, against 21.142,5 million barrels, constituting a 34.7 per cent rise. Japan came third as its imports rose by 14.4 per cent to 27.77 million barrels.

The Sultanate's production of natural gas rose by 0.8 per cent to 906.29 million Cubic Feet (MCF) during the first ten months of 2009. Gas consumption rose 0.6 per cent to 905.405 MCF by the end of October 2009.

PDO awards gas compression EPC contract

Source: *Oman Observer*, 21 December 2009

Petroleum Development Oman (PDO) announces that it has awarded an engineering, construction and procurement (EPC) contract for the Saih Nihayda gas compression project to South Korea's GS Engineering and Construction. The award also includes the de-bottlenecking of the Saih Nihayda gas processing plant.

"This is an important project which aims to ensure that the Saih Nihayda field produces gas at an optimum level for a maximum amount of time," commented Deputy Managing Director Abdulla al Lamki.

The Saih Nihayda field in Central Oman has been producing gas since it was commissioned in early 2005. Gas from the field is treated at the Saih Nihayda Processing Plant from where it enters the government gas grid.

Based on current demand patterns, reservoir pressure is expected to start declining within the next six years. The installation of the new compression facilities will enable PDO to maintain pressure for several years. The de-bottlenecking of the processing plant will increase capacity from the current level of 20 million cubic metres a day (m³/day) to 25mn m³/day.

Front-end engineering and design (FEED) for the Saih Nihayda compression and de-bottlenecking project was undertaken by PDO's FEED Office. This is the first PDO project designed internally by the FEED Office. The award follows a competitive bidding process in which seven international companies participated. PDO produces gas on behalf of the Government of Oman which owns all the gas in PDO's concession area.

National Gas partners with LPP Combustion for new technology

Source: *Oman Observer*, 8 December 2009

National Gas Company SAOG recently hosted the LPP team in the Sultanate. LPP Combustion, a Maryland US-based company, has developed a new technology called Lean Premixed Prevaporised (LPP) combustion. This technology converts a variety of liquid fuels such as naphtha, kerosene, diesel, biodiesel and ethanol into a synthetic natural gas. This LPP Gas can then be burned with very low emissions (lower or equal to Natural Gas) in virtually any combustion device in place of natural gas, providing users with substantial fuel flexibility.

A dry oil emissions gas turbine utilising LPP Technology to burn biofuels creates a low emissions power plant with no net greenhouse gas emissions, resulting in the cleanest use of renewable fuels. LPP Combustion recently received its second US patent for technology that converts liquid fuels into a synthetic natural gas.

The LPP Combustion skid is a self-contained hardware that can be easily located near an existing natural gas-fired turbine. The skid receives a liquid fuel supply from existing storage tanks and transforms the fuel into LPP gas, which is then connected into the existing natural gas supply piping for the combustion turbine.

The hardware skid consists of a unique fuel vaporiser designed and developed by LPP, and conventional compressors, heat exchangers, piping, valves, control hardware, and passive air separation membranes readily

available in the marketplace. Leo Eskin, Chief Technical Officer, said that LPP has been successfully proven in US and has potential to meet the growing and flexible energy demand of this region.

The LPP technology has been tested on a variety of burners including commercial turbine hardware. Tests have been completed in a combustor at typical gas turbine temperatures and pressures using a test rig at a turbine manufacturer. The technology has proven viable, allowing stable operation under a variety of conditions while producing emissions on the same order as natural gas.

Testing has also demonstrated that switching from natural gas to LPP gas is easily accomplished without interrupting the normal operations. This technology provides the flexibility of being able to choose between burning liquid fuel (LPP gas) or natural gas, depending upon the price and availability of the two fuels, while maintaining low pollutant emission levels.

When liquid fuel cost is less than natural gas, substantial fuel cost savings can be realised. Through the use of financial models, the long term (multiple year) cost benefits derived from utilising the LPP system can be projected. Goutam Sen, Chief Executive Officer, National Gas Company SAOG, said "the LPP Gas will provide much needed fuel options to the industries of the Middle East and Asia Region."

Major upgrade of OGC's gas transportation infrastructure underway

Source: *Oman Observer*, 24 November 2009

State-Owned Oman Gas Company (OGC), which operates a world-scale natural gas transportation network in the Sultanate, is planning sizable investments in new infrastructure aimed at meeting the energy requirements of new consumers in key parts of the country.

At the same time, ongoing investments in new gas compression stations, new pipelines and loop lines, advanced metering facilities, and infrastructure upgrades are helping support the development of a modern and efficient gas delivery system that serves as a vital lifeline to the nation's power, petrochemicals, industrial and hydrocarbon sectors.

Key among the new investments proposed by OGC is a pair of Gas Supply Stations (GSS) designed to support the development of two new Independent Power Projects (IPPs) in the Batinah region. "We are in the process of undertaking the front-end engineering design (Feed) of new gas supply stations that will deliver natural gas to the proposed power projects at Barka (also known as Barka III), and Sohar (also referred to as Sohar II)," said Abdulaziz Saeed al Mujaibi, General Manager (Operations), OGC.

The Gas Supply Stations will help ramp up supply to a region that is fast shaping up as the industrial powerhouse of the Sultanate. Burgeoning energy demand across the Sultanate, fuelled by large-scale investments in industrial, tourism and other economic projects, has prompted the need for two power projects, each of around 500MW of electricity generation capacity. While Barka III will come up alongside the existing Barka I and Barka II power projects, Sohar II will be built adjacent to the existing Sohar I facility within the Port of Sohar. OGC's existing pipeline network will feed gas to both new consumers.

According to Al Mujaibi, the new Gas Supply Stations at Barka and Sohar will be the latest additions to an expanding network of terminals that regulate the supply of natural gas to major customers around the country. OGC's vast gas transportation network currently boasts a total of 31 Gas Supply Stations which are critical to ensuring safe, efficient and uninterrupted gas supplies to consumers.

Sohar, the industrial and petrochemicals hub of the Sultanate, is already served by a string of Gas Supply Stations. The main facility, located within the industrial port, supplies natural gas either as feedstock or fuel to a number of major customers, notably the Sohar refinery of Oman Refineries and Petrochemicals Company

(ORPC), Aromatics Oman, Shaded Iron & Steel, Oman Methanol, Sohar Fertiliser project, Sohar Power Plant, and the power island of Sohar Aluminium, among others. Around 12-13 million standard cubic metres per day (mmscm/d) of gas, representing around a third of OGC's total gas offtake nationwide, is delivered to consumers within the Sohar industrial port.

Since its establishment in 2005, the Sohar Gas Supply Station has undergone a series of capacity upgrades to cater to new industrial customers setting up shop within the industrial port. In the coming months, a new gas stream will be added to the complex to meet the energy requirements of the \$1.4 billion iron ore pelletising plant of Brazilian mining giant Vale under construction at Sohar.

Importantly, a significant part of Sohar's growing energy requirements are met by supplies from Qatar's North Field via the intra-GCC Dolphin network, says Al Mujaibi. "We supply around 5.6 mmscm/d of Dolphin gas via a dedicated 32-inch line that runs from Buraimi to Sohar. The rest comes from domestic sources, and produced primarily by Petroleum Development Oman (PDO), Occidental of Oman, and PTTEP Oman. By 2015, we hope to have two more producers — BP Oman and BG Oman — pumping gas into the domestic gas network."

To ensure the smooth flow of Dolphin gas to Sohar, OGC has invested RO 25.7 million in a state-of-the-art gas compression station at Buraimi on the border with the UAE. Natural gas supplied via the Dolphin network is compressed and pumped at high pressure all the way to Sohar. The three-train compression facility was commissioned exactly a year ago in November 2008.

Another major compression station is slated for commissioning later this month at Fahud, a major gas production centre that meets much of north Oman's energy requirements. The RO 41.8 million facility, featuring four compressor trains, is OGC's biggest asset. Gas compression is key to boosting the overall flow and pressure regimes of the gas network, Al Mujaibi says.

Similarly, a new compression station is under construction at Nimr in central Oman at a cost of RO 31.7 million. The three-train facility will help augment natural gas supplies to major consumers in Dhofar Governorate, notably Salalah Methanol and the new Independent Power and Water Project planned at Taqah.

OGC has also made significant investments in

modernising the gas supply network to Salalah, as well as to customers en route. The company recently completed work on a 252 km 32-inch loop line from Saih Rawl to Mukhaizna. This project, involving an investment of around RO 68 million, will cater to the gas requirements of Oxy Mukhaizna, PDO Mukhaizna and consumers further downstream, the General Manager (Operations) said.

Improvements are also under way elsewhere along OGC's vast network. The company will shortly begin commissioning a new 20-inch pipeline that serves the Al Ghubrah Power and Desalination Project in Muscat Governorate. OGC's gas transportation infrastructure has been growing at a rapid pace in step with the grow-

ing demand for natural gas around the country. The state-owned company, jointly owned by the Government represented by the Ministry of Oil and Gas (80 per cent) and Oman Oil Company (20 per cent), currently serving power plants, industries, and other consumers around the country.

OGC serves more than 31 customers through a vast distribution network involving about 2,500 km of pipelines and compressor stations spread all over the country. Set up in 2000 as a gas distribution company, OGC continues to live by its vision to be an integrated commercially oriented company, as well as to develop and operate hydrocarbon facilities in Oman and become the gas technical reference for all stakeholders.

ORPC's Sohar Refinery gears for major turnaround in February

Source: *Oman Observer*, 23 November 2009

Oman Refineries & Petrochemicals Company LLC (ORPC) is preparing for a major turnaround of its Sohar Refinery in February in a bid to enhance the technical reliability of this world-scale project. The roughly two-month turnaround, according to ORPC Chief Executive Officer Dr Adil bin Abdulaziz al Kindy, will allow for the implementation of a number of initiatives designed to improve and optimise the refinery's overall performance.

"This is a comprehensive turnaround of Sohar Refinery and its first major shutdown since its commissioning nearly four years ago," Dr Al Kindy said. "A large number of projects of small to medium size will be executed within the scope of this turnaround, which starts on February 6, 2009 and continues for approximately 65 days. These initiatives are aimed at improving the reliability of the Sohar plant and optimising the refinery processes."

The \$1.36 billion state-of-the-art refinery complex, which commenced operations in 2006, is designed to process 116,400 barrels per day of mixed crude, which includes 75,260 bpd of Long Residue. Output includes a wide range of refined petroleum products, including regular and premium gasoline, kerosene, LPG, propylene, naphtha, low-sulphur gas oil, fuel oil and granulated sulphur. While a fifth of its production is earmarked for domestic distribution, the remainder is exported to international markets.

The Sohar plant not only meets a key part of the country's requirements of refined petroleum products, but is also being suitably configured to produce feedstock for a number of petrochemicals processing projects in operation or under development in and around the industrial port. Significantly, the shutdown

will not impact on availability of refined products within the Sultanate, Dr Al Kindy stressed. "The supply of refined products will not be an issue during the upcoming turnaround of the Sohar Refinery.

Refineries are periodically shut down for routine maintenance. Everything is planned with regards to meeting the needs of the domestic market in terms of refined products. There is absolutely no concern on this front. The Mina Al Fahal refinery will be operational during this period and will supply the needs of the domestic market," the CEO noted.

Asked about the status of proposed plans by ORPC to further develop the Sohar Refinery project, Dr Al Kindy stated: "We are looking at expansion projects relating to Sohar Refinery. The issue is currently being reviewed by the government authorities concerned and we are awaiting a decision in this regard." A proposed asphalt plant will be an integral part of the Sohar Refinery expansion initiative, he added.

Importantly, the Mina Al Fahal refinery will also be the focus of ORPC's ongoing initiatives designed to enhance its overall performance, the CEO said. "Projects will continue to be conceived in ORPC, some of them aimed at optimising the plant and others aimed at adding value. Value addition and optimisation initiatives will continue to be executed at both the Sohar and Mina al Fahal locations."

However, no further revamps are envisaged at the Mina al Fahal refinery in the future, he pointed out. "The last major revamp was done in 2007 which took the processing capacity of the refinery to 106,000 barrels per day. This is the last major revamp project ever planned for this refinery whose capacity will remain at 106,000 bpd.

Other projects will be aimed only at value addition, optimisation and improving process efficiencies.”

ORPC was created in September 2007 out of the merger of the Sohar and Mina Al Fahal refineries. The merger,

mandated by Royal Decree 99/2007, led to the establishment of a world-class refining company with a combined refining capacity of 222,000 bpd. The two refineries are connected by a dedicated 266-km pipeline extending from Mina Al Fahal in Muscat to Sohar.

Sustaining Oman's economic lifeblood is ongoing priority

Source: *Oman Tribune*, 17 November 2009

Hydrocarbons continue to serve as the lifeblood of Oman's domestic economy despite an ongoing and increasingly successful diversification programme that has resulted in massive investment inflows into industry, tourism, real estate and other economic sectors. Ensuring the continued health and well-being of this key sector — which accounts for roughly 70 per cent of government revenues — is a critical priority for the Ministry of Oil and Gas.

Indeed, Oman's hydrocarbons industry has performed relatively well despite the global economic crisis and the downturn in international crude oil prices. A 6.8 per cent increase in crude oil production has bolstered Oman's total output during the first eight months of this year to 194.970 million barrels, as against an output of 182.498 million barrels during the corresponding period last year.

Crude oil exports have climbed 10.1 per cent to 158.313 million barrels during this period, as against exports of 143.528 million barrels during the same period last year. The average price of Omani crude however slumped to \$50.18 per barrel this year, compared to the corresponding average of \$100.22 per barrel last year, a fall of 49.9 per cent. Prices have since stabilised at around \$70 per barrel.

Reflecting confidence in Oman's hydrocarbons industry, oil production is projected to increase to between 850,000 and 900,000 barrels/day (b/d), maintaining a year-on-year trend in output growth. This jump compares with a current output of around 805,000 b/d for 2009, entailing a 6.5 per cent increase over the 2008 output of 756,000 b/d, and a 13 per cent rise over the 2007 output of 710,000 b/d. Production during September 2009 has averaged around 840,000 b/d.

The upbeat hydrocarbon projections for 2010 underscore continuing successes by oil producers in ramping up output. All producers have so far met or exceeded their production targets, Dr Mohammed bin Hamad al Rumhy, Minister of Oil and Gas, revealed recently. For example, PDO is expected to end the year at 555,000 b/d (excluding condensate), Occidental of Oman (Oxy) at around 140,000 b/d, and Daleel Petroleum around 22,000 b/d, Dr Al Rumhy stated.

Petroleum Development Oman (PDO), the Sultanate's principal oil and gas producer, is confident the gains of previous years will be sustained. Releasing its annual report for 2008 recently, the company announced a total hydrocarbon output — combining oil, natural gas and condensate — in excess of one million barrels per day of oil equivalent (boe/d) last year.

For the first time since 2000, PDO's output of hydrocarbon liquids, comprising crude oil and condensate, recorded a year-on-year increase. Total production averaged 633,000 barrels per day (bpd) in 2008, compared with 607,000 bpd in 2007. Crude oil output alone averaged over 556,000 bpd, which was well within PDO's target range of 540-560,000 bpd. Gas and condensate output amounted to 467,000 boe/d in 2008. Total hydrocarbon output, combining crude oil, natural gas and condensate, surpassed 1 million boe/d for the third year running.

Among the notable highlights of the year was a significant increase in the production of condensate, a valuable hydrocarbon produced along with gas. In 2008 condensate output grew from 46,000 bpd to 77,000 bpd, an increase of more than 50 per cent. The increase was largely attributable to higher yields from the Kauther Gas Plant, which came on stream in late 2007.

In April this year, PDO also announced the successful completion of the first phase of the Mabrouk field development project. Oil began flowing through new facilities built at the field, barely 23 months after work started in May 2007. The field development plan currently being implemented by PDO involves the construction of a major new production station and associated gathering system, the first phase of which has just been completed. Over the coming years, a total of 76 new wells will be drilled at the field.

The new facility can process 63,000 barrels per day of gross liquids (oil and water) and 2.5 million standard cubic metres a day of gas. The second phase of the Mabrouk project involves the installation of powerful gas compressors capable of sending natural gas produced at the field to the Saih Rawl gas processing plant where it will enter the Government Gas System. Phase II is scheduled for completion in early 2010.

In a sign that Oman's robust appeal to international oil prospectors has not waned in the wake of the economic turmoil, the government successfully concluded a number of Exploration and Production Sharing Agreements (EPSAs) during the course of this year. The deals are seen as a major triumph for the government's efforts to bring in international players to explore and develop the country's hydrocarbon resources. They also underscore the robust international confidence in Oman's macro-economy and the policies of His Majesty the Sultan's government, despite the downturn.

First off the block was Canada's Epsilon Energy Limited, which won the concession to explore for oil and gas in Block 55 in the Wusta region of the Sultanate. The company however recently announced its decision to withdraw from the EPSA citing funding constraints. Harvest Natural Resources followed suit in April with the signing of a concession agreement for the exploration of gas in Block 64, an area straddling the boundaries of the Dakhiliyah and Wusta regions. Block 64 — also called the Al Ghubar / Qarn Alam licence — is a newly created concession carved out from PDO's Block 6 concession. The concession, spread over an area of 3,874 sq kilometres, is designated for exploration and production of non-associated gas and condensate.

Among the most prestigious of the EPSAs signed during the year was a concession agreement with Malaysia-based international energy giant Petronas for the exploration of gas in Block 63 in the west of the country. Covering an area of 3,709 sq kilometres, Block 63 (also known as the Natih/West Raba concession) straddles the boundaries of the Al Dahirah and Al Dakhiliyah regions.

Not long thereafter, US-based international oil firm PetroTel Inc won a concession to explore for hydrocarbons in Block 17 in the Musandam area of the Sultanate. The Texas-based firm's local subsidiary, PetroTel Oman LLC, is the operator of the 2,378 sq km block, a newly created concession that lies partly onshore and partly offshore in Musandam Governorate.

More recently, Indian energy giant Reliance joined hands with the state-owned Oman Oil Company to commence joint exploration activities targeting the offshore Blocks 18 and 41 in the Sea of Oman. Under the arrangement, Oman Oil Company agreed to take 30 per cent and 25 per cent stakes in Blocks 18 and 41 respectively, and commence joint exploration activities in the two blocks. Both concessions were awarded to Reliance against Exploration and Production Sharing Agreements signed during the past year.

Further underscoring Oman's appeal to overseas investors, at least four other blocks are due to be given away in a new round of licensing launched recently by the

Ministry of Oil and Gas. Blocks 40, 51, 36 and 38 represent a mix of onshore and offshore acreage now available for exploration. The government is hopeful of clinching deals with regard to at least some of these blocks before the end of this year.

Meanwhile, gas demand continues to outstrip supply in the face of Oman's growing requirements for energy as fuel and feedstock. Gas production increased by a nominal 0.6 per cent to 717.769 million cubic feet (MCF) during the first eight months of 2009, as against 713.420 MCF during the corresponding period of 2008.

Part of this burgeoning gas deficit is now being met following the commencement of supplies from Qatar via the giant Dolphin network late last year. The Omani government is also in discussion with neighbouring Iran, which sits on top of prodigious natural gas resources, with regard to the development of the giant Kish field as a potentially new source of gas.

With a view to ramping gas output in the face of soaring demand, the government roped in British Gas (BG) in April 2006 to explore for gas in Abu-Butabul (Block 60), a 1,500 km area in the centre of Oman which is believed to hold 'tight' gas reserves. Potential gas reserves are estimated at 8 trillion cubic feet (TCF) in Block 60, which is also believed to hold other exploration prospects.

In February 2007, energy major BP was awarded the concession to appraise and develop the Khazzan and Makarem gas fields in Block 61 in central Oman. Successful development of these 'tight' gas reservoirs could open up around 30 trillion cubic feet (TCF) in potential gas reserves. If proven to be rich and commercially developable, the fields could provide a potentially vast supply of natural gas to feed the country's escalating appetite for energy and feedstock.

Gas exploration efforts by BG and BP have yielded encouraging results thus far. BG Group, which holds a 100 per cent interest in Block 60, has drilled seven wells and tested gas in all of them. The Group is aiming to move to project sanction, and targeting commissioning of the facility towards the second half of 2012. In the adjoining Block 61 concession, BP has so far drilled and tested gas in four wells, and is currently drilling its fifth well.

Under an agreement concluded with the Ministry of Oil and Gas earlier this year, BP has launched an Extended Well Test (EWT) scheme that would allow for appraisal gas from the four wells to be fed to the government owned gas processing plant at Saih Rawl. Also as part of the EWT scheme, BP is building a gas compression station and associated facilities of a total capacity of 75 million standard cubic feet per day (mmscfd). Gas produced during the extended well testing phase, rather than being flared, will be pumped to Saih Rawl.

Qalhat LNG pacts a deal with Osaka Gas

Source: *Oman Tribune*, 16 November 2009

Qalhat LNG once again made history when took the challenge to be the first ever foreign LNG company to invest in power plant in Japan. Qalhat LNG has recently pact a deal with Osaka Gas Corporation, the prominent Japanese Gas utility company to own a 10% equity in Senboku Natural Gas Power Generation Co., Ltd., a wholly-owned subsidiary of Osaka Gas responsible for the management and operation of the recently inaugurated Senboku Power Plant. Qalhat LNG currently supplies LNG to Osaka Gas group through an existing long-term contract.

The equity acquisition by Qalhat LNG follows Osaka Gas' share acquisition in Qalhat LNG through its subsidiary, Osaka Gas Australia, in June 2006. Through this mutual ownership in the respective companies, it is intended that the two companies will strengthen their business partnership, thereby promoting the friendly ties between Oman and Japan. The determination to excel has been always a hallmark for Qalhat LNG and the company's vision envisages success and excellence in all spheres by setting up high standards.

Sheikh Alfadhel bin Mohammed al Harthy, Undersecretary of the Ministry of National Economy for Development Affairs, Chairman of Qalhat LNG stated on this occasion "Qalhat LNG has always been a source of pride for the national economy with several remarkable achievements since inception. The financing strategies, marketing innovations, international awards, and the highest Omanisation rates within the Omani oil and Gas sector are all remarkable achievements that thrill every

Omani.

We are extremely delighted to have signed this agreement that allow us for the first time to invest in the Japanese power generating market, a totally new experience for Qalhat LNG. This partnership is a clear indication of the Sultanate's healthy economy. I would like to thank all our partners and shareholders for their support in completing this historic partnership. Such joint ventures will certainly strengthen the Omani and Japanese business relations.

Harib al Kitani, President and CEO of Qalhat LNG said: "Qalhat LNG has always demonstrated excellence in all its operations and this was proven by the outstanding achievement throughout the years. These achievements have been driven by long-term finance project management and strategic planning that have resulted into new revenue generating areas. The Company has always enjoyed a very healthy cash position to the extent that Qalhat LNG approved two loan prepayments in the last two financial years, which is by all means a remarkable achievement considering the current globally difficult economic times."

Al Kitani added: "Signing this agreement of 10% acquisition of Senboku Power Plant is yet a remarkable achievement reflecting the company dedication to add value to the shareholders. This is a historic moment where for the first time in history an Omani Company owns equity and invests in Japan power generation sector.

Sultanate's oil exports in first eight months of 2009 up 10.1%

Source: *Oman Observer*, 7 November 2009

The Sultanate's total exports of crude oil stood at 158.313 million barrels during the first eight months of 2009, against 143.528 million barrels during the corresponding period of 2008, constituting a 10.1 per cent rise.

The monthly statistical bulletin published by the Ministry of National economy showed that the Sultanate's total production of crude oil and condensates stood at 194.970 million barrels by the end of August 2009, against 182.498 million barrels during the corresponding period of 2008, constituting a 6.8 per cent rise.

The bulletin showed that the average price of Oman oil per barrel fell by 49.9 per cent during the first eight months of 2009 to \$50.18 per barrel, against \$100.22 per barrel during the corresponding period of 2008.

China topped the countries importing Omani oil as it im-

ported 52.16 million barrels during the first eight months of 2009, against 69.81 million barrels during the corresponding period of 2008, constituting a 25.3 per cent, decline.

Thailand came second, as it imported 22.3982 million barrels by the end of August 2009, against 18.18 million barrels during the same period of 2008, constituting a 23.2 per cent rise. Japan came third as it imported 20.29 million barrels, against 20.79 million barrels during the corresponding period of 2008, constituting a 2.4 per cent, decline.

The sultanate's production of natural gas rose slightly by 0.6 per cent to 717.769 million cubic feet (mcf) during the first eight months of 2009, against 713.420 (mcf) during the corresponding period of 2008. Gas consumption rose by 0.6 per cent to 716.876 mcf by the end of August 2009 against 712.423 mcf during the same period of 2008.

BG, BP gas exploration results encouraging, says Rumhy

Source: *Oman Observer*, 3 November 2009

Gas exploration efforts by energy majors BG and BP, targeting tight gas reservoirs in central Oman, have yielded “encouraging results”, Oil and Gas Minister Dr Mohammed bin Hamed al Rumhy said. Successful development of the potentially prolific, but technically challenging reservoirs, could significantly augment natural gas supplies for Oman’s growing industrial, petrochemical and energy needs. In comments to the Observer, Dr Al Rumhy said he was heartened by efforts made so far by BG and BP in harnessing the hydrocarbon potential of their respective blocks.

“I am proud to inform that both companies are pursuing their commitments under the Exploration and Production Sharing Agreements (EPSAs) with encouraging results,” he noted. BG Group, which holds a 100 per cent interest in Block 60 containing the Abu Butabul gas and condensate discovery, has drilled seven wells and tested gas in all of them, said Dr Al Rumhy.

“The company is busy working on devising the most effective exploitation plan for the resources discovered in the field. Some of the wells are under a long-term production test to assess the sustainability of both gas and condensate production from the reservoirs. We will enter into a serious discussion with them when they are ready with the development plan,” he stated.

BG Group, which acquired the 1,500 sq kilometre block under an EPSA signed in April 2006, completed the 3D seismic acquisition of the entire concession in early 2008. According to BG, gas condensate was found in all seven appraisal wells drilled by the company during 2008-2009. No further wells are planned to be drilled as focus now shifts to finding optimum ways to develop gas from the field.

The Group says it is aiming to move to project sanction, and targeting commissioning of the facility towards the second half of 2012. In the adjoining Block 61 concession, energy giant BP has so far drilled four wells and is currently drilling its fifth well, Dr Al Rumhy said. “As in the case with BG, gas was tested in all these wells, which is encouraging news for all of us.

The plan is for the first few BP wells to be produced via a pipeline to Saih Rawl Central Processing Station (SR-CPP), whereby early monetisation of resources is realised. Moreover, production through the SR-CPP will also give BP some time to assess the reservoir performance and come with a long-term integrated resource exploitation plan,” the Minister added. BP’s Block 61, for which it signed an EPSA in February 2007, holds the very promising Khazzan & Makarem gas fields.

The company has announced a commitment to investing \$650 million during the initial six-year appraisal phase of the project. At a press briefing in July this year, BP Oman General Manager Dr Jonathan Evans estimated the block’s total gas resource at 30-40 trillion cubic feet (TCF) of gas in place, which representing a potentially huge natural gas resource for the Sultanate.

Under an agreement concluded with the Ministry of Oil & Gas earlier this year, BP has launched an Extended Well Test (EWT) scheme that would allow for appraisal gas from the four wells to be fed to the government owned gas processing plant at Saih Rawl. Also as part of the EWT scheme, BP is building a gas compression station and associated facilities of a total capacity of 75 million standard cubic feet per day (mmscfd). Gas produced during the extended well testing phase, rather than being flared, will be pumped to Saih Rawl.

Sultanate’s oil production set to rise to 850,000 - 900,000 b/d in 2010: Rumhy

Source: *Oman Observer*, 2 November 2009

Oman’s oil output is set to increase significantly during 2010 on the back of the hydrocarbon sector’s continuing healthy performance, according to Oil and Gas Minister Dr Mohammed bin Hamad al Rumhy (pictured). Production is projected to increase to between 850,000 and 900,000 barrels/day (b/d), maintaining a year-on-year trend in output growth. This jump compares with a current output of around 805,000 b/d for 2009, entailing a 6.5 per cent increase over the 2008 output of 756,000 b/d, and a 13 per cent rise over the 2007 output of 710,000 b/d.

“The hydrocarbon sector is healthy and looks very

promising,” Dr Al Rumhy said. “As you are aware, our production rate has been increasing year-on-year. In 2009, we expect to average around 805,000 b/d compared to that of 2007 and 2008 at 710,000 and 756,000 b/d respectively. The production for September 2009 has been around 840,000 b/d. For 2010 and beyond, we will be doing between 850,000 to 900,000 b/d,” he added in an interview to the Observer.

The upbeat hydrocarbon projections for 2010, Dr Al Rumhy pointed out, further underscore continuing successes by oil producers in ramping up output. “We are fortunate that all producers have so far met or exceeded

their production targets. For example, PDO is expected to end the year at 555,000 b/d (excluding condensate), Oxy at around 140,000 b/d, and Daleel Petroleum around 22,000 b/d, which is very encouraging for all of us. There exists a number of growth opportunities which will be realised in the coming years," he said.

Dr Al Rumhy also emphasised Oman's continuing investment appeal to international oil companies, with the Ministry planning to shortly launch a new licensing round for a number of hydrocarbon blocks. "Indeed, Oman has continued to attract foreign investors, despite the slow global market condition," he said, attributing this appeal to the healthy state of the Sultanate's oil and gas sector and its prospects for growth in the future.

"We have floated a few tenders in the middle of the year, and we are in discussion with some of the interested companies, the results of which will be known before the end of the year. We are also in preparation for a new bid round soon. We are confident that we will get reputable companies to work on them. Our doors are open for any size of companies who are willing to be our partners. Our process is transparent." On the gas front, Oman continues to meet the demand of customers, Dr

Al Rumhy said, noting that gas availability is currently well over 99.8 per cent. But he acknowledged "production challenges" in the continuing quest to boost gas output. "We have to be smarter in the way we develop our fields by selecting the right technology for the right field," he noted.

Commenting on the outlook for the gas sector, he said the uptake of gas was projected to increase during end-2009 and early 2010, following a period of lower demand on account of the global slowdown. "The gas sector, like oil, is healthy. However, unlike oil, the demand for gas by our customers, especially the LNG buyers, was lower in 2009 than that of 2008. For this reason, we had to reduce our gas production, mainly that of PDO, while meeting all of our commitments to our customers. While the global market is healing, some of our customers have notified us of their willingness to take up the make-up gas quantities later this year or early in 2010."

Dr Al Rumhy also welcomed the progress made by BG and BP in efforts to explore for gas in their respective blocks in central Oman. Asked about proposals for the establishment of a major refinery and petrochemical complex at Duqm, Dr Al Rumhy voiced hope that the initiative would move ahead in the future.

Oman's daily crude output up 6.8% in first eight months

Source: *Times of Oman*, 26 October 2009

Oman, the largest Arab oil producer that isn't a member of the Opec, saw crude oil and condensate production in the first eight months of 2009 rise 6.8 per cent to 802,300 barrels a day.

The Sultanate saw the average price per barrel drop 50 per cent to \$49.90 compared with a year earlier, according to a statistical report sent by e-mail yesterday by the Ministry of National Economy.

Oman is boosting oil production at a time when Opec

members, which supply about 40 per cent of the world's crude oil, continue to rein in output to stem falling prices. Crude for December delivery traded at \$79.76 at 1:46 pm Singapore time.

Natural gas production rose 0.6 per cent to 718 billion cubic feet in the first eight months of the year, the report said. Associated gas, produced alongside crude oil, fell 6.2 per cent to 140 billion cubic feet. Non-associated gas rose 2.4 per cent to 577.8 billion.

Oman Oil, Reliance Industries join hands

Source: *Oman Observer*, 15 October 2009

Oman Oil Company Exploration and Production (OOC EP) and Reliance Exploration and Production DMCC, Dubai (REP DMCC) entered into a new phase of co-operation with the signing of Farm Out and Joint Operating Agreement yesterday. The agreement was signed by Maqbool bin Ali Sultan, Minister of Com-

merce and Industry, and Atul Chandra, Director of REP DMCC. Maqbool is also the Chairman of Oman Oil Company SAOC.

Under the agreement the OOC EP will have 30 per cent and 25 per cent stakes in 18 and 41 blocks offshore

Oman respectively and the two companies will commence joint exploration activities in the blocks. Commenting over the agreement Maqbool expressed happiness and said: "I am very excited about the prospect OOC EP being involved in such a large activity in the Sea of Oman.

"Reliance Exploration and Production are a solid partner and I look forward to a long and mutually rewarding relationship in which we will explore the hydrocarbon treasures that lie below the waters of the Sea of Oman," he said. Atul Chandra said: "It is a very good beginning between OOC EP and REP DMCC. It will lead towards greater co-operation between the two companies.

The support we have had from OOC EP gives me a great deal of confidence that we can take on the challenges of offshore exploration operations in Sea of Oman." Oman offshore Blocks 18 and 41, located in the Sea of Oman, were awarded to Reliance Industries Limited on the basis of Exploration and Production Sharing Agreements (EPSA) signed on March 12, and December 26 respectively. Under the terms of the EPSA's, OOC EP will have future provision in both blocks to increase its participating interest up to 50 per cent.

The Joint Operating Agreement provides a basis to establish a joint operating company to be managed by the

two companies upon a commercial discovery being established in Block 18. Under the terms of the contract, both companies will co-develop a programme to cover all aspects of Block 18 exploration and development, including sub-surface and surface studies and will closely monitor the work undertaken by partner companies.

OOC EP is a commercial company, wholly owned by Oman Oil Company SAOC. The company was formed in 2009 to manage existing OOC upstream assets and future investment opportunities in the hydrocarbon exploration and production both inside and outside Oman. Reliance Group is India's largest private sector enterprise, with businesses in energy, petrochemicals and the materials value chain.

Reliance Industries Limited (RIL), the group's flagship company, lists among the Global Fortune 500 companies. Dubai based 100 per cent subsidiary of RIL, REP DMCC, is engaged in the business of exploration and production of natural resources; primarily oil and gas outside India. REP DMCC's portfolio consists of 14 blocks spread across Oman, Yemen, Kurdistan Region of Iraq, East Timor, Peru, Australia and Colombia. In Oman, REP DMCC owns two blocks in Sohar Basin, namely Block 18 and Block 41. Both the blocks are located offshore Batinah coast.

Oman Oil Company, IPIC sign MoU

Source: *Oman Observer*, 7 October 2009

Oman Oil Company (OOC) and the International Petroleum Investment Company (IPIC) of the United Arab Emirates branch yesterday signed a memorandum of understanding (MoU) to conduct a feasibility study for the setting up of a refinery and a petrochemicals complex at Al Duqm Port. The MoU was signed by Ahmed al Wahaibi, CEO of OOC, and Khadem al Qubaisi, IPIC's Managing Director.

The MoU will entail an in-depth assessment of both the feasibility and implementation of the projects. The proposed site for the project is in Al Duqm Port district. The final configuration will be based on detailed feasibility and marketing studies which will be undertaken by OOC and IPIC in conjunction with international consult-

ants.

Al Wahaibi said the signing of the MoU stems from the attention accorded by the government of His Majesty Sultan Qaboos to establish heavy industries at Al Duqm Port with added value and high technologies such as petrochemicals industries. Al Wahaibi added that "the construction of refineries and petrochemical facilities at Al Duqm will be of significance, not only to the OOC and IPIC, but also the Sultanate's economy."

Meanwhile, Al Qubaisi said, "We are delighted to have the opportunity to participate in this project. We see significant synergistic potential between the IPIC and Oman Oil Company." — ONA

OGC achieves new record for natural gas delivery

Source: *Oman Observer*, 6 October 2009

Gas volumes transported by Oman Gas Company SAOC (OGC), the country's largest natural gas transporter, hit record highs at the end of summer, the company announced here yesterday. A new peak flow

record of 38.65 million standard cubic metres per day (1,368 million standard cubic feet per day) of natural gas was achieved by OGC towards the end of summer, the company said.

“This record is the highest recorded peak delivery of natural gas in the history of the Sultanate in a single day,” OGC added in a statement.

Abdulaziz al Mujaibi, OGC’s GM — Operations (pictured), attributed the increase to the proliferation of heavy industries like Oman Methanol Company, Sohar Fertiliser (SIUCI), and the large power plants of Sohar Aluminium and Sohar Power Company in the Sohar Industrial Port Area, as well as SMN Barka Power Company in the Batinah region, in addition to oil operations.

Such an achievement is indeed in line with the overall excellent gas availability record maintained by OGC throughout the year, Al Mujaibi said, noting that gas availability has crossed the 99.996 per cent mark OGC serves more than 31 customers through a vast distribution network involving about 2,500 km of pipelines and

compressor stations spread all over the country.

Set up in 2000 as a gas distribution company, OGC continues to live by its vision to become a world-class hydrocarbon infrastructure operator by building a value adding and safe business, manned by highly motivated and competent Omanis. Its goal is to contribute to Oman’s economic progress by ensuring uninterrupted and reliable supplies of natural gas to consumers throughout the country.

OGC’s gas transportation infrastructure has been growing at a rapid pace in step with the growing demand for natural gas around the country. The state-owned company, jointly owned by the Government represented by the Ministry of Oil and Gas (80 per cent) and Oman Oil Company (20 per cent), currently serving power plants, industries, and other consumers around the country.

Al Hassan wins Kauther gas subcontract

Source: *Oman Observer*, 14 September 2009

Al Hassan Engineering Company SAOG (AHEC) has been selected by Petrofac, the international oil and gas facilities service provider, to execute the construction contract for Petroleum Development Oman’s (PDO) Kauther gas-field depletion-compression project. In July 2009, PDO awarded a contract with a value in excess of \$350 million to Petrofac for the Kauther gas-field depletion-compression project.

Petrofac will undertake the engineering, procurement and construction (EPC) of the gas compression system, and associated facilities at the Kauther gas plant, in addition to the commissioning and six months of initial operations. In turn, Petrofac has selected AHEC to execute the Civil, Structural, Piping, Mechanical, Electrical, Instrumentation, Telecom and HSE works.

“We are extremely happy to have successfully secured the construction contract for the Kauther gas depletion compression project,” Peter Hall, CEO of AHEC said.

“The Kauther Project builds on our significant reference list in the oil and gas facilities sector. We have been associated with the Shams Gas and Condensate Develop-

ment Project carried out for PTTEP, which was adjudged by Construction Week Dubai as the best ‘Small Project of the Year’ for 2007. In a joint venture with SNC Lavalin, Canada we have built the Saih Nihayda Gas Treatment plant which was adjudged the Best Project in 2005 by PDO as well as Oman’s Best Project by Construction Week.”

Commenting on the award, Jasbir Singh, General Manager of AHEC, said, “AHEC has been awarded this job based on the excellent credentials it has in major industrial projects involving Civil, Mechanical, Electrical and Instrumentation works.”

The Kauther order adds further to AHEC’s healthy current order book which includes a number of major projects under various stages of construction: Al Seeb Sewage Treatment Plant for Haya Water/Hyundai Rotem, Nimr-C Full Field Water Injection Project for PDO, Burhan West — Harmal Pipeline Project for PDO, Salalah Methanol Project for GS Engineering & Construction, Amal Power Plant Project for PDO and a number of other projects in the Power sector in addition to Civil works for a Sub-station for Siemens in Dubai.

Rising oil prices may contribute to 2009 budget surplus: Global

Source: *Oman Observer*, 8 September 2009

Oman’s government may end up with a comfortable surplus by the end of 2009 on the back of rising oil prices, according to the Kuwait-based Global Investment House (GIH). With oil prices well above the con-

servative budgeted price of \$45 per barrel, the Sultanate’s fiscal position may no longer be under pressure this year, but on the contrary, is likely to even report a surplus.

“Oman has adopted an expansionary fiscal policy since 2003 aimed at diversifying the economy. Such a policy was supported by the ongoing increase in revenues mainly from oil and gas. Expenditures were mainly focused on investment expenditures much more than current expenditures. On a CAGR basis this could be shown over the period 2003-08 as both revenues and expenditures grew by 18.8 per cent over the period. The oil boom has helped total revenues to increase significantly from RO3.3 billion in 2003 to a record level of RO7.8 billion by the end of 2008,” Global said in its latest analysis on the Omani economy.

Oil and natural gas sector surpluses generally play a dominant role in revamping the fiscal position of the Sultanate’s economy. Net oil revenues reported 17.9 per cent growth, increasing from RO2.3 billion to RO5.3 billion over the period 2003-08. Gas revenues also grew 59.9 per cent from RO87 million to RO 909.9 million by the end of 2008.

“It is important to note that increasing oil and gas revenues supported the fiscal surplus which was used to retire public debt year after year. Thus, the improved fiscal position over the years has allowed the government to reduce the public debt from 13.9 per cent of GDP in 2004 to 4.2 per cent by the end of 2008,” Global said. In absolute terms, public debt continued to decline significantly over the past five years to report a CAGR of -7.5 per cent over the period. Public debt declined from RO1.3 billion in 2004 to RO964.8 million in 2008. Consequently, debt service also retreated from RO447.7 million in 2002 to RO354.3 million in 2008 reporting a declining CAGR of -5.7 per cent.

The new 2009 budget, says Global, was prepared in the backdrop of the global financial crisis and recession coupled with a large decline in oil prices. “Bearing this in mind, the government continued its expansionary fiscal policy aiming to support the economic growth. Thus the new budget slightly reprioritised expenditure, but without compromising on key projects to remain within the framework of the Seventh Five-Year Development Plan (2006-2010).”

The new budget will generate a deficit of RO 810 million as compared to RO 400 million of budgeted deficit last year. “The Ministry of Finance is of the view that it is important to counter the recessionary cycle through increasing government expenditure on major development projects aimed at diversifying the economy even if this would result in a deficit. After all, favourable oil prices witnessed in recent years had allowed the government to accumulate lots of surpluses that would assist in financing any possible deficit, Global commented.

Total revenues for 2009 are estimated at RO 5.6 billion, around 4 per cent up from RO 5.4 billion estimated in

2008 budget. As usual, the majority of Omani estimated revenues for 2009 were on account of oil and gas revenues. Oil and gas revenues are projected to comprise around 74.7 per cent of total 2009 revenues. The oil revenues for 2009 are estimated at RO 3.5 billion, a decline of 2.4 per cent from RO 3.6 billion estimated for 2008. Such a decline is due to major assumptions for the current budget where oil production is set at 805,000 b/d and the oil price is set at the same budgeted level as for 2008 at \$45/b.

However, gas revenues are set to report 8.1 per cent of growth for 2009 estimated at RO 670 million. The expected increase in gas revenues is based on two main factors, namely; the commissioning of gas fields — such as Kauther — after drilling and exploration campaigns in addition to improved terms of contracts and agreements. As for non-oil revenues for 2009, they are estimated at RO 1.4 billion, up 21.5 per cent from RO 1.2 billion budgeted for 2008. Despite the prospect of economic slowdown, the estimated rise in non-oil revenues are attributed to expected increase in tax base and revenues as well as fees and non tax revenues.

Total expenditures for 2009 were estimated at RO 6.4 billion, up 10.8 per cent from RO 5.8 billion estimated for 2008. The higher expenditure projected for 2009 was due to 13.2 per cent increase in current expenditures coupled with 2.9 per cent increase in investment expenditures. Under current expenditures, the budgets for “civil ministries” and “defence and national security” represent the largest shares of 53.5 per cent and 38.4 per cent respectively. Both categories are estimated to report double digit growth rates of 12.8 per cent and 13.6 per cent over 2008 budgeted levels to stand at RO 2.1 billion and RO 1.5 billion respectively.

As for investment expenditures, they are estimated at RO 1.91 billion as compared with RO 1.86 billion budgeted for 2008. According to the official sources; “the increased investment expenditure decided by the government is a matter of policy to continue with key infrastructure and development projects. This policy is long-term driven and based on the future developmental requirements of the country”.

Finally, the budgeted deficit would be financed through drawing from government reserves at RO 710 million and external borrowing at RO 100 million. However, given that the budget is based on a conservative oil price assumption of \$45/barrel, the Oman government will most likely end up with a comfortable surplus in 2009. “This is primarily because oil prices have started to recover considerably in 2009, exceeding the conservative budgeted price. Thus, in case oil prices sustain current levels up to the end of the year, Oman’s fiscal position might not be under pressure, and might even report a surplus,” Global stated.

Oman's oil exports to China zoom 111% in July

Source: *The Week*, 29 August 2009

Oman's oil exports increased by 111 per cent in July over the previous month, making Oman the fourth largest exporter of oil to China, according to figures released by China's General Administration for Customs.

The sultanate exported 1.63mn metric tonnes (mt) of oil to China in July, a sharp increase compared to the 773,053mt imported in June. This is a 93 per cent rise in exports to China as compared to July 2008.

Xiao Wensheng, Head of China's Economic and Commercial Office in Oman, told *TheWeek* that a number of

factors could explain the dramatic rise in the imports of Omani oil into China. "There was a decline in oil imports last year, and this big increase in July reflects a return to normality in China." "This can be explained by China having built up large oil reserves in 2008. But that stock has been used, and now the demand for oil is back", Wensheng said.

The increase in Oman's oil exports to China reflected a boost of the market share for the Middle East as a whole, with 55.7 per cent of all oil exported to China coming from the region.

Al Hassan Engg wins \$47mn contract

Source: *The Week*, 29 August 2009

Al Hassan Engineering Company (AHEC), one of the leading engineering, procurement and construction (EPC) firms in the country, has bagged a contract to implement the civil, mechanical, piping, engineering and installation works of Kauther Gas project of Petroleum Development Oman (PDO).

Al Hassan has received a letter of intent for executing the \$47mn-worth project from the main contractor Petrofac. According to the proposal, the project will be completed within 30 months.

The Kauther Gas Plant, which can process up to 20 million cubic metres of gas per day, was inaugurated earlier this year. Gas is collected through a gathering system

involving lengthy bulk lines, three remote manifolds and over 40km of flow-lines hooked up to 14 production wells.

In July, Al Hassan won an EPC contract for a 2x126MW gas-based open cycle power project for PDO at its Amal facility. This multi-million dollar project is to be executed on EPC basis over a period of 24 months. With the Amal Power Station EPC contract, AHEC builds upon its already extensive experience of having been involved with the construction of more than 2,000MW of installed power in Oman, which includes Sohar Aluminium's 1,000MW captive power plant and the largest power projects undertaken in the PDO network at Qarn Alam and Mukhaizna.

Mott MacDonald wins OXY Oman oil and gas contract

Source: *Oman Observer*, 22 August 2009

Mott MacDonald has been awarded a three-year general engineering services contract by Occidental of Oman Inc (OXY). Through this agreement Mott MacDonald will provide multi-disciplinary engineering design and technical support services for the oil and gas surface facilities expansion and operational activities at OXY's concessions regions presently in Blocks 9 and 27 of Safah, Wadi Latham and Khamila. "Mott MacDonald's oil and gas professionals will work alongside OXY's team of engineers to share knowledge and provide training to help achieve OXY's corporate objectives.

Through this contract OXY aims to deliver operational excellence, achieve sustainable growth and promote knowledge transfer throughout the development, expansion and operational activities in the concession regions," the company said in a press statement. The scope of Mott MacDonald's role includes conceptual

studies to identify system improvements, detailed design and reviews, building services for auxiliary buildings, preparations of contract documents, quality control reviews and evaluation of tender submissions.

Through this agreement Mott MacDonald will contribute to the improvement of facility operations and maintenance processes, while maintaining business and asset integrity.

Vinod Shah, who leads Mott MacDonald's oil and gas team of 450 staff in Oman said, "We're delighted to be appointed by OXY on this prestigious contract. The scope of the agreement is flexible to encourage real innovation and the adoption of state of the art technologies. Mott MacDonald has a long history of providing Engineering Services in Oman and we are committed to bringing our world class expertise and local knowledge to find the best solutions for OXY's benefit."

Agreement signed for oil and gas repository

Source: *Oman Observer*, 2 August 2009

Dr Mohammed bin Hamad al Rumhy, Minister of Oil and Gas, yesterday signed an agreement with Halliburton Worldwide Limited to establish the Seismic Phase of Oman Oil and Gas Data Repository (OGDR).

The contract provides for the supply and installation of hardware, software and services. Halliburton will also operate OGDR with seismic data and provide maintenance and support services for hardware and software during the contract term.

In addition, the contractor will provide training for MOG

staff who will take over operations after all initial data is loaded. The responsibility for providing the service will eventually be transferred to the Ministry of Oil and Gas.

The Seismic Phase is the first phase towards the OGDR project which aims to preserve all significant data in the course of performing exploration and production activities in the Sultanate in order to offer optimum exploitation of hydrocarbon resources. The data available will thus quickly and efficiently enforce industry standards and provide guidelines for operators who submit data to the ministry.

Enhanced Amal oil recovery project gets PDO go-ahead

Source: *Oman Observer*, 2 August 2009

The Board of Directors of Petroleum Development Oman (PDO) has approved the full-scale development of the Amal East and West fields by means of steam-based enhanced oil recovery (EOR) techniques. Amal will thus become the site of the fourth field-development project in the company's EOR portfolio, which currently consists of a polymer-injection project at Marmul, a miscible-gas injection project at Harweel and a steam-injection project at Qarn Alam.

"This is another milestone in the execution of our strategy for the long-term sustainability of the nation's oil and gas production. That strategy is based on the application of appropriate technology and the development of capable people," PDO's Managing Director John Malcolm said. PDO has been producing oil by conventional means since 1984 at Amal, which is in south Oman. But the oil is heavy, limiting the rate of production as well as the percentage of the oil in place that can ultimately be recovered. The application of steam will enable the Amal oil to be produced more quickly and in greater volumes.

The peak production rate from the two fields is expected to be three times the current production rate. Steam-injection trials to support the full field development have

been ongoing at Amal since 2007. Steam will be used in different ways in each field. In Amal West, the steam will drive oil from dedicated injection wells towards dedicated producing wells. At Amal East, which contains heavier oil, the steam injection and oil production will take place through the same wells. The steam is first injected into the reservoir, allowing it to heat the oil around the wells, and then the hot oil and water are back-produced from the same well in a repeated cycle.

The field-development plan calls for a total of 300 new wells to be drilled over a 14-year period. Facilities ready to receive the "hot" oil are planned to be in place by the end of 2012. A single steam-generation facility will be built for both fields. Like the Qarn Alam project, the Amal project aims to minimise the amount of natural gas burned to create steam by capturing the waste heat from power-plant turbines to this end.

As pointed out by Malcolm: "The co-generation of electricity and steam not only enables PDO to minimise the amount of additional gas needed for thermal EOR developments but also reduces its greenhouse-gas emissions. The Amal project is another good example of how we are making our business economically, environmentally and socially sustainable for the long term."

Oil production rises in Oman

Source: *Oman Observer*, 1 August 2009

The Sultanate's total exports of crude oil stood at 97.76 million barrels during the first five months of 2009, against 90.72 million barrels during the same period of 2008, constituting a 7.8 per cent rise.

The monthly statistical bulletin published by the National Economy Ministry showed that the Sultanate's total production of crude oil and condensates stood at 119.25 million barrels by the end of May 2009, against

112.28 million barrels during the same period of 2008, constituting a 6.2 per cent, rise.

The average daily production stood at 789,800 barrels by the end of May 2009 against 738,700 barrels during the same period of 2008, constituting a 6.9 per cent rise. The bulletin showed that the average price of Oman oil barrel fell by 50.2 per cent during the first five months of 2009 to \$44.84 per barrel, against \$90.03 per barrel during the same period of 2008.

China topped the countries importing Omani Oil as it imported 31.50 million barrels during the first five months of 2009, against 45.56 million barrels during the same pe-

riod of 2008, constituting a 30.9 per cent decline. Thailand came second, as it imported 14.24 million barrels by the end of May 2009, against 11.90 million barrels constituting a 19.6 per cent rise. Korea came third as it imported 11.10 million barrels, against 6.57 million barrels during the same period of 2008, constituting a 68.8 per cent rise.

The Sultanate's production of natural gas rose by 0.8 per cent to 443.465 million Cubic Feet (MCF) during the first five months of 2009, against 439.811 (MCF) during the same period of 2008. Gas consumption rose by 0.8 per cent to 442.487 MCF by the end of May 2009 against 438.812 MCF during the same period of 2008.

Block 61 appraisal gas to begin flowing from 2010: BP

Source: *Oman Observer*, 15 July 2009

Appraisal gas from BP's Khazzan & Makarem gas fields will begin flowing into the Government Gas System from next year, marking a key milestone in efforts by the energy major to develop its potentially rich Block 61 concession in central Oman. Flow rates from an initial well drilled have been modest, but with more appraisal wells due to be brought into early production over the course of the next 12 months, BP is hopeful that gas flows and the overall economics of the project will be attractive enough for the block to be commercialised.

Any "declaration of commerciality" — a decision slated for mid 2012 — will open up access to a potentially huge natural gas resource for Oman, said Dr Jonathan Evans, General Manager — BP Oman. "The total gas resource in the block, we believe, is 30-40 trillion cubic feet (TCF) of gas in place. This is a huge resource of gas," Dr Evans told journalists at a media briefing.

But he acknowledged that the block's 'tight gas' reservoirs, located at depths of around 5,000 metres, present enormous technical challenges. "The challenge is how to make it produceable. In a normal reservoir we might get around 80 per cent out of the ground. In the case of Block 61's tight reservoirs, the recovery factor may be much lower."

But he added: "We anticipate that we will have a development which will produce at least 1 billion cubic feet (BCF) of gas per day, which given Oman's current production of 2-3 BCF, will increase the country's overall gas output by almost 50 per cent." Already, the international energy giant has made significant headway in the appraisal of the block two years after it signed a major exploration and production sharing agreement with the government for the Khazzan-Makarem concession. A 3-D seismic acquisition programme covering the 2,800 sq

km area of the concession was completed last August in the biggest such onshore exercise carried out at the time. Processing of the new seismic data is currently under way.

A drilling programme — part of a \$650 million investment commitment made by BP during the initial six-year appraisal phase of the project — began in September 2008. To date, four wells have been drilled to depths reaching around 5,000 metres. Further appraisal wells will be drilled over the course of this year and the following year.

Under a recent agreement reached with the Ministry of Oil and Gas, BP has launched an Extended Well Test (EWT) scheme that will allow for appraisal gas from the four wells to be fed to the government owned gas processing plant at Saih Rawl, said Dr Evans. As part of the EWT scheme, BP has awarded Canadian firm Enerflex a contract to build a gas compression station and associated facilities of a total capacity of 75 million standard cubic feet per day (mmscfd). Under the contract, gas produced during the extended well testing phase, rather than being flared, will be pumped to Saih Rawl, some 30 kilometres away.

"The EWT programme will go on for at least a year, perhaps longer, and the results will develop our understanding of the reservoir. That will help us with our commerciality decision based on the contract we have, the costs we envisage, and production rate we can get," Dr Evans said. That decision point, the general manager said, is around mid-2012 when BP "will decide whether we are willing to commit what will be a very significant development, probably in the billions of dollars, with many wells and a very significant development facility". First gas flows pursuant to full field development are projected by 2016, he added.

Petrofac wins \$350m Kauther gas compression contract from PDO

Source: *Oman Observer*, 4 July 2009

Petrofac, the international oil and gas facilities service provider, has been awarded a contract worth more than \$350 million for the Kauther gas-field depletion-compression project. The contract was awarded on behalf of the Government of Oman by Petroleum Development Oman (PDO), which has been developing the Sultanate's gas fields on behalf of the Government since 1978. Petrofac will undertake the engineering, procurement and construction (EPC) of the gas compression system, and associated facilities at the Kauther gas plant, in addition to undertaking the commissioning and six months of initial operations.

The project follows the successful completion of the Kauther gas plant in 2007, which Petrofac built on an EPC basis for PDO, including commissioning and operations. The RO 171 million Kauther Gas plant can process up to 20 million cubic metres per day of gas destined for the Omani market. The gas is collected via a gathering system involving lengthy bulk lines, three remote manifolds and over 40 km of flow-lines hooked up to 14 production wells. The processed gas is exported to the Government Gas System via an 85-kilometre pipeline from where it is delivered to customers in Muscat and Sohar area.

Condensate, valuable hydrocarbon liquids produced along with the gas, is transported via a 103 kilometre pipeline to the Saih Rawl Central Processing Plant and onto the Mina Al Fahal crude export terminal via PDO's Main Oil Line. The Kauther plant was built in record time and came on stream two months ahead of schedule. The Kauther field was discovered in 2001 and its development was fast-tracked by the Gas Board, representing our 100 per cent government shareholder construction of the Kauther plant started in mid-2005 and involved the execution of four parallel contracts; the Kauther Gas Plant, the gas and condensate pipeline network, electrical overhead lines and the field gathering system.

In early 2008, Petrofac was asked to carry out the front end engineering and design (FEED) for the gas depletion-compression project and then invited to submit a commercial proposal for the EPC. Maroun Semaan, group chief operating officer of Petrofac, commented: "We are delighted to have successfully secured the Kauther gas depletion compression project. This award serves to further reinforce Petrofac's commitment to the Omani market, gives us continuity of business in the Sultanate and again highlights Petrofac's continued competitiveness in the Middle East."

MoU signed to enhance Sohar Refinery's efficiency

Source: *Oman Observer*, 24 June 2009

Oman Refineries and Petrochemicals Company LLC (ORPC) yesterday signed a MoU with two leading Korean firms for technical assistance in enhancing the energy efficiency of its world-scale Sohar Refinery plant. Under the MoU, Korea Energy Management Corporation (KEMCO), a Korean government-owned energy management specialist, and GS Caltex Corporation, a prominent petrochemicals firm, will jointly support ORPC's efforts to make the Sohar complex energy efficient in line with the company's operational and environmental objectives.

ORPC's Chief Executive Officer Dr Adil Abdulaziz al Kindy inked the MoU on behalf of the company. KEMCO's chief executive officer and GS Caltex's Senior Executive Vice-President, signed on behalf of their respective companies. A number of senior officials of the Ministry of Oil and Gas, as well as ORPC, attended the MoU signing at the Grand Hyatt Muscat.

The co-operation agreement will result in considerable savings for ORPC, notably through enhancements in energy and operational efficiencies. Speaking to journal-

ists, GS Caltex's Son-Gyu Chon, who head the project management team, said the initiative is being funded by the Korean government within the framework of co-operation with the Omani government on the one hand, and ORPC, on the other.

Chon outlined three key objectives in the year-long collaboration between ORPC and the Korean firms. The first covers technical training for two groups of Omani engineers drawn from ORPC's Sohar and Mina al Fahal refineries. In the second stage, KEMCO will begin monitoring the energy efficiency of the Sohar refinery, as well as maintain an inventory of greenhouse gas emissions from the plant.

These findings are crucial to achieving the project's central goal of increasing the plant's energy efficiency, said Chon. In the final stage, KEMCO and GS Caltex will assess the energy improvement potential of the Sohar refinery, centring primarily on its RFCC and downstream units. Of nearly 20 areas that hold potential for efficiency improvement, at least nine are very promising, he said.

Gas feed price for Qalhat LNG raised

Source: *Times of Oman*, 22 June 2009

The Sultanate's government has signed an agreement with Qalhat LNG Company to increase gas feed price for 20 years.

The agreement was signed by Ahmed bin Abdulnabi Macki, minister of national economy and deputy chairman of the Financial Affairs and Energy Resources Council; and Mohammed bin Hamed Al Romhi, oil and gas minister; Sheikh Alfadhel bin Mohammed Al Harthy, chairman of Qalhat LNG and Harib bin Abdullah Al Kitani, president and CEO of Qalhat LNG.

In a statement, Macki said the agreement would ensure more income for the government as it stipulates improvement in prices of gas supplying to Qalhat LNG.

Qalhat LNG Company managed to successfully contribute to creating added value for the LNG industry in the Sultanate and enhance sources of national income.

Al Romhi said: "Signing of this agreement reinforces the prominent status of Omani oil and gas companies and their ability to make profits especially at these difficult times, considering the challenges facing the global oil and gas markets."

He commended the success made by Qalhat LNG in negotiating with international buyers to increase prices.

He said these efforts affirmed the integration that distinguishes the relation between the government and the companies in charge of gas industry and marketing.

Sheikh Alfadhel bin Mohammed Al Harthy was upbeat on the company's achievement. He commented that the company's strategy was designed in a way to help achieve remarkable results and accomplishments based on the economic vision of the Omani economy 2020.

"The newly-signed gas price revision agreement would create substantial value addition to the government. The achievement made by the company is a reflection of the success of all our business partners: the Sultanate's government is the most important of all," he added.

Harib bin Abdullah Al Kitani commented the support provided by the Sultanate's government to the company's marketing policies and programmes.

Al Kitani also pointed out that this agreement affirmed the keenness of Qalhat LNG to exert more effort to contribute to achieving the aspired goals of the Sultanate's government.

Qalhat LNG owns the third LNG plant in Sur with a capacity of 3.3mtpa of LNG production. While the government owns 46.84 per cent, Oman LNG LLC owns 36.8 per cent, Union Fenosa Gas SA owns 7.36 per cent, Itochu, Mitsubishi Corporation and Osaka Gas equally own the remaining 9 per cent.

Qalhat LNG Company, which produced and exported the first LNG shipment in December 2005, has achieved various international awards in the field of services rendered by it.

Oman Oil buys Gas Natural's interest in Enagas

Source: *Oman Observer*, 2 June 2009

Oman Oil Company (OOC) signed an agreement here yesterday to buy Spanish utility Gas Natural's five per cent stake in Enagas, one of Spain's leading natural gas transportation companies.

The agreement was signed by Ahmed bin Salim al Wahaibi, CEO of OOC and Rafael Villaseca CEO of Gas Natural. Al Wahaibi told Oman News Agency (ONA) that the acquisition of Enagas' stake was in line with OOC's strategy to expand its global investments in the energy sector.

The move also enhances OOC's efforts to diversify its local and international investments' portfolio, he added. Enagas of Spain is a leading company in the area of natural gas transportation, re-processing and storage. In addition, it is the main operator of Spain's gas distri-

bution system.

Its facilities include over a 8,000 km of high pressure gas pipes and three plants for reprocessing of gas. The production capacity of these plants is estimated by 4.350 million cubic metres of liquefied gas. Enagas also possesses the underground natural gas storage. The Omani government owned OOC was established in 1996 as an investment vehicle in the domestic and overseas energy sectors.

OOC's local and international investment cover more than 30 exploration and oil production projects, as well as those involving infrastructure, transportation of energy, refining, marketing and mining. Yesterday's agreement is subject to approval from Spain's regulatory authorities. — ONA

Sohar gets Gulf's first bitumen refinery

Source: *Times of Oman*, 31 May 2009

An agreement worth over \$200 million for the setting up of a bitumen plant was signed yesterday between the Port of Sohar and Masha'el Group of Companies.

The agreement concerns the construction of the first specialised bitumen refinery (called Sohar Bitumen Refinery) in the Gulf that is set to break ground by the end of this year in the Port of Sohar area and be completed by 2012.

The agreement was signed by Maqbool bin Ali Sultan, minister of commerce and industry, who is also the chairman of Sohar Industrial Port Company (SIPC), and Sheikh Mohammed bin Salman bin Abdulla Al Khalifa, owner of Masha'el Group.

The industrial Port of Sohar, a 50:50 joint venture between the Government of the Sultanate of Oman and the Port of Rotterdam, is managed by SIPC. With current investments exceeding \$12 billion, Port of Sohar is one of the world's largest port development projects. Sohar houses three clusters: logistics, petrochemicals and metals.

Some of world's leading companies such as Air Liquide, Alcan, Hutchison Port Holdings, Larsen & Toubro, LG, MAN Ferrostaal, Methanol Holding International, Odfjell, Oiltanking, Shadeed Iron & Steel, Steinweg and Suez have already made Sohar their preferred port of call.

The Sohar Bitumen Refinery will target the niche bitumen market. The plant will utilise the latest technologies to provide a one-stop bitumen supply centre with a capacity of 30,000 barrels per day (bpd), producing up to one million tonnes of bitumen a year where about 20 per cent of the production is prioritised for the Omani market.

Speaking on the occasion, Jan Meijer, the CEO of SIPC, said: "We are happy to welcome one more member to our petrochemical cluster. Our port facilities import of goods and export of products, it also facilitates the possibility having products that can be used in the country itself."

"I am very happy that the port is signing agreements in spite of the difficult financial times," he said. "Since we started only six years ago, in 2003, we have leased out 85 per cent of the port area and that is a very good indicator that we are going in the right direction."

The Masha'el Group of companies is a diversified group

with special focus on the oil and gas industry and has offices in Bahrain, the UAE, Saudi Arabia, Oman and Malaysia.

On the reason for choosing Port of Sohar as the group's destination, Bryan Chen King Yu, executive director of Al Masha'el Group, said: "Sohar is in the centre of their market and therefore the most strategic location."

Bryan Chen also explained that after visiting most ports in the region, Port of Sohar proved to have the most impressive infrastructure and development plan.

"Two years ago, we were looking for a home, suitable for our refinery. The search brought us to many places including Port of Sohar.

"When I first saw what was going on here, the infrastructure they already have, what they were planning for and the vision. I was not just impressed, I thought it was perfect," Bryan Chen said. The executive director explained that Sohar Bitumen Refinery would be one of a kind.

"With a capacity of 30,000 bpd we are well positioned to satisfy the thirst for bitumen. Bitumen, or sometimes also known as asphalt, is a key ingredient to infrastructure growth.

"The Government of Oman has wisely and correctly identified infrastructure developments such as roads and airports, as key economic stimulus. These projects need bitumen," he said.

Bryan Chen said on research the group found it inconceivable that there has yet to be a specialised bitumen refinery.

"It is, therefore, a forgone conclusion that without one, infrastructure growth will face difficulties. Besides, every seven to ten years, all roads and highways are required to be maintained and resurfaced. That's a lot of bitumen and we are not even talking of new roads," Bryan Chen said.

Stating that the refinery will change the bitumen map of the region in terms of how bitumen is produced, supplied and traded, Bryan Chen said: "We will have the most updated and complete technology to produce all standard grades of bitumen and deliver them to our customers in bulk, drums and trucks... In short, we will be a bitumen power house, and I am most pleased that Oman, Port of Sohar, is at the centre of this exciting development."

Oman aims at production of 830,000 barrels a day

Source: *Times of Oman*, 30 May 2009

Oman, the largest Arab oil producer that isn't a member of the Organisation of Petroleum Exporting Countries, aims to produce 830,000 barrels a day by the end of the year, Oil Minister Mohammed Hamad Al Romhi said.

Oil prices ranging from \$55 to \$70-a-barrel are "fair," and shouldn't exceed \$80 a barrel, Al Romhi told reporters in Dehradun near New Delhi yesterday. Opec's decision last week to leave production targets unchanged was a good one, he said.

Oman increased oil output last year for the first time since 2001. Its oil production fell by almost a quarter between 2001 and 2006, from 961,000 barrels a day to 743,000 barrels a day, according to BP Plc data.

"Low oil prices hinder investment and creates problems for the future," Al Romhi said yesterday. Oman is reviving investments in oil projects following the recent increase in prices, he said. "Thankfully, the prices didn't remain very low for long." Oman will raise crude production to 805,000 barrels a day this year, Al Romhi had told Bloomberg on January 13.

OOO to pay \$250m

Oman Oil Company is now keen on increasing its stake in Bharat Petroleum Corp Ltd's Bina refinery project to 26 per cent and is ready to pay \$250 million for the same.

OOO, Oman's national oil company, has so far invested Rs750 million for a two per cent stake in Bharat Oman Refineries Ltd — the company that is building the six million-tonnes-a-year refinery at Bina in Madhya

Pradesh at a cost of Rs 104 billion. "We want to increase our equity (in the project) to 25-26 per cent. We are in discussions with BPCL," Al Romhi told reporters here.

Bina refinery project was originally mooted in 1994 with BPCL and OOC having 26 per cent stake each and the rest going to public and strategic investor. However, OOC did not make any equity contribution beyond Rs750 million and asked BPCL to convert it into equity which came to about two per cent in the revised project cost. The project is to be funded by Rs40 billion crore equity and Rs64 billion debt.

A BPCL official said since the project was nearing completion, the company has decided to offer a 26 per cent stake to OOC again, but this time it would be at premium. The company has tied up the debt portion of the project that is expected to be commissioned in December 2009. Besides its share, BPCL is also advancing the equity share of its prospective partner as loan as tie-up of full equity was important to tie up the loan.

"We are talking to BPCL and as far as we are concerned an agreement can be reached by next week," Romhi said.

The BPCL official said a 26 per cent stake was available to OOC but it will have to pay a premium now. A 26 per cent stake at par would entail an investment of Rs10.4 billion while the OOC offer of \$250 million comes to Rs 12.5 billion. It was not immediately clear if the offer of \$250 million was acceptable to BPCL. BORL is setting up a six-million-tonne per annum refinery at Bina, in Sagar district of Madhya Pradesh, along with crude supply system and a 935 km long cross country crude pipeline from Vadinar in Gujarat to Bina.

PetroTel Oman to explore oil and gas in Musandam

Source: *Times of Oman*, 24 May 2009

An agreement was signed at the Oil and Gas Ministry yesterday franchising PetroTel Oman LLC to explore oil and gas in an area of 2,378 square kilometres, in the concession area no. 17, situated in the Musandam governorate.

The agreement was signed by Dr Mohammed bin Hamad bin Saif Al Romhi, minister of oil and gas, on behalf of the government of the Sultanate and by Dr Anil Kumar Chopra, chairman of PetroTel Oman.

After signing the agreement, Nassir bin Khamis Al Jashmi, Oil And Gas Ministry undersecretary said that as per the agreement, Petrotel Oman is committed in un-

dertaking an exploratory programme, which includes seismic surveys, new seismic survey and drilling a number of exploration wells during the exploration phase.

He hoped that the company's efforts would succeed in discovering new oil fields which would contribute to the reserves and increase production in the Sultanate. He also pointed out that there are new discoveries of oil and gas.

The agreement signing ceremony was attended by Nassir bin Khamis Al Jashmi, Oil and Gas Ministry undersecretary and a number of officials at the Oil and Gas Ministry.

Aromatics Oman set for commercial launch

Source: *Oman Observer*, 19 May 2009

Aromatics Oman has announced that its petrochemicals project, currently being executed at Sohar Industrial Port, is now under commissioning.

All phases will be completed for commercial operation according to a schedule agreed with the contractor GSE&C and technology provider Axens. It is expected the project will reach the commercial operation phase at the beginning of December 2009.

Aromatics Oman, among the biggest petrochemical ventures at Sohar Industrial Port, is 70 per cent owned by Oman Oil Company, 20 per cent by Oman Refineries & Petrochemicals Co, and the rest by LGI of Korea. The plant has a capacity to produce 819,000 MT of

paraxylene and 198 MT of benzene as well as other by-products such as Liquefied Petroleum Gas, Light Naphtha, Raffinates and Heavy Aromatics. All these products are basic ingredients for downstream petrochemical and related industries.

Naphtha is the main feedstock for the plant. Omani Refineries & Petrochemicals Co provides 28 per cent of this feedstock while the rest will be imported. Omani Refineries & Petrochemicals Co has already provided part of the naphtha required for the commissioning of the plant which began on May 6. During the construction phase, great emphasis was placed on health, safety and environmental issues. This emphasis will continue during the operational phase.

Oman LNG signs service contract with General Electric Oil & Gas

Source: *Times of Oman*, 18 May 2009

Oman LNG and General Electric Oil & Gas (GE-OG) yesterday signed a 16-year Contractual Service Agreement (CSA) for the 12 GE gas turbines at Oman LNG's Qalhat Complex. The contract was signed between Dr Brian Buckley, GM and CEO of Oman LNG and Ayman Khattab, GM, General Electric Oil & Gas.

"Since start of operations in 2000, the Oman LNG plant at Qalhat near Sur has set industry benchmarks for reliability, efficiency and environmental performance. This agreement will drive these levels of operation even higher," said Dr Brian Buckley.

Under the CSA, GE will provide a comprehensive range of services for the six critical gas turbines driving the three LNG liquefaction trains and an additional six gas turbines that generate power for the Qalhat Complex.

The three LNG trains at Qalhat (two owned by Oman LNG and the other one by Qalhat LNG, but operated by Oman LNG) clean and liquefy natural gas. The gas turbines provide the driving energy to cool the natural gas to -160°C at which temperature the gas liquefies, making it easier and more economic transportation and sale in the international markets, particularly Asia and Europe.

GE Oil & Gas CSA solutions are built on the company's

extensive design and field experience in various oil and gas applications, including platforms, processing, pipelines and LNG plants. GE Oil & Gas currently has CSAs with companies in more than 40 countries, covering more than 1,000 gas turbines.

Located on the east coast of the Sultanate, about 200km east of Muscat, the Oman LNG's Qalhat complex represents one of the largest industrial construction projects ever undertaken in Oman.

The LNG production effort was launched as part of an overall drive by the government to move the Omani economy away from its dependence on direct oil production. Oman LNG is a leading global producer of LNG with a pacesetter reputation for reliability, efficiency and minimal environmental emissions.

Oman LNG is a joint venture consisting of the Omani government (51 per cent), Royal Dutch Shell (30 per cent), Total (5.54 per cent), KOGAS (5 per cent), Mitsubishi (2.77 per cent), Mitsui (2.77 per cent), Partex (2 per cent) and Itochu (0.92 per cent).

GE Oil & Gas is a world leader in advanced technology equipment and services for all segments of the oil and gas industry.

OGC to build RO13m gas plant in Nimr

Source: *Times of Oman*, 17 May 2009

As part of the efforts of the government of the Sultanate and Oman Gas Company (OGC) to expand the nation's gas network in the governorates and re-

gions, the Tender Board has awarded a project to design, supply and construct a gas compression station worth more than RO13 million in Al Wusta.

OGC's Nimr gas plant will meet the increasing demand for gas — individual customers in general and electrical and industrial sectors in particular. The station will pump additional quantities of gas in the pipeline heading to Salalah.

Nasser bin Khamis Al Jashmi, undersecretary at the Ministry of Oil and Gas, said: "The construction of the plant in Nimr is part of government's plans to provide gas to electrical and industrial projects in Dhofar to help them keep pace with the growing demand for clean energy — natural gas — for numerous uses. Gas in Dhofar is presently available to all projects, and there is always checking of gas reserves to supply more industries once the quantities are available.

Aromatics Oman set for commercial launch "The establishment of the station is a new addition to the oil and gas sector as the sector is witnessing successive developments on more than one level, reinforcing its contribution to the national economy and supporting the petrochemical sector in the country with its energy requirements."

"OGC is working hard to manage and operate gas through the construction of gas stations in more areas, aiming to provide customers with gas. It is doing unremitting efforts in this regard, pursuing its plans in the coming stages". The company's efforts in its work fields is obvious and respected by all," he said.

From his part, Dr. Rasheed bin Al Safi Al Hareebi, member of the Shura Council, praised the efforts of OGC to deliver gas to the customers, especially in Dhofar, saying that these efforts are crucial in accelerating work pace in the manufacturing projects in the governorate, particularly Salalah Free Zone, strengthening and activating the manufacturing aspects of Dhofar as well as absorbing qualified national cadres in many relevant fields.

He added that the company's efforts to deliver gas to the governorate through the construction of a gas pumping station in Nimr will also contribute to significantly supplying electricity generation plants and other petroleum projects in the Sultanate with their requirements for the increasingly demanded clean fuel. He pointed out that there is an electricity generation project being implemented nowadays in Dhofar.

He wished to implement it as soon as possible to keep pace with the growing demand for and consumption of electricity services due to the population and urban and economic expansions witnessed by the governorate.

He also hoped that these expansions will meet the current and future requirements of the market. "I hope the efforts of the company be crowned with success in supplying gas to the customers in the industry and electricity sectors and other fields so as to boost the national economy and develop the local communities," he said.

Oman's oil exports climb 8% in March

Source: *Times of Oman*, 8 May 2009

The Sultanate's total exports of crude oil stood at 58.769 million barrels during the first three months of 2009, against 53.77 million barrels during the same period of 2008, representing an eight per cent rise.

The monthly statistical bulletin published by the Ministry of National Economy showed that the Sultanate's total production of crude oil and condensates stood at 70.80 million barrels by the end of March 2009, against 67.51 million barrels during the same period in 2008, representing a 4.9 per cent rise.

The average daily production stood at 786,700 barrels by the end of March 2009 against 714,800 barrels during the same period in 2008, representing a 6.1 per cent rise.

The bulletin showed that the average price of Oman oil fell by 48.6 per cent during the first three months of 2009 to \$44.95 per barrel, against \$87.43 per barrel during the corresponding period in 2008.

China topped the countries importing Omani oil as it im-

ported 18.82 million barrels during the first three months of 2009, against 30.72 million barrels during the corresponding period in 2008, representing a 37.4 per cent decline.

Korea came second, as it imported 9.46 million barrels by the end of March 2009, against 3.68 million barrels in the corresponding period last year representing a 157 per cent rise.

Thailand came third as it imported 8.45 million barrels, against 7.53 million barrels during the corresponding period in 2008, representing a 12.2 per cent rise.

The Sultanate's production of natural gas fell slightly by 0.9 per cent to 170.87 million cubic feet (mcf) during the first three months of 2009, against 172.41 mcf during the same period in 2008.

Gas consumption fell by one per cent to 170.764mcf by the end of March 2009 against 172.408mcf during the corresponding period in 2008.

PDO hydrocarbon output grosses 1m boe/d in 2008

Source: *Oman Observer*, 4 May 2009

Petroleum Development Oman, the Sultanate's principal oil and gas producer, achieved a total hydrocarbon output — combining oil, natural gas and condensate — in excess of one million barrels per day of oil equivalent (boe/d) in 2008.

The output, representing a significant production milestone for PDO, is one of the salient highlights of the company's performance during 2008, a year characterised as “challenging but successful” by Managing Director John Malcolm (pictured) in PDO's 2008 Annual Report released here yesterday. It also marks the “first fruits” of an aggressive drive by PDO over the past several years to sustain and boost hydrocarbon production, Malcolm noted.

For the first time since 2000, PDO's output of hydrocarbon liquids, comprising crude oil and condensate, recorded a year-on-year increase, according to the Annual Report. Total production averaged 633,000 barrels per day (bpd) in 2008, compared with 607,000 bpd in 2007. Crude oil output alone averaged over 556,000 bpd, which was well within PDO's target range of 540-560,000 bpd. Gas and condensate output amounted to 467,000 boe/d in 2008. Total hydrocarbon output, combining crude oil, natural gas and condensate, surpassed 1 million boe/d for the third year running.

“This performance was achieved despite difficult operating conditions, notably an overheated contracting market that led to delays in obtaining resources both in terms of manpower and equipment,” the Annual Report said. Among the notable highlights of the year was a significant increase in the production of condensate, a valuable hydrocarbon produced along with gas. In 2008 condensate output grew from 46,000 bpd to 77,000 bpd, an increase of more than 50 per cent. The increase was largely attributable to higher yields from the Kauther Gas Plant, which came on stream in late 2007.

2008 also yielded a number of successes on the exploration front, Malcolm stated. Three new oil fields, either discovered or appraised during the year, were rapidly brought on stream thereby contributing to PDO's 2008 oil output. While two of the fields — Taliah and Malaan West — are part of the Lekhwair cluster in northwest

Oman, the third oilfield, Rabab Southeast, although discovered earlier, was proven to be commercially developable in well tests conducted last year. First oil production from the Rabab Southeast field is expected in 2009.

In other successes reported during 2008, PDO was also able to improve its assessments of the hydrocarbon potential of the Burhaan West and Fahud Southwest gas fields, as well as in the Budour Northeast oilfield. Furthermore, a well drilled to a depth of around 5,000 metres at Khulud, southwest of the Fahud field, has yielded evidence of gas in at least two high-pressure, high-temperature reservoirs. Significantly, this was the first gas exploration well in Oman that was drilled using the under-balanced technique, which allows for gas to flow into the well as it is being drilled.

“These results underscore how very important exploration is to our long-term future and demonstrate that the country remains attractive for oil and gas prospectors,” the Managing Director stated. PDO's multi-billion-dollar Enhanced Oil Recovery (EOR) campaign also made solid headway in 2008, according to Malcolm. Of the three “big-ticket” EOR projects presently in hand, the miscible-gas project at Harweel in south Oman is now at an advanced stage. By end 2010, the project will evolve into one of the world's biggest miscible gas field developments, says PDO.

The Harweel EOR venture centres on the construction of a high-tech plant capable of processing huge amounts of high-pressure oil and gas, which also has a significant content of toxic and corrosive hydrogen sulphide gas. Underlining the size of the project, some 3,000 people were employed at the Harweel site at the end of 2008. The project is expected to contribute more than 40,000 bpd of oil when it is fully operational.

Likewise, development is continuing apace on a steam injection project at Qarn Alam. The project involves drilling of over 130 wells and installing facilities to treat water and to inject around 18,000 tonnes per day of steam into the reservoir. At Marmul, PDO has commenced the process of commissioning a polymer injection unit which will add around 10,000 bpd of oil to production volumes.

PDO's Harweel to be one of biggest gas projects by '10

Source: *Oman Tribune*, 4 May 2009

PDO's Harweel Project is expected to become one of the world's biggest miscible-gas field development projects by the end of 2010. The project involves building a sophisticated plant capable of handling a large

amount of extremely high-pressure oil and gas with a significant content of toxic and corrosive hydrogen sulphide gas. When fully commissioned, the Harweel project is expected to contribute to more than 40,000

barrels per day (bpd) of incremental oil production, according to PDO's annual report for 2008.

PDO is one of the few oil companies in the world implementing large scale enhanced oil recovery (EOR) projects based on three main technologies — miscible-gas injection, steam injection and polymer injection.

In Qarn Alam, PDO's steam-injection project will contribute an extra 40,000bpd of new oil in the next decade. The project involves drilling over 130 wells and installing facilities to treat water and to inject around 18,000

tonnes of steam per day into the reservoir.

Additional facilities are being built to process the incremental oil and gas produced from the field as well as dispose of excess produced water in deep reservoirs. Close to 220km of pipelines and flowlines are being installed to connect these facilities with the wells for water supply.

At Marmul, PDO has started commissioning a polymer injection unit, which will add a further 10,000 barrels of oil per day.

Petronas keen to invest in Oman's energy sector

Source: *Oman Observer*, 18 April 2009

Malaysia-based oil and gas giant Petronas is keen to explore investment opportunities in Oman's energy sector, according to a highly placed company official. Datuk Abdullah Karim, Vice-President of Petronas, said the corporation was open to investment opportunities not only in hydrocarbon exploration and production (E&P) activities, but also in other areas of the Sultanate's energy industry.

"Petronas is an integrated energy company. We are into LNG (liquefied natural gas), petrochemicals, refining, and E&P. Hopefully there are opportunities not only in E&P. Apart from the very close relations between Petronas and companies (in Oman), there are also close relations with the Government of Oman. We are eagerly looking to start work here in Oman," Datuk Abdullah Karim said in comments to the Observer.

On Wednesday, Petronas signed an exploration and production sharing agreement with the government for Block 63, marking the energy heavyweight's maiden foray into the Sultanate's hydrocarbon sector. "I'm happy that finally we are able to have a Block to explore and develop. And I'm confident that, with the encouragement and guidance of the Omani government and our partners, we will be able to develop the block's hydrocarbon potential," Karim said.

Under the agreement, Petronas Carigali Sdn Bhd, the exploration and production arm of Petronas, will explore for gas in the 3,709 sq km block (also known as the Natih/West Raba concession) in the west of the Sultanate. The company has established an unincorporated joint venture with two wholly Omani firms — the government-owned energy investment vehicle Oman Oil Company, and Industrial Petrochemicals LLC. Datuk Abdullah Karim, who is also CEO and MD of Petronas Carigali Sdn Bhd, said the company was keen to get started with the appraisal of Block 63's gas potential.

Petronas aims to deploy some of its formidable expertise

in oilfield development in unlocking the gas potential of Block 63. "We in Petronas are exposed to big and small fields, and new and old fields.

In Malaysia, we are operating fields that are 30-40 years old, and through good reservoir and facilities management, we have been able to make them viable. One of our strengths is to take some of the marginal fields and make them (productive), using a lot of creativity in terms of costs, facilities and very importantly, how we look at the reservoir. In tight formations, we have to be able to master the art of how to fracture the reservoir to allow for the gas to flow." Significantly, the Block 63 concession marks the realisation of Petronas' longstanding desire to develop stronger energy links with the Sultanate, says, Datuk Abdullah Karim.

"Petronas has for many years been looking to have some ventures in Oman. There has been some cooperation with Petronas in the area of LNG. About 6-7 years ago, Petronas was involved in LNG cargo swaps. There has also been a lot of technical exchange between Petronas and companies (in Oman). We are also close to PDO, with which we do a lot of exchanges."

Asked about Petronas' plans, if any, to expand its presence in Oman's oil and gas sector in the future, Datuk Abdullah Karim stated: "We will study other blocks that are available. If the opportunity is right then we will want to venture into those blocks."

Petronas joins a growing list of high-profile energy majors in exploring hydrocarbons in the Sultanate. The Malaysian government-owned oil and gas company is ranked among Fortune Global 500's largest corporations in the world. Since its establishment in 1974, it has grown into the 95th largest company in the world. Fortune also ranks Petronas as the eighth most profitable company in the world, with net incomes of a staggering \$20 billion in 2008. Petronas's operations now span around 32 countries around the world.

Sultanate's oil and gas production increases

Source: *Oman Observer*, 18 April 2009

The Sultanate's total exports of crude oil stood at 38,222 million barrels during the months of January and February this year, against 36,108 million barrels during the same period of 2008, constituting a 5.9 per cent, rise.

The monthly statistical bulletin published by the National Economy Ministry showed that the Sultanate's total production of crude oil and condensates stood at 46.13 million barrels during January and February against 44.108 million barrels during the same period last year, constituting a 4.3 per cent rise.

The average daily production stood at 779,900 barrels by the end of February 2009 against 731,500 barrels during the same period in 2008, constituting a 6.1 per cent, rise. The bulletin said that the average price of Oman oil fell by 47.9 per cent by the end of February 2009 to \$45.25 per barrel against \$86.78 per barrel during the same period in 2008.

China topped the countries importing Omani oil as it imported 12.267 million barrels during the months of January and February 2009, against 18.17 million barrels during the same period in 2008, constituting a 31.9 per cent, decline.

Korea imported 8.72 million barrels during the months of January and February 2009 against 2.853 million barrels, constituting a 182.9 per cent, rise. Thailand came third as it imported 5.492 million barrels, against 6.28 million barrels during the same period in 2008, constituting a 8.9 per cent decline.

The Sultanate's production of natural gas stood at 170.867 million cubic feet (MCF), by the end of February of 2009 against 172.408 MCF during the same period in 2008, constituting 0.9 per cent decline. Gas consumption stood at 170.764 MCF by the end of February 2009 against 172.408 MCF during the same period in 2008, constituting a 1 per cent, decline.

Oman, Malaysia sign gas pacts

Source: *Times of Oman*, 16 April 2009

An oil exploration and production-sharing agreement was signed at the Ministry of Oil and Gas yesterday between the government of the Sultanate and Petronas Oil Company of Malaysia as operator in Block 63 along with its partners Oman Oil Company and Petrochemical Industries Company.

Block 63 (Natih/west Roba) is located within the Al Dhahirah and Al Dakhiliyah regions covering an area of 3,709 square kilometres where Petronas Oil Company and its partners will explore, develop and produce natural gas.

While Dr Mohammed bin Hamad Al Romhi, minister of oil and gas, signed the agreement on behalf of the government of the Sultanate; Datuk Abdullah Karim, vice-president, signed on behalf of Petronas Oil Company of Malaysia; Ahmed bin Salim Al Wahaibi, CEO, signed on behalf of Oman Oil Company; and Ahmed bin Saif bin Musallam Al Rawahi, chairman, signed for Petrochemical Industries Company.

The commitment of Petronas Oil Company and its partners includes drilling exploration wells, acquiring new seismic and appraising and developing existing natural gas fields and any new discoveries.

The second agreement, related to gas exploration in Block 61 (Central of Oman), was signed between Al Romhi and Michael Townsend, CEO of BP. As per the

agreement, the gas will be sold to the government for a period of two years.

Dr Saleh bin Ali Al Anburi, director-general of petroleum consultations at the Oil and Gas Ministry, said the first exploration and production-sharing agreement signed between Petronas along with its partners, covered two parts: exploration of gas for four years, which includes drilling wells and acquiring new seismic. The second part relates to appraising and developing existing natural gas fields (three fields). The company has a period of two years to develop the fields. The agreement will be extended to 20 years once commercial production begins.

As for the second agreement with BP, Al Anburi said it was related to the gas price and sale to the government.

A previous agreement signed between the two sides related to the right of concession and exploration of gas. The concession block is located at 'Khazan Makarim' between Al Dakhiliyah and Al Wusta regions, he added.

The government does not bear any financial commitments during exploration periods.

The Ministry of Oil and Gas hopes that the company's efforts will be crowned with success in the discovery of gas fields, which increase reserves and production rates in the country.

BP to invest \$200m in project to process Block 61 'test gas'

Source: *Oman Observer*, 16 April 2009

Energy giant BP will invest more than \$200 million in a project designed to enable the processing — rather than flaring — of 'test gas' from the potentially prolific Khazzan and Makarem gas fields of its Block 61 concession in central Oman. An agreement in support of this key venture was signed here yesterday by Dr Mohammed bin Hamad al Rumhy, Minister of Oil and Gas, and Michael Townshend, President, BP Oman.

According to officials, the project will enable BP to harness and channel 'test gas' produced during the appraisal of the Khazzan and Makarem fields, into the gas grid, thereby contributing to natural gas availability at a time of rapidly escalating domestic demand for this important resource.

Explaining the significance of the agreement, a senior Ministry official said: "This initiative by BP is in line with the Oman government's policy of encouraging companies not to flare gas, but to convert it into a usable asset. BP has been very positive in responding to the government's call in this regard by investing more than \$200 million in realising this project," Ali bin Thabit al Battashi, Adviser to the Minister for Strategic Planning and Investments, said.

Al Battashi said the \$200 million investment by BP will "generate a lot of benefits to the Sultanate, as well as contribute to the nation's gas requirements at a critical time". He also voiced hope that BP would begin delivering a least around 1 billion standard cubic feet of gas per day from its Khazzan and Markarem fields by the year 2015.

Speaking to the Observer, BP's Townshend said the project has important economic and environmental ben-

efits. "When appraising any gas, you need to test it to see what the flow rate is. And normally it's just flared. This agreement is one of a number of steps to allow that gas — instead of being flared — to go through a gas processing plant and be used by Oman. This is also good for the environment."

The appraisal long-term test gas will start flowing from the Khazzan-Makarem fields from the latter half of next year, said Townshend. "There is considerable investment already done in drilling wells and in building the infrastructure to move this test gas, and after that we will see how successful it is. Later on, we will have to see whether we can make a full field development decision."

Yesterday's agreement represents another milestone in efforts by the international oil major to appraise and develop the gas reserves contained within Block 61, a 2,800 sq km area that includes the Khazzan and Makarem gas fields. Discovered in 1993, these gas fields remained undeveloped due to the complexity of their 'tight gas' reservoirs.

BP was awarded the Block 61 concession in an Exploration and Production Sharing Agreement signed with the government in February 2007. The company is currently into the third year of a comprehensive multi-year appraisal programme to understand the nature of the reservoirs. Block 61 represents a considerable hydrocarbon prize. Successful development of these 'tight' gas reservoirs could open up around 30 trillion cubic feet (TCF) in potential gas reserves. If proven to be rich and commercially developable, the fields could provide a potentially vast supply of natural gas to feed the country's burgeoning appetite for energy and feedstock.

Crude production rises 6% in February

Source: *Oman Tribune*, 13 April 2009

The Sultanate's total exports of crude oil declined 4.3 per cent to touch 46 million barrels at the end of February 2009, as against 44 million barrels in February 2008, according to the monthly statistical bulletin published by the National Economy Ministry.

The Sultanate's total production of crude oil and condensates stood at 38.2 million barrels at the end of February 2009, as against 36.1 million barrels in the corresponding period last year, constituting a 5.9 per cent rise.

The bulletin showed that average daily production rose 6.1 per cent to 779.9 barrels in February as against 735.1 barrels.

The average price of Omani oil barrel declined 48 per cent to \$45.25 per barrel as against \$86.78 during the corresponding period in 2008.

China topped the list of countries importing Omani Oil with 12.2 million barrels at the end of February, as against 18.1 million barrels in the corresponding period

in 2008, constituting a 31.9 per cent decline.

Exports to Korea rose 183 per cent as 8.07 million barrels were exported as against 2.85 million barrels, whereas Thailand was third with 8.9 per cent growth in imports at

5.49 million barrels against 6.02 million barrels.

Natural gas production fell 0.9 per cent at the end of February 2009 to 170.8 million cubic feet (mcf) against 172.4mcf during the corresponding period in 2008.

RAK buys more local oil assets

Source: *Times of Oman*, 12 April 2009

RAK Petroleum PCL, the UAE oil and gas exploration and production company, yesterday announced that it has acquired Indago Ventures 31 Ltd and Indago Ventures 47 Ltd, both wholly-owned subsidiaries of UK-based Indago Petroleum Ltd, which hold exploration rights in two concessions in the Sultanate of Oman.

Yesterday's acquisition of Indago's 50 per cent share in Oman's Block 31 and 47 brings RAK Petroleum's interest in these blocks to 100 per cent. RAK Petroleum acquired its existing 50 per cent interest in these two concessions from Indago in 2007 as part of a wider transaction including a 40 per cent share of Oman's Block 8. Block 8 contains the offshore West Bukha oil field which came on production in February.

As consideration for the latest transaction, Indago made a payment to RAK Petroleum of \$3.5 million in relation to a release, subject to certain warranties, from all possible obligations arising from their joint activities and past transactions.

"The acquisition of these two companies and the acquisition of Eagle Energy (Oman) Limited holding a 10 per cent share of Block 8, which RAK Petroleum announced last week, highlight the intention to actively and aggressively expand our exploration and production assets in the region," stated Abdulaziz Al Ghurair, chairman of RAK Petroleum's Board of Directors. "RAK Petroleum is well positioned with significant cash reserves and is on the lookout for suitable opportunities to add to our portfolio," he explained.

"RAK Petroleum plans to drill the Zad-2 well in Block 47 later in 2009", stated Bijan Mossavar-Rahmani, RAK Petroleum's managing director and chairman of the Executive Committee of its Board of Directors. "If successful, the Zad prospect provides the potential of a significant gas and condensate field in a prime location only 10kms from an existing pipeline accessing Oman's growing gas markets", said Mossavar-Rahmani. "The exploration well will test the Amin sandstone reservoir, an analogue of the nearby Kauther field," he added.

Oman signs Block 64 gas exploration agreement

Source: *Oman Observer*, 12 April 2009

The Government of Oman yesterday signed a concession agreement with Harvest Natural Resources Inc, a US headquartered international energy firm, for the exploration of gas in Block 64, an area straddling the boundaries of the Dakhiliya and Wusta regions.

Dr Mohammed bin Hamed al Rumhy, Minister of Oil and Gas, inked the Exploration and Production Sharing Agreement (EPSA) on behalf of the government. Representing Harvest at the signing was James A Edmiston, President and Chief Executive Officer of the Houston, Texas-headquartered firm. Related field agreements, as well as a joint operating agreement with the wholly Omani government owned energy investment firm Oman Oil Company, were also initialled on the occasion.

Importantly, the concession agreement underscores the government's continuing success in attracting international energy firms to explore for hydrocarbons in the

Sultanate despite the downturn affecting international oil markets and the wider global economy. It is also seen as a shot-in-the-arm for the Ministry's continuing efforts to augment natural gas availability to help meet the nation's rapidly expanding energy needs. Block 64 — also called the Al Ghubar/Qarn Alam licence — is a newly created concession carved out from the Block 6 concession operated by Petroleum Development Oman.

The concession, spread over an area of 3,874 sq kilometres, is designated for exploration and production of non-associated gas and condensate. It is located in the prolific Ghaba Salt Basin in close proximity to existing analog gas/condensate fields at Barik, Saih Rawl and Saih Nihayda, which produce from the same reservoir that Harvest is targeting. Development of the block's oil potential will continue to be PDO's prerogative. In welcome remarks, Dr Al Rumhy wished Harvest every success in its maiden venture in the Sultanate. He pledged

the ministry's cooperation in the company's quest to explore for hydrocarbons in Block 64, stressing also the PDO's support for Harvest's efforts in this regard.

Also speaking on the occasion, Ali bin Thabit al Battashi, Adviser to the Minister for Strategic Planning and Investments, who led the government side in negotiations leading to yesterday's concession agreement, described the pact as a 'breakthrough.' The parties to the agreement 'broke new ground' in their collective quest to conclude a successful deal, he noted. Al Battashi thanked Dr Al Rumhy, as well as Ministry Under-Secretary Nasser bin Khamis al Jashmi, for their wise counsel during the protracted negotiations. He also commended the "outstanding team" from the Ministry of Oil and Gas for their valuable work. Later in remarks to the Observer, Harvest's President and CEO James Edmiston said the company would be focused on exploring and developing the deep gas potential of Block 64.

"We have been able to work with the Omani side on a breakthrough agreement that allows us to explore deep for deep gas in the block. All sides are hoping for a successful ending to that." The company aims to invest around \$30 million in exploration activities during the initial three-year exploration phase. Of this amount, around \$4.8 million will be earmarked during 2009 towards geology and geophysics, seismic reprocessing and drilling preparation costs. Significantly, Harvest, which will have a 100 per cent interest during the exploration phase, also signed a joint operating agreement with Oman Oil Company.

Mulham al Jarf, Deputy Chief Executive Officer, signed on behalf of the state-owned firm. "Oman Oil has the

ability to back in — after discovery (of gas) — up to 20 per cent. In a successful case, it would most likely be a partnership between us and Oman Oil," Edmiston stated. According to the official, Harvest aims to put its world-class skills and unique technology strengths to work in harnessing the block's potential reserves, located at depths in excess of 4,000 metres. "The most important strength in being a small company means we're going to have the keen focus of the entire company on this project," Edmiston said.

"All of our people are very senior executives from major oil companies who have come together to form a small company. Secondly, we have a very strong background both in international operations and also in geosciences. We own a significant interest in one of our affiliates, Fusion Geophysical, which is a well known global provider of geophysics processing, interpretation and so on. That keenly positions us to be very effective in this complex deeper gas environment in Oman. We are looking forward to applying that state of the art technology especially in the prospecting phase," the President and CEO explained.

Asked to comment on the company's future growth objectives in the Sultanate, Edmiston added: "When we received the opportunity to come to Oman, from the Harvest standpoint it was for the long term. We're obviously open to any other opportunity that the government is willing to talk to us about. We would love to have a very, very long relationship with Oman." Harvest Natural Resources Inc is an independent energy company with principal operations in Venezuela, exploration assets in the United States, Indonesia, West Africa and China, and now Oman, besides business development offices in Singapore and the UK.

Oil flows from PDO's new field

Source: *Times of Oman*, 8 April 2009

Petroleum Development Oman (PDO) has announced the successful completion of the first phase of the Mabrouk field development project.

On March 30, oil began flowing through new facilities built at the field, barely 23 months after work started in May 2007. "This is a major achievement in which a new oilfield was developed in record time, on budget and with an excellent safety record," John Malcolm, managing director of PDO said yesterday in a press statement. "When fully completed, the Mabrouk field facilities will make a significant contribution to sustaining Oman's oil and gas production over the coming years," he added.

The field development plan now being implemented by PDO involves the construction of a major new production station and associated gathering system, the first

phase of which has just been completed. In the coming years, 76 new wells will be drilled at the field.

The new facility can process 63,000 barrels per day of gross liquids (oil and water) and 2.5 million standard cubic metres a day of gas. The second phase of the Mabrouk project involves the installation of powerful gas compressors capable of sending natural gas produced at the field to the Saih Rawl gas processing plant where it will enter the government gas system. Phase II is scheduled for completion in early 2010.

"The project was successfully fast-tracked by leveraging existing service contracts with Galfar and STS/Mott MacDonald, which enabled accelerated completion in a heated engineering market," North Oil director Saif Al Hinai said.

Major expansion of OGC gas transportation network underway

Source: *Oman Observer*, 1 April 2009

Oman Gas Company (OGC) has embarked on a significant expansion of its gas transportation infrastructure to cater to the requirements of the Sultanate's rapidly growing oil and gas, industrial and power generation sectors. The expansion is being carried out through a series of projects now under way in different areas of the Sultanate, the state-owned company announced in its 2008 Annual Report. The upgrade comes on top of a significant augmentation of the company's gas transportation infrastructure capacity last year.

Dr Mohammed bin Hamed al Rumhy, Minister of Oil and Gas and Chairman of OGC, hailed the company's achievements as reflective of its "eventful journey" towards loftier corporate aspirations. "Starting as a natural gas transmission caretaker, (OGC) is today heading towards being an integrated energy company along the natural gas value chain. Established as a gas transmission company in 2000, it grew organically over the years by building a large network of natural gas pipelines and gas compression and supply facilities covering the majority of the country," Dr Al Rumhy stated in the Chairman's Message.

Yousuf bin Mohammed al Ojaili, CEO, described 2008 as another successful year for OGC. "We have met most of our key targets: gas availability, HSE, integrity and Omanisation. Excellent gas availability was achieved with only very few hours of gas interruption to very few customers. Our number of consumer gas delivery points increased to 32, among which 9 are major power and desalination plants and 5 are petrochemical or heavy industries."

Several new projects will further add to OGC's gas transportation network during 2009 and beyond. Key among these initiatives is a project involving the installation of four compressor trains at Fahud, which will boost the overall flow and pressure regimes of the gas network in the wake of the rapid increase in gas transportation capacity. In the Port of Sohar area, home to a raft of multi-billion dollar industrial schemes, OGC is preparing to award contracts for new gas supply lines to Vale's iron ore pelletising project, as well as to down-

stream aluminium industries within the industrial estate nearby. Similar supply streams were completed last year to Sharq Steel, Sohar Aluminium and Aromatics Oman in Sohar, as well as the SMN Barka power project, and the Octal petrochemicals plant in Salalah.

Also nearing completion is a new 30km 20-inch loop line from Murayrat to the Al Ghubrah power plant in Muscat. This line will ensure uninterrupted supplies to Al Ghubrah, supplementing the existing line which suffered a rupture during the adverse weather conditions of June 2007. In the Nimr area, OGC is investing in a new compressor station to augment gas supplies to Salalah. A contract was also awarded late last year for the construction of pipeline extensions and gas supply stations to serve the Salalah methanol scheme and an independent power and water project planned at Taqah in Dhofar Governorate. These supply projects are due to be completed in phases by early 2010.

Work is ongoing on a 252-km 32-inch cross country pipeline that runs from Saih Rawl in central Oman to Mukhaizna where it will supply Occidental with gas for its Enhanced Oil Recovery (EOR) operations. Also envisaged are upgrades to gas supply stations and advanced metering facilities at the Rusayl, Wadi Jizzi and Al Ghubrah power stations. The project will also contribute to enhanced processing capacity at the Rusayl power plant.

A key highlight of OGC's achievements last year was the successful commissioning of three compressor trains at Buraimi in October, enabling gas imports into Oman via the Dolphin network. The project, which channels an average of 5.6 million standard cubic metres (Sm³) of Qatari gas per day, also underlines OGC's capabilities in developing its midstream project management and operations experience, said Al Ojaili.

OGC delivered a total of 7.9 billion cubic metres (BCM) of gas via its huge network in 2008, representing an increase of 7 per cent over 2007 volumes. Average gas demand was estimated at 21.7 million Sm³ per day, with supplies peaking at 27.5 million Sm³ in September 2008.

Oman's first bulk liquid storage terminal at Port of Sohar opens

Source: *Oman Observer*, 25 March 2009

The Sultanate's first independent bulk liquid storage terminal was opened yesterday in Sohar Industrial Port at a celebration held under the auspices of Mohammed bin Nassir al Khusaibi, Secretary-General of the National Economy Ministry, in the presence of His

Highness Sayyid Shihab bin Tareq al Said, Adviser to His Majesty the Sultan, and a number of senior officials. Ahmed bin Salem al Wahaibi, CEO of Oman Oil Company (OOC), which is a shareholder in the project, said the opening of the first independent bulk liquid storage

terminal was a new addition to the economic development projects witnessed in the Sultanate under the wise leadership of His Majesty Sultan Qaboos.

Speaking on the occasion, Al Wahaibi said the bulk liquid storage project was one of several projects implemented by OOC in partnership with companies of international repute in the oil, gas and energy fields. These projects will contribute to adding value to the national economy, he said. While Oman Oil Company owns 25 per cent of the project, 70 per cent is held by the strategic partner Oiltanking Odffjell Terminals and Co LLC, which is an affiliate of Germany-based Marquard and Bahls AG. The remainder five per cent is held by Seven Seas Company of Oman.

The project aims at providing independent logistic services for oil and oil derivatives industry at Sohar Industrial Port including handling of liquid cargoes, operation of a multipurpose terminal and managing the infrastructure related to export and storage operations, Al Wahaibi added.

“The potential total capacity of Oiltanking Odffjell project, expected to be built by the middle of this year, is estimated at 848,500 cubic metres of clean oil and petrochemical products, for storage and processing. Part of the production capacity will be allocated for the storage of high quality aromatic compounds that will be produced by the petrochemicals complex of Aromatics Oman within the Port area,” he added.

Sultanate's oil exports rose 13.4% in Jan.

Source: *Oman Tribune*, 14 March 2009

The Sultanate's oil exports in January, 2009, rose 13.4 per cent to 21.66 million barrels compared to 19.02 million barrels during the same period in 2008.

The monthly statistical bulletin published by the Ministry of National Economy showed that the total production of crude oil and condensates rose 6.7 per cent to 24.002 million barrels in January 2009 compared to 22.01 million barrels during the corresponding period in 2008.

The average of daily production also rose 6.7 per cent to 780,005 barrels compared to 731,005 barrels during the corresponding period in 2008.

The bulletin said that the average price of Oman oil barrel declined 42.6 per cent in January to \$49.97 per barrel compared to \$87.01 per barrel in 2008.

South Korea topped the oil imports from the Sultanate

in January with 5.63 million barrels compared to 1.46 million barrels during the corresponding period in 2008, constituting a 284.7 per cent rise.

Chinese imports declined 39.5 per cent to 5.4233 million barrels compared to 8.96 million barrels in 2008.

Thailand imports also declined 4.4 per cent to 2.89 million barrels compared to 3.03 million barrels during the corresponding period in 2008.

The Sultanate's production of natural gas rose 0.5 per cent in January to 86.75 million cubic feet compared to 86.353 million cubic feet during the corresponding period in 2008.

Gas consumption also rose 0.5 per cent during January 2009 to 86.750 million cubic feet compared to 86.353 million cubic feet during the corresponding period in 2008.

Govt set to award two new gas blocks

Source: *Oman Observer*, 28 February 2009

The government has finalised agreements with two leading international oil companies to explore for gas in central Oman. Petronas of Malaysia and Harvest Energy of Canada are set to be awarded the newly demarcated Natih and Al Ghubar/Qarn Alam gas blocks respectively. Formal concession awards are expected to be signed within a month, it is learnt. The deals represent yet another major triumph for the government's efforts to bring in international players to explore and develop the country's hydrocarbon resources to help meet burgeoning domestic demand for natural gas.

They also underscore the robust international confidence in Oman's macro-economy and the policies of His Majesty the Sultan's government, despite the ongoing global economic downturn. Regional sources familiar with the discussions surrounding the imminent concession awards, say the deals marked the culmination of protracted negotiations between the parties involved. A successful breakthrough over these gas blocks, which have been carved out from the sprawling Block 6 concession of Petroleum Development Oman (PDO), would not have been possible without the exceptional support

of PDO and its shareholders Shell and others, it is pointed out.

As such, PDO has no rights to the natural gas reserves within Block 6, the Government of Oman being the exclusive owner of all gas resources within this block. Analysts say the concession awards add to a string of successes enjoyed by the Omani government in enrolling world-class operators to develop its hydrocarbon resources. Both Petronas and Harvest Energy are prominent players in the global hydrocarbon exploration and production industry. With the signing of the concession awards, slated for late March/early April, both companies are also set to make their debut in Oman's oil and gas sector.

Malaysian government-owned Petronas, which will develop the Natih block in central Oman, is a fully-integrated oil and gas conglomerate ranked among Fortune Global 500s largest corporations in the world. The company is actively engaged in the exploration, development and production of crude oil and natural gas both in Malaysia and abroad. Currently, Petronas has 53 producing oil fields and several others under development.

Out of 183 gas fields discovered, 22 are producing with several more under development. Petronas' operations now span around 32 countries around the world.

Significantly, initial gas production from the Natih block is expected as early as 2012. Harvest Energy, which will develop the Al Ghubar/Qarn Alam gas block in the Sultanate, is a Canadian oil and natural gas royalty trust based in Calgary, Alberta. Unlike many oil and gas trusts, which consist only of production fields, Harvest has both upstream (oil and gas wells) and downstream (refining and distilling) components. It has assets primarily in Canada with total original oil in place (OOIP) amount of 2 billion barrels, and another 1 billion barrels in oil sands.

Future plans include drilling approximately 1,000 new oil and gas wells on about 3,600 km² of land which has previously not been developed for oil and gas production. In 2006, Harvest acquired North Atlantic Refining which owns a sour-crude hydrocracking refinery in Newfoundland with a crude capacity of 115,000 barrels per stream day. The refinery exports over \$2 billion in petroleum fuels every year.

PDO inaugurates Kauther Gas Plant

Source: *Oman Observer*, 23 February 2009

Petroleum Development Oman (PDO) yesterday inaugurated the Kauther Gas Plant at a special ceremony held under the auspices of His Highness Sayyid Shihab bin Tareq al Said, Adviser to His Majesty the Sultan.

Also present were members of the Royal Family, ministers, under-secretaries, senior government officials, PDO's senior management and local dignitaries. The RO 171 million Kauther Gas plant can process up to 20 million cubic metres per day of gas destined for the Omani market.

The gas is collected via a gathering system involving lengthy bulk lines, three remote manifolds and over 40 km of flow-lines hooked up to 14 production wells. The processed gas is exported to the Government Gas System via an 85-kilometre pipeline from where it is delivered to customers in Muscat and Sohar area. Condensate, valuable hydrocarbon liquids produced along with the gas, is transported via a 103 kilometre pipeline to the Saih Rawl Central Processing Plant and on onto the Mina Al Fahal crude export terminal via PDO's Main Oil Line.

"The Kauthar gas plant which we are celebrating its dedication today represents an important element in the chain of projects that the Ministry of Oil and Gas has been implementing in recognition of the oil and gas

sector's role in boosting the national economy as well as the increasing role of gas in modern life," said Nasser bin Khamis al Jashmi, Under-Secretary of Oil and Gas. "This is a critical project undertaken by PDO's Gas Directorate of great strategic importance for Oman's economy," commented PDO's Managing Director John Malcolm.

"It was built in record time and came on stream two months ahead of schedule." The Kauther field was discovered in 2001 and development of the field was fast-tracked by the Gas Board, representing our 100 per cent government shareholder Construction of the Kauther plant started in mid-2005 and involved the execution of four parallel contracts; the Kauther Gas Plant, the gas and condensate pipeline network, electrical overhead lines and the field gathering system.

The Kauther field is located close to Zahiyah village in the Wilayah of Adam. Since the project was first conceived, PDO has worked closely with the village community to mitigate any inconvenience caused by the project. PDO has implemented a number of social investment projects costing over \$2.1 million not only for the community nearby but for the whole of Wilayah Adam. Amongst the projects paid for by the company were the construction of a school and a health centre at Zahiyah village.

Block 8's West Bukha field commences production

Source: *Oman Observer*, 18 February 2009

RAK Petroleum PCL, an oil and gas exploration and production company based in Ras al Khaimah, announced yesterday that it has commenced production from the West Bukha field in Oman's Block 8 located offshore in the Strait of Hormuz. Initial flow rates are 10,000 barrels of 42 degree API gravity oil and 30 million cubic feet per day of associated gas from two wells produced through a recently installed six-slot unmanned platform located in 90 metres of water some 25 km from the Musandam Peninsula.

"With the start-up of West Bukha, we are pleased to celebrate two significant milestones," stated Abdulaziz al Ghurair, Chairman of RAK Petroleum's Board of Directors. "This is the first offshore oilfield to come on stream in the Sultanate of Oman and it is also the first important producing project completed by our company." West Bukha was first discovered in 1976 but was believed to be a gas condensate field and abandoned as non-commercial. Drilling of appraisal wells between 2006 and 2008, including an extended horizontal section, by RAK Petroleum demonstrated significant oil productivity from the Mishriff-Maudud and Thamama reservoirs, leading to the development of the field.

Production is tied through a 12-inch multiphase flow line to the nearby Bukha production platform. The Bukha gas condensate field, also in Block 8, was developed in 1994 and today can flow an additional 10 to 15

million cubic feet per day of non-associated gas. Output from the two fields is transported through a 16-inch, 33-kilometre multiphase flow line to shore for processing at the Khor Khwair plant in the Emirate of Ras al Khaimah. Oil and condensate are slated for export while gas is delivered to industrial and commercial users in the Emirate.

"While the internal field structure is complex, we believe that West Bukha has additional untapped potential which we will continue to appraise and exploit in close consultation with Oman's Ministry of Oil and Gas and our partners," noted Bijan Mossavar-Rahmani, RAK Petroleum's Managing Director and Chairman of its Board of Directors Executive Committee. He added that notwithstanding lower world oil prices, the company expects to recover its share of the approximate \$250 million investment in West Bukha within 30 months of first production.

The company's subsidiary, RAK Petroleum Oman Ltd, is Operator of Block 8 with a 40 per cent participating interest, with LG International Corp. of Korea holding a 50 per cent participating interest and UK-listed Heritage Oil Limited holding the remaining 10 per cent. RAK Petroleum PCL is registered in the Free Trade Zone of the Emirate of Ras Al Khaimah and is operator of eight other blocks located in Oman and in the United Arab Emirates, of which six are in the exploration phase and two are undergoing appraisal for possible redevelopment.

PDO to push ahead with planned projects despite downturn

Source: *Oman Observer*, 10 February 2009

Petroleum Development Oman (PDO) aims to press ahead with its planned oil and gas investments despite the sharp downturn in international oil prices, John Malcolm, Managing Director, announced here yesterday.

Addressing journalists at PDO's annual media briefing, he said the company, which contributes the lion's share of Oman's oil output and almost all of its gas production, will work to offset the effects of the crisis through a process of cost reductions and improved efficiency.

"The oil and gas business has always been conducted in a volatile market and, as a result, our decision-making has always erred on the side of prudence. Our long range planning naturally goes beyond any short term price fluctuations. We continue to work actively on developing a wide range of new projects which will ensure our ability to continue producing oil and gas at a sus-

tainable level for the coming decades.

These projects represent a portfolio of options for our shareholders as we go forward. To date, no planned project has been cancelled. Quite the opposite," Malcolm declared. The company is hoping to achieve cost savings of as much as 10 per cent partly through internal cost reduction measures, as well as by capitalising on the benefits resulting from lower commodity prices and the changed market conditions, which he noted, would impact positively on PDO's capital and operating costs.

Notwithstanding the oil price slump, PDO is moving ahead with the ongoing implementation of its three big-ticket enhanced oil recovery (EOR) projects, Malcolm said. All three ventures — the miscible gas project at Harweel, the steam injection project at Qarn Alam, and the polymer injection project at Marmul — remain eco-

conomic even at current oil prices, he stressed.

Furthermore, the company's board is also due to meet in the coming months to weigh a proposal for investment in PDO's equally capital intensive Amal steam project, the managing director said. Giving his assessment of PDO's performance during the past year, Malcolm described 2008 as a challenging, but successful year. Oil production was on target at over 556,000 barrels of oil per day (bpd), which was well within the company's target range of 540,000-560,000 bpd, he said.

Combined with condensates — the valuable hydrocarbon liquids produced along with gas, this output increased to 633,000 barrels per day (bpd) in 2008 compared to 607,000 bpd 2008 a year earlier. PDO's total hydrocarbon production for 2008 was in excess of one million barrels a day of oil equivalent when included with natural gas output. "This was achieved despite difficult operating conditions, notably an overheated contracting market that led to delays in obtaining resources both in terms of manpower and equipment," Malcolm noted.

Among the notable highlights of the year, the managing director said, was the overall increase in natural gas and condensate output, which stood at 467,000 barrels of oil equivalent a day. In 2008, condensate output grew from 48,000 bpd to over 77,000 bpd, an increase of more than 50 per cent. This was largely due to the first full year of operations of the Kauther gas plant, which came on stream in late 2007, he said.

While oil output during 2009 is projected to remain at current levels of 540,000-560,000 bpd, condensate production however is poised to climb to 80,000-90,000 bpd. PDO's Gas Directorate, which in October celebrated three decades of uninterrupted gas supply to

the nation, is implementing a range of new projects to sustain the company's gas production capability over the next five years.

Following the commissioning of the giant Kauther gas plant in November 2007, a new field development project at Haban was successfully brought on stream. Three new compression projects were also completed at Barik, Yibal and Saih Nihayda, Malcolm said. In other successes of the past year, PDO completed its upgrade of the Musallim field, resulting in a tripling of the field's oil output. One of many waterflood developments being pursued by PDO, the Musallim project will sustain the company's oil production while the EOR projects are completed and come on stream over the coming years. At Musallim PDO drilled a total of 50 new wells and built a new plant capable of handling 130,000 bpd of oil and water.

Meanwhile, development of its three major EOR projects are progressing at full stream, the Managing Director said. At Harweel in south Oman, PDO is making solid headway in the implementation of the world's biggest miscible gas project. When fully commissioned, the plant will contribute more than 40,000 bpd of additional oil output. Equally ambitious is PDO's steam injection project in Qarn Alam, in central Oman, which will contribute an extra 40,000 bpd of new oil.

The project involves the drilling of some 130 wells and installing facilities to treat water and inject around 18,000 tonnes per day of steam. A key highlight of the project is the installation of waste heat recovery steam generation units to help save the company over 50 million cubic feet of gas per day as well as reduce the project's carbon footprint. At Marmul in south Oman the company is preparing to commission a polymer injection unit, which will add a further 10,000 bpd to its oil output.

PDO discovers three new fields

Source: *Times of Oman*, 9 February 2009

Petroleum Development Oman (PDO) has announced the discovery of three new oil fields. Appraisal wells drilled by the PDO in 2008 have also revealed additional volumes of hydrocarbons in existing oil and gas fields.

Announcing the discovery, PDO Managing Director John Malcolm said; "The fact that the new oil discoveries were brought on stream quickly means that they are already contributing to PDO's oil production."

He was speaking at the company's annual media briefing held here yesterday to review its performance over the previous year and cast light on its future plans.

John Malcolm said that two of the new oil fields — Taliah and Malaan West — were found amongst PDO's Lekhwair cluster of fields in northwest Oman. "They are both part of the Upper Shuaiba geological formation, which contains many of the reservoirs of PDO's main fields," he said.

The discovery of the third oilfield, Rabab Southeast, he said, confirmed the preliminary results of well tests that the company had mentioned early last year. First oil production from Rabab Southeast is expected later this year through the existing conventional production facilities at Harweel, in south Oman.

Stating that 2008 was a challenging but successful year for PDO, he said: "Our production of hydrocarbon liquids, by which I mean crude oil and condensates, has increased compared to the previous year. Last year, production of oil and condensate totalled 633,000 barrels per day (bpd) compared to 607,000 bpd in 2007."

For the third year running, PDO produced in excess of one million barrels per day of oil equivalent in the form of crude oil, natural gas and condensate.

"Once again, our oil production was on target at over 556,000 barrels of oil per day, comfortably within our target range of 540-560,000 barrels per day," he said.

Informing that a key performer within PDO was the Gas Directorate, which in October celebrated 30 years of uninterrupted gas supplies to the Sultanate, he said, "In 2008, gas and condensate output stood at 467,000 barrels of oil equivalent a day."

About the extent to which the recent fall in oil prices has affected business, Malcolm said: "As an operating company, PDO's goal is to create a long term sustainable source of wealth for the Sultanate.

"We recognise that, in the short term, lower oil prices mean lower revenue for the government and we can help to offset this by reducing our costs and improving efficiency. And we are doing just that."

Stating that at this stage, it was important to point out that all PDO existing projects were based on robust assumptions and conservative economics, he said, "That sensible approach is now proving its worth. While our three major EOR (Enhanced Oil Recovery) projects rep-

resent very significant capital investments for our shareholders, they are economic even at current oil prices."

Malcolm said PDO's long range planning naturally went beyond any short term price fluctuations. "We continue to work actively on developing a wide range of new projects which will ensure our ability to continue producing oil and gas at a sustainable level for the coming decades. Within the next few months for example, our board will be discussing a proposal on an investment decision for the Amal steam project."

Looking ahead to 2009, he said PDO's combined oil and condensate production would continue to grow.

"For the first time since we started these presentations, our oil target for the coming 12 months is the same as the previous year: 540,000-560,000 bpd. Condensate production is set to continue growing to 80,000-90,000 bpd, setting the scene for another year-on-year rise in liquid hydrocarbon production. Gas production is harder to predict because it depends on external factors, notably the call on our gas from customers. In this area, continuing the past 30 years of uninterrupted gas supply to the Muscat area, and supplying all our gas customers with their requirements when they need it, will remain a top priority."

Malcolm stressed that PDO's oil and gas exploration activities would actually increase significantly this year compared to 2008, building on the many successful discoveries we have been able to announce over the past few years. "This is a firm demonstration of how we are continuing to invest today to deliver the medium and long term future of this great country," he said.

Oman to raise oil production

Source: *Times of Oman*, 9 February 2009

The Sultanate of Oman aims to boost its total petroleum output for the second consecutive year in 2009 and plans for total crude and oil condensate output of 805,000 barrels per day (bpd) in 2009, up from 757,000 bpd in 2008.

"The efforts exerted by the Ministry of Oil and Gas over the past years together with PDO and the other oil companies operating in the Sultanate have led to increase in the Sultanate's crude oil and condensates' production from 710,000 barrels per day in 2007 to 757,000 barrels per day in 2008, said Nasser bin Khamis Al Jashmi, undersecretary, Ministry of Oil & Gas.

He also added that it is planned to increase the daily production this year to 805,000 bpd.

He was speaking on the occasion of Petroleum Development Oman's annual media briefing here yesterday to review the company's performance over the previous year and cast light on their future plans.

Stating that the oil and gas sector as any other economic sector is affected negatively or positively by the world market fluctuations, he said, "The current low oil price which has dropped over the past few months to less than \$40 compared to the \$147 price that prevailed during the first half of last year bears witness to this."

However, Al Jashmi stressed that the oil and gas sector is going ahead with executing the projects that have already been committed earlier. As part of efforts to boost output, it plans to award five exploration licences to in-

ternational oil firms this year.

“This is in order to strengthen the country’s oil and gas production as an important element for the national economy. In this connection, the Ministry is planning to offer five new concession areas this year to prospec-

tors,” he said.

In this context Al Jashmi informed that the ministry has recently awarded the Canadian Epsilon Energy a concession for oil and gas exploration in block 55 in the Wusta region.

Quantity of oil used at Oman Oil Refineries up 66.7pc

Source: *Times of Oman*, 30 January 2009

The quantity of oil used at Oman Oil Refineries and Petrochemicals Companies rose by 66.7 per cent to 28,856,700 barrels during the first nine months of the year 2008, as compared to 17,305,900 barrels during the same period in 2007, according to the statistics bulletin issued by the Ministry of National Economy.

The production of the company rose by 66.7 per cent by the end of September 2008 to hit 28,856,700 barrels compared to 17,305,900 barrels during the same period in 2007, the statistics added. The products included super and regular car petrol.

Super petrol production rose by 31 per cent to 2,568,400 barrels by the end of September 2008, as compared to 1,961,100 barrels during the same period in 2007.

Production of regular petrol rose by 215.9 per cent to

2,272,600 barrels during the first nine months of the year 2008, as compared to 719,400 barrels by the end of September in 2007.

Production of aircraft fuel rose by 56.7 per cent to 2,289,800 barrels by the end of September 2008, as compared to 1,460,900 barrels during the corresponding period in 2007.

Production of diesel, rose by 95.5 per cent to 6,089,600 barrels by the end of September 2008, as compared to 3,115,300 barrels by the end of September 2007. The bulletin said production of petrol gas (Biotin) fell by 4.7 per cent to 694,000 barrels by the end of September 2008, as compared to 728,300 barrels by the end of September 2007. Refinery waste rose by 50.9 per cent to 13,761,500 barrels by the end of September 2008, as compared to 9,122,600 barrels during the same period in 2007.

Octal Petrochemicals opens Mideast’s largest PET plant

Source: *Times of Oman*, 19 January 2009

Oman-based Octal Petrochemicals has started operations of its second PET plant in the southeast port city of Salalah, it was announced yesterday. The new facility has a capacity of 300,000 metric tonnes per annum, making it the largest PET resin plant of its type in the Middle East and the largest clear rigid PET sheet plant in the world.

Food and consumer packaging markets in the US, Europe and China are Octal’s prime targets in 2009. The first orders of PET resin to Europe have been shipped this month, and Octal expects total per annum sales to reach \$400 million by the end of this year.

Octal Chairman Sheikh Saad Suhail Bahwan said: “The new plant marks the company’s emergence as a global player in PET resin and clear rigid sheet packaging. Our investment delivers dramatically enhanced scale, breakthrough technology, and crucial cost and quality advantages at a time when customers need them most.”

In just over two years, Octal has become the largest exporter from the port of Salalah and a growing local employer.

Octal uses world-first technology to produce clear rigid PET sheet directly from melted PET resin, delivering significant energy savings and enhancements to the quality and clarity of the final product.

Nicholas Barakat, Octal managing director, said: “Our patented DPET technology uses a single-phase reactor to integrate PET resin and sheet manufacture. The technology bypasses the expensive PET drying and melting process of conventional clear rigid sheet manufacture, producing PET sheet with superior optical and mechanical properties and using 65 per cent less energy.”

“The new technology involves enhanced gauge control, creating additional cost savings by achieving higher yields. Our production processes also meet stringent environmental standards — we only use recycled

municipal wastewater and PET is 100 per cent recyclable.”

Octal employs 250 staff, mostly in Salalah, and plans to hire another 100 this year. The first batch of graduates from Salalah Training College will begin work experience training at Octal in February. The college introduced a dedicated polymers training course with Octal in October last year.

It is the first course of its type in Oman and 43 students are currently enrolled. Around 30 per cent of Octal’s employees are Omani nationals.

Barakat said: “As a large investor in the Oman economy, we are committed to offering employment opportunities to the best Omani talent. We have high expectations of our collaboration with Salalah Technology College and look forward to receiving our first graduates next month.” Octal’s integrated PET resin and clear rigid sheet production plant was built at an initial cost of US\$350 million, complementing an existing PET sheet

plant opened in Salalah Free Zone in late 2006. Total PET resin capacity is 150,000 metric tonnes per annum and PET sheet capacity is now 180,000 metric tonnes per annum. A second phase of expansion will be completed in early 2011, increasing capacity in PET resin by another 500,000 metric tonnes. At this stage, Octal will be the largest PET resin company on one site outside China. Barakat said: “Phase one is nearing completion and we remain on track with phase two.

Despite the global economic challenges, regional investor interest remains strong and the capital is in place to deliver on our stated growth plans.” Worldwide sales of clear rigid PET sheet packaging and PET resins were more than \$2.5 billion and \$15 billion respectively in 2006.

“We are seeing a backlog of orders in the US and international markets. Our strategy is to focus on the large volume packaging producers who value maximum gloss and clarity in plastic consumer packaging and enhanced durability.”

Epsilon Energy awarded Block 55 concession

Source: *Oman Observer*, 26 January 2009

Canada-based international oil firm Epsilon Energy Limited has been awarded the concession to explore for oil and gas in Block 55 in the Wusta region of the Sultanate. An agreement to this effect was signed here yesterday between Dr Mohammed bin Hamed al Rumhy, Minister of Oil and Gas, and Fred Zasizki, President and Chief Operating Officer of Epsilon Energy International, the corporation’s international division. Covering an area of 7,564 sq kilometres, Block 55 was earlier part of the sprawling Block 6 concession of Petroleum Development Oman (PDO), the Sultanate’s principal oil and gas producer.

PDO relinquished the block in 2005, one of several areas carved out over the years from its Block 6 concession to allow for international oil firms to step in and support the exploration and development of hydrocarbons in the Sultanate. Block 55 is Epsilon Energy’s first acquisition in the Sultanate. As operator, the company is committed to investing an initial amount of \$50 million in the drilling of a number of exploration wells and conducting 2D and 3D surveys of the block during the exploration phase. According to Bader Ali al Sariri, Director of Petroleum Concessions at the ministry, an exploratory well drilled by the previous operator had yielded evidence of the block’s hydrocarbon potential.

However, it was believed at the time that development was economically unviable, he said. “Hopefully, with the new technology (of today), the company will be able

to unlock the reserves within the block,” the official noted. Epsilon Energy Ltd is engaged in the exploration of oil and natural gas reserves in North America, the Middle East, and Africa. The company has exploration, development and production rights to approximately 925,000 gross (265,000 net) leasehold acres in the United States and Canada and approximately 1,400,000 (791,000 net) leasehold acres in neighbouring Yemen.

The corporation employs the strategy of acquiring oil and natural gas leasehold rights near areas of existing established production, with the goal of converting the acquired leasehold rights into proven oil and natural gas reserves, followed by production. Meanwhile, the Ministry of Oil and Gas is planning to offer a further five blocks for exploration and development through a competitive licensing round this year, Al Sariri said. “We hope to attract interested bidders to participate in this bid round, and hopefully close deals with them by the end of this year,” the official told the Observer.

Of the five blocks on offer, one (Block 50) will be offshore. The rest — Blocks 36, 38, 39 and 42 — are all onshore. Present at yesterday’s Exploration and Production Sharing Agreement signing were a number of senior officials of the Ministry of Oil and Gas. In remarks at the event, Dr Ziad Khamis al Siyabi, Director General of Production and Development of Oil and Gas, welcomed the Epsilon Energy on its maiden foray into Oman’s oil and gas sector.

Oman Oil Refinery oil processing up over 100pc

Source: *Oman Observer*, 6 December 2008

The quantity of oil processed at Oman Oil Refineries and Petrochemical company rose by 110.1 per cent to 22.4 million barrels during the first seven months of the year 2008, as compared to 10.6 million barrels during the same period in 2007, according to the statistical bulletin issued by the National Economy Ministry. The products included super and regular car petrol. Super petrol production rose by 62.9 per cent to 1.9 million barrels by the end of July 2008, as compared to 1.18 million barrels during the corresponding period in 2007.

Production of regular petrol rose by 269.4 per cent to 1.8 million barrels during the first seven months of this year, as compared to 495,600 barrels by the end of July in

2007. Production of Aircraft fuel rose by 97.2 per cent to 1.8 million barrels by the end of July 2008, as compared to 9,228 barrels during the corresponding period in 2007. Production of diesel, rose by 162.2 per cent to 4.7 million barrels by the end of July 2008, as compared to 1.8 million barrels by the end of July 2007.

The bulletin said production of petrol gas (Biotin) fell by 8.2 per cent to 535,300 barrels by the end of July 2008, as compared to 582,900 barrels by the end of July 2007. Production of refinery waste rose by 109.5 per cent to 11.2 million barrels by the end of July 2008, as compared to 5.3 million barrels during the same period in 2007.

Crude oil exports fall 3.6 per cent

Source: *Times of Oman*, 29 November 2008

The Sultanate's exports of crude oil declined 3.6 per cent during the first nine months of 2008, against the same period in 2007, according to data released by the Ministry of National Economy. The total exports of crude oil stood at 161,67.4 million barrels during the first nine months of 2008, against 167,166.8 million barrels during the same period in 2007, constituting a 3.6 per cent decline, the statistical bulletin published by the Ministry of National Economy said.

Sultanate's total production of crude oil and condensates stood at 205,507.5 million barrels by the end of September 2008, against 193,41.7 million barrels during the same period in 2007, constituting a 6.5 per cent, rise.

The average daily production stood at 750,000 barrels by the end of September 2008 against 707,001 barrels during the same period in 2007, constituting a 6.1 per cent, rise.

The bulletin said that the average price of Oman oil per barrel rose by 66.2 per cent during the first nine months

of 2008 to \$103.87 per barrel, against \$62.50 per barrel during the same period in 2007.

China topped the countries importing Omani oil as it imported 82,19.9 million barrels during the first nine months of 2008, against 77,761.4 million barrels during the same period in 2007, constituting a 5.5 per cent, rise.

Japan came second, as it imported 22,598.2 million barrels by the end of September 2008, against 21,825 million barrels, constituting a 3.5 per cent, rise.

Thailand came third as it imported 19,665.2 million barrels, against 30,509 million barrels during the same period in 2007, constituting a 35.5 per cent, decline.

The Sultanate's production of natural gas fell by one per cent during the first nine months of 2008 to 802,203 million cubic feet (mcf), against 810,708 (mcf) during the same period in 2007. Gas consumption also fell by one per cent by the end of September 2008, to 802,203 mcf against 810.708 mcf during the same period in 2007.

Block 62 concession awarded to Oxy

Source: *Oman Observer*, 23 November 2008

Oman's government yesterday signed a landmark concession agreement covering the exploration and development of potential gas reserves in Block 62 (Habibah) in the Dakhiliya region. Dr Mohammed bin Hamad al Rumhy, Minister of Oil and Gas, signed the Exploration and Production Sharing Agreement (EPSA) on

behalf of the government, with Occidental Oman Gas Company, a subsidiary of energy major Occidental Petroleum. Oxy's partners in the project are Oman Oil Company, a wholly owned energy investment of the Omani government, and the Sixteenth Investment Company, a special purpose vehicle owned by Mubadala Develop-

ment Co, which in turn is a wholly owned entity of the government of the Emirate of Abu Dhabi.

Representing Oxy at the signing ceremony was Glenn Vangolen, President & General Manager of Occidental of Oman Inc. Oman Oil was represented by its CEO, Ahmed bin Salim al Wahaibi, while Maurizio La Noce, Executive Director, signed for Mubadala. Occidental Oman Gas, as operator of Block 62, along with its partners are committed to investing around \$500 million in exploration activities targeting Habibah's gas potential. Part of this investment will go towards drilling exploratory wells, appraising and developing four fields and installing gas treatment facilities at Habibah.

Later in remarks to the Observer, Dr Al Rumhy said the concession award represented another successful breakthrough in the Ministry's ongoing efforts to bring in new players to develop and explore for new gas reserves. "This is in continuation of that strategy that ended up bringing British Gas and BP into the country. We sliced off three blocks which were under PDO's exploration activities on behalf of the government. The first of these blocks (earmarked for new companies) was signed away today. By January, we hope to be able to

sign two more concession agreements specifically for gas."

As operator of the 2,269 sq km block, Oxy will endeavour to assess the entire gas potential of the concession, Dr Al Rumhy said. "There is a small discovery of shallow gas, but this is not the focus of this project. Rather the focus is the exploration part of it. We think there is a gas potential similar to BP's block (61), but we don't know yet. But the company is committed to carrying out extensive exploration in this block."

Occidental's Glenn Vangolen welcomed the award of the Block 62 concession as a reflection of the Omani government's confidence in the company and its partners. "It's another piece of Oxy's portfolio here.

We can help in expanding the gas business the country needs so much," he commented. Earlier, Ali bin Thabit al Battashi, Director General of Planning and Studies at the Ministry of Oil and Gas, who headed the government side in negotiations leading to the Habibah concession award, praised the "cordial, constructive and positive spirit" that contributed to a successful agreement on Block 62.

\$500m to develop new Block 62 gas reserves

Source: *Oman Observer*, 22 November 2008

The Government will sign today a major concession agreement aimed at harnessing potentially attractive gas reserves in the Habiba (Block 62) area of central Oman. Capital investments in the exploration and development of the block's gas potential are in the order of \$500 million, it is learnt. Dr Mohammed bin Hamed al Rumhy, Minister of Oil and Gas, will ink the concession agreement on behalf of the government with a consortium comprising international energy major Occidental Petroleum, Mubadala Development Company of Abu Dhabi, and the wholly-government owned energy investment firm Oman Oil Company. Exploration and development of the block's reserves will be undertaken in joint venture with the Government of Oman.

Hitherto part of the sprawling Block 62 concession of Petroleum Development Oman (PDO), the Habiba block, covers an area of around 2,700 sq kms. Occidental will be the operator of the Block 62 concession, which is believed to hold sizeable reserves in deep gas fields. Today's concession agreement is the latest in a succession of breakthroughs by the Ministry of Oil and Gas in enlisting international energy majors in the government's continuing quest to explore and develop the country's gas potential to help meet the escalating demand for natural gas.

In February 2007 the government signed up energy giant BP to appraise and develop gas reserves contained within Block 61, a 2,800 sq km area that includes the Khazzan and Makarem gas fields. Successful development of these 'tight' gas reservoirs could open up around 30 trillion cubic feet (TCF) in potential gas reserves. A joint decision by BP and the Oman government to proceed with full field development is expected before early 2013. First gas from BP's Khazzan and Makarem fields is provisionally forecast in 2010 at a rate of 200 million standard cubic feet per day (mmscfd), rising to 1,000 mmscfd, and possibly to 2,000 mmscfd by 2020.

Earlier, in April 2006, the British-based international energy firm, BG, was awarded the Block 60 concession in central Oman containing the gas-rich Abu Butabul field. Potential gas reserves are estimated at 8 TCF in Block 60, which is also believed to hold other exploration prospects. Contingent on a successful appraisal programme, the first commercial gas production could start as early as the end of 2010. However, in a further effort to explore for new reserves and accelerate the development of known deposits, the Ministry of Oil and Gas announced earlier this year plans to offer five gas blocks under a new round of licensing.

Like the Khazzan-Makarem, Abu Butabul and Habiba fields, the proposed blocks are currently within the PDO concession area (Block 6). With Oman increasingly pinning its economic prosperity on gas, exploring and developing new reserves is a top priority for the ministry.

Towards this goal, the government is enlisting the support of the world's leading oilfield firms with the financial and technical wherewithal to develop increasingly challenging reserves. Occidental (Oxy), named the operator of Block 62, is already a major contributor to Oman's oil and gas output. The company's Oman operations are concentrated at the giant Mukhaizna oil field in

south-central Oman, the Safah field in northern Oman, and adjacent areas.

Oxy's fellow partners in the Habiba Block 62 development — Mubadala and Oman Oil Company — are also among the shareholders in the Mukhaizna project alongside the government of Oman. Liwa Energy, a wholly owned subsidiary of Mubadala, has a 15 per cent stake in the Mukhaizna project. Oxy and the other partners in the project aim to invest over \$4.5 billion to implement large-scale steam flood facilities with the objective of increasing production from the Mukhaizna field to 150,000 barrels per day by year 2012.

Oman Shipping Company celebrates launch of 'Al Duqm' oil tanker

Source: *Times of Oman*, 14 November 2008

Oman Shipping Company (OSC) celebrated, here yesterday, the launch of Al Duqm oil tanker as the 13th vessel of the company's fleet.

The celebration was held under the auspices of Salim bin Mohammed Al Nuaimi, undersecretary of the ministry of transport and communications for transport and member of company's board, in the presence of a number of the company's officials.

Al Nuaimi, in the company of a number of officials, toured the various sections of the vessel, which is manufactured by the Japanese Imabari Shipbuilding Company. They were briefed on the various equipment and controls and the design of the vessel.

The vessel, designed to carry 309,000 tonnes of crude,

is 333 metres in length, 60 metres in width and has a mask height of 29 metres. The vessel's speed is 16.2 knots/ hour.

"The induction of the vessel into service was one of the company's achievements in strengthening the capabilities of the OSC in the light of the market requirements," said Al Nuaimi.

The Al Duqm is the third carrier to operate in oil transporting and would be commercially and directly operated by GS Caltex Company for five years after which it would operate in the international markets as planned, he said.

Al Duqm entering into service would contribute to the increase in the company's revenues, he added.

PDO opens Mussallim facility

Source: *Oman Observer*, 11 November 2008

Petroleum Development Oman (PDO) inaugurated its new production facilities at the Mussallim oil field in central Oman recently.

The new units were inaugurated by managing director John Malcolm and Oil North Director Saif Al Hinai in a ceremony marking the completion of the two-and-a-half-year project.

PDO has built a new unit and upgraded an existing unit at the field's processing station. As a result, throughput capacity at the Mussallim station has risen from 100,000 to 230,000 barrels per day of gross production of oil and water. The new facilities will cater to additional 50 wells.

As part of the Mussallim field expansion project, PDO has also successfully drilled 24 new producing wells and installed new processing facilities, which have resulted in a threefold increase in oil production.

The Mussallim project is one of the company's critical secondary-recovery projects which are needed to sustain PDO's oil production before enhanced oil recovery projects come onstream over the next few years.

"This is a major achievement undertaken in record time," said Al Hinai. "The implementation team successfully fast-tracked the project by using an existing facility design", he added.

Macki, Maqbool explore ways for joint investment projects with Petrobras

Source: *Times of Oman*, 5 November 2008

Ahmed bin Abdulnabi Macki, minister of national economy and deputy chairman of the Financial Affairs and Energy Resources Council and chairman of Oman Shipping Company (OSC), and Maqbool bin Ali Sultan, commerce and industry minister and chairman of Oman Oil Company (OOC), met Mario Carmenshi, chief executive officer for oil and gas exploration at the Brazilian oil company Petrobras in Brazilia on Monday.

During the meeting, Macki expressed the Sultanate government's keenness to establish joint investment cooperation between the two countries in a number of developmental sectors.

"We, in the Sultanate of Oman, have investment opportunities that Brazilian companies can enter into, especially since the Sultanate follows a free economic policy and encourages foreign investment which can achieve mutual interests and enhance bilateral cooperation," he said.

Meanwhile, Maqbool said Petrobras could enter into investment projects being implemented by the government, through OOC, which have today investment projects in oil, gas, petrochemicals and energy fields

world wide.

He stressed the importance of exchanging visits between OOC and Petrobras officials, to identify potentials and opportunities of each side to establish joint investment projects.

On his turn, the Petrobras CEO underlined the importance of the visit. "We will despatch a number of officials and geologists during the forthcoming days to the Sultanate to explore the possibility of establishing joint investment cooperation with OOC, particularly as we know that the Sultanate possesses geographical and natural potentials which would encourage geologists to study it and decide the possibility of exploitation."

Petrobras, with the Brazilian government having 50 per cent stake, is operating in exploitation of oil and gas, energy, refineries, petrochemicals, petrol filling stations and storage.

Petrobras, with 50,000 staff and investments in 14 countries, 700 petrol filling stations, 11 refineries and 100 oil rigs, produces 2.2 million barrel of oil per day.

Oman signs gas deal with Brazil for Sohar project

Source: *Oman Observer*, 2 November 2008

Oman and Brazil signed here yesterday an agreement for the supply of gas for 20 years for a project of the Brazilian-based Vale company which will be set up in Sohar Industrial Port. The agreement was signed by Ahmed bin Abdulnabi Macki, Minister of National Economy and Deputy Chairman of the Financial Affairs and Energy Resources Council, and the Chairman and CEO of Vale. The ceremony was attended by Maqbool bin Ali Sultan, Minister of Commerce and Industry, and the Omani delegation.

"The agreement comes as part of the Sultanate government's interest to lure foreign capital to set up major industrial projects that meet the needs of the local and international markets in fields such as steel, as well as providing job opportunities for Omanis", Macki told Oman News Agency. The work on the Vale project, worth \$1 billion, will begin at Sohar Industrial Port before the end of this year. It will produce 10 million tonnes of steel ore.

Vale is the second biggest international company in ex-

ploration and production of steel ore. The company will provide the raw materials for the project from Brazil, he added. "One of the aims and strategies of the Sultanate is to set up major economic ventures with companies that own solid experience and international branding as this will ensure the success of the projects and help in realising the prospective financial gains either inside or outside the Sultanate".

Macki and Maqbool also met the chairman, CEO and senior executives of Vale. They discussed topics on implementing industrial and commercial ventures in steel and products of steel ores. Macki highlighted Oman's economic policies to encourage foreign capital to set up investment ventures in the Sultanate. He also pointed out that the Sultanate encourages direct foreign investment after ensuring economic feasibility and that the venture will realise the prospective aims behind its construction. Maqbool pointed out that the outcome of the studies undertaken by the Sultanate on minerals indicate that Vale may use these minerals in setting up other industries.

Dolphin turns on gas supply for Oman

Source: *GulfNews*, 1 November 2008

Dolphin Energy Limited has begun supplying gas to Oman, completing the strategic Qatar-UAE-Oman natural gas grid first proposed in 1999, the company said in a statement.

The company announced that Dolphin gas from Qatar was now flowing to the Sultanate for the very first time, as part of a 25-year Gas Sales Agreement (GSA) signed in 2005.

Dolphin's gas is produced offshore Qatar and is processed onshore at its Ras Laffan gas processing plant. The gas is then compressed and pumped through the export pipe-line to Dolphin's receiving facilities in Abu Dhabi for distribution to customers.

Supplies for Oman subsequently flow across the country via the company's Eastern Gas Distribution System (EGDS) to Al Ain, where the EGDS connects with a new Omani pipeline on the Oman border.

Dolphin Energy began to deliver gas to UAE customers in July 2007 with an average of 2 billion standard cubic feet of gas a day (scf/day) since February 2008. Oman will be receiving some 10 per cent of this quantity, 200

million scf/day, under the terms of the GSA.

Dolphin Energy's CEO, Ahmad Ali Al Sayegh said: "This is a historic moment for Dolphin Energy - it is equally significant for the three nations who have embraced and supported the Dolphin Gas Project from the very beginning.

"We have always been grateful for Oman's supply of gas to our Al Ain-Fujairah pipeline project in 2004, which enabled us to deliver much needed gas to the Northern Emirates three to four years earlier than if we had waited for completion of our Qatar facilities. "Now Dolphin, in its turn, can contribute to Oman's own future economic growth."

Dolphin Energy Limited was created to develop substantial energy projects throughout the GCC and to create long-term economic wealth and new business opportunities for GCC citizens, far into the future.

Dolphin Energy is owned 51 per cent by Mubadala Development Company, on behalf of the Government of Abu Dhabi - and 24.5 per cent each by Total of France and Occidental Petroleum of the USA.

Sultanate's oil revenue shoots up 68% to hit RO4,088m

Source: *Oman Tribune*, 1 November 2008

The Sultanate's government revenue rose 47.2 per cent to RO5,787 million during the first eight months of 2008, against RO3,930.1 million during the same period in 2007.

The monthly statistical bulletin issued by the Ministry of National Economy attributed this to a 68.4 per cent rise in the Sultanate's oil net revenue which stood at RO4,088.6 million by the end of August 2008, against RO2,427.4 million during the same period in 2007, and a 64.4 per cent rise in customs duty earnings which stood at RO121.3 million, against RO73.8 million.

Corporate tax revenue rose 30.6 per cent to RO221.6 million, against RO169.7 million during the same period in 2007. Capital revenue rose 113.1 per cent to RO53.5 million against RO25.1 million. Other revenue rose 15 per cent to RO768 million against RO668 million.

Gas revenue fell 5.7 per cent by the end of August 2008 to RO534 million against RO566.1 million during the cor-

responding period last year.

The government's total general expenditure rose 28.7 per cent during the first eight months of 2008 to RO4,219.3 million, against RO3,277.7 million during the same period in 2007.

The rise in general expenditure resulted from a 15.9 per cent increase in current spending which stood at RO2,582.6 million, as against RO2,228.8 million during the same period in 2007 and a 38.5 per cent rise in investment spending which amounted to RO1,246.8 million, against RO900.2 million last year.

Contribution and support for the private sector rose 162.2 per cent to RO389.9 million, against RO148.7 million during the same period in 2007.

The state's general budget surplus stood at RO1,567.7 million against RO652.4 million during the same period in 2007.

PDO celebrates 30 years of gas production

Source: *Oman Observer*, 29 October 2008

Petroleum Development Oman (PDO) today celebrates 30 years of supplying natural gas to the Government of Oman. On October 29, 1978, His Majesty Sultan Qaboos inaugurated the nation's first gas-processing plant at Yibal. And to this day, that plant has been providing an uninterrupted supply of gas to the Ghubra power and desalination station that provides electricity and drinking water to the Muscat area. Non-associated gas — that is, gas found in gas fields rather than oil fields — has always received special treatment from PDO. For one thing, a separate agreement covers the gas-specific exploration and production activities of the company.

As pointed out by John Malcolm, PDO's Managing Director: "The searching for gas fields in our concession area, the development of discovered fields into productive assets and the day-to-day operations at those gas fields, not to mention the operation and maintenance of the pair of 48-inch pipelines that deliver gas to the Oman's two gas-liquefaction plants — all of these activities are undertaken by PDO exclusively on behalf of the Government of Oman." And PDO stands ready to do what it can to further develop the Nation's gas industry in support of the government. "We remain committed as ever to serving the people of Oman through the continued supply of non-associated gas in support of the Sultanate's economic development," comments Abdullah al Lamki, PDO's Deputy Managing Director.

Starting from the Yibal plant and its associated pipeline

to Ghubra, PDO's gas business has grown in step with the nation's economy over the last three decades. The company now provides gas not only for power generation and water desalination but also for several new major domestic industries and for liquefied natural gas (LNG) exports. PDO's natural gas is also the main source of the liquid petroleum gas (LPG) that is used for cooking purposes throughout the country.

To make this gas-fuelled growth possible, PDO has drilled more than 250 wells in 30 gas fields, mainly in central and north Oman, that are connected by pipeline to a network of two gathering stations and four major processing plants — at Yibal, Saih Rawl, Saih Nihayda and Kauther. The gas is piped north to industrial customers in Sohar and Muscat; east to LNG plants near Sur; and south to customers in Raysut and Salalah. All in all, in 2007 the company supplied the equivalent of 398,000 barrels of oil per day in the form of gas.

It also produced an average of 46,000 barrels a day of condensate, the main liquid by-product of gas production. (The condensate is mixed with Omani crude oil to maintain the crude's quality and quantity.) In fact, about half of the hydrocarbon energy that PDO currently supplies to its shareholders comes from natural gas. Last year, an exploration well also discovered a significant field extension to the Burhaan West gas field, which is currently being evaluated pending a full field-development plan. By any measure, PDO's historical record in the Omani gas industry has been exemplary.

Qalhat LNG delivers 50th Shell sourced LNG cargo to India

Source: *Oman Observer*, 7 October 2008

Qalhat LNG delivered safely the 50th Shell sourced cargo to Hazira Regas Terminal in Gujarat, India on October 2, 2008. To celebrate the successful and longstanding relationship, Harib al Kitani, Qalhat LNG President and CEO, received a commemorative award in Dubai from Shell's Mehdi Chennoufi, General Manager Middle East & South Asia LNG.

On this occasion, Harib al Kitani said: "It gives us a great pride at Qalhat LNG to participate in this milestone. Our congratulations on the 50th Shell sourced LNG cargo to Hazira Regas Terminal and we wish our partners the very best." He also added "It is a great example to our business partners of our support, commitment and the determination to continue to be partners in excellence."

Qalhat LNG was established in 2003 and owns the third

train in the LNG complex in Qalhat in Wilayat of Sur. The Government of the Sultanate of Oman owns 46.84 per cent equity while Oman LNG has 36.8 per cent, Union Fenosa Gas 7.36 per cent and Itochu Corporation, Mitsubishi Corporation and Osaka Gas of Japan each own 3 per cent of the company, making it a truly international venture.

The Hazira Project is a joint venture between Shell and Total and includes an LNG receiving and storage terminal within a purpose built all-weather, deep-water port. The world-scale LNG terminal together with infrastructure is laid out for a capacity of 5 million tonnes per annum of LNG and is one of the largest greenfield foreign direct investments in the energy sector in India. The Hazira terminal is situated 120 nautical miles north of Mumbai and is strategically located with access to regional and national pipeline grids.

CGGVeritas' Onshore Oman Seismic Acquisition Gets Extension

Source: *Rig Zone*, 30 September 2008

CGGVeritas has been awarded a multi-year contract extension by Petroleum Development Oman (PDO) to undertake a high-productivity high-density onshore seismic acquisition project in Oman.

In addition to increasing the number of active vibrator fleets, the extension doubles crew capacity to 25,000 channels, making it the largest high-resolution seismic operation in Oman.

Work under the new configuration will commence at the beginning of 2009 and is expected to continue through the first quarter of 2011. This step change in crew con-

figuration follows the recent update to 24-hour operations in Oman, another significant advance.

According to Robert Brunck, Chairman and CEO of CGGVeritas, "This multi-year project underlines the confidence PDO has in our expertise and we are very proud to have the opportunity to strengthen our long-term relationship and perform this high-density, high-productivity survey. The award further extends our leadership position in the high-end segment of the market and confirms the long-term commitment of CGGVeritas and its regional joint venture Ardiseis in Oman and the wider Middle East region."

Oiltanking Odfjell launches bulk liquid storage activities in Sohar

Source: *Oman Observer*, 29 September 2008

Oiltanking Odfjell Terminals & Co LLC (OOTO) successfully commenced bulk liquid storage operations at its state-of-the-art tank terminal located in the industrial Port of Sohar. OOTO has put 322,000 cubic metres (cbm) into operation to cater for the storage and handling of clean petroleum products and chemicals. It is the first phase of the 842,500 cbm facility which is due for completion in the first half of 2009.

The first cargo into tank was received in August for Al Intaj Sulphochemical Industries Co LLC. This manufacturer will use OOTO's facilities to import feedstock and supply the product by truck to its production facility located in Sohar Industrial Estate. It enables Al Intaj to organise its feedstock requirements in such a way that the most economical logistic solutions are achieved.

In late August OOTO received its first petroleum cargo through a pump over from the refinery and last week the first cargo of petroleum was successfully loaded ex tank via OOTO infrastructure onto a vessel berthed at one of OOTO's deepwater marine jetties. OOTO will commission an additional 216,500 cbm by the end of the year and another 304,000 cbm in the first and second quarter of 2009.

The terminal's infrastructure provides excellent flexibility to its customers, quick turnaround times for vessels and added capabilities such as truck loading, blending and injecting of additives. OOTO's tank terminal also has multiple pipeline connections to the Sohar refinery owned by Oman Refineries and Petrochemicals Co.

Part of OOTO's capacity will be used by Aromatics Oman LLC for the storage and handling of feedstock and produced product. OOTO will be actively involved in the production process of this world-scale aromatics

plant by continuously pumping feedstock into the production process and at the same time receiving produced product such as chemicals and gases in tank before loading these onto vessels for export.

Besides the current scope OOTO continues to pursue various other projects with the aim of transforming Sohar into a major liquids hub in the region and in this way contribute to Oman's credentials as a petrochemicals giant. OOTO also strives to further integrate itself with production facilities being considered in the industrial port who wish to capitalize on the economies of scale the central tank farm can offer them. Oiltanking Odfjell is committed to its Omanisation program and has a well-trained team to operate the tank terminal as well as the liquid jetties. Omanis represent the vast majority of the workforce of the company.

Oiltanking Odfjell Terminals & Co LLC is a joint venture of Oiltanking Odfjell Oman BV (70 per cent), Oman Oil Company (25 per cent) and a private investment company (5 per cent). In November 2004, Oiltanking Odfjell signed a contract for the operation of liquid berthing facilities and the development of an independent bulk liquids storage terminal at the Sohar Industrial Port.

Oiltanking, a subsidiary of Germany's Marquard & Bahls AG, is the second largest independent storage provider worldwide for petroleum products, chemicals and gases. Oiltanking owns and operates 62 terminals in 20 countries in Europe, Middle-East, North and South America and Asia and has an overall capacity of over 13 million cubic meters. Odfjell is a leading company in the global market of transporting chemicals and other specialty bulk liquids as well as providing related logistical services. The fleet totals about 123 ships, trading both globally and regionally.

Dolphin Energy set to supply gas to Oman next month

Source: *Oman Observer*, 24 September 2008

Dolphin Energy Limited confirmed yesterday that it will supply gas to Oman during October 2008, as soon as Oman is ready to receive it. The Gas Sales Agreement (GSA) to deliver an average of 200 million standard cubic feet of gas a day (mmscf/day) to Oman was signed with the Oman Oil Company (OOC) on September 5, 2005, in Abu Dhabi.

It provides for Dolphin gas from Qatar to be delivered through Dolphin's Eastern Gas Distribution System (EGDS), via a hook-up near Al Ain on the UAE-Oman border. The Agreement is valid for a period of 25 years, commencing no later than October 31, 2008.

The gas will arrive in Oman after flowing through Dolphin's Export Pipeline from Qatar, then being monitored on arrival at the company's Receiving Facilities in Taweelah, Abu Dhabi, before its cross country journey via the EGDS.

Dolphin CEO Ahmed Ali al Sayegh said the GSA was signed in 2005 by Shaikh Hamdan bin Zayed al Nahyan, Deputy Prime Minister of the UAE and Chairman of Dolphin Energy. "On that occasion, he pointed out how this project would create a true regional gas grid. We look forward to fulfilling our commitment to this great

concept, and to our contract, during next month."

Dolphin's General Manager-UAE, Ibrahim Ahmed al Ansari, added: "Our supply, pipeline and monitoring systems are ready to begin supplying gas as soon as Oman's new gas compression systems are tested and on line." Dolphin Energy Limited was created to develop substantial energy projects throughout the GCC and to create long-term economic wealth and new business opportunities for GCC citizens, far into the future. Dolphin Energy's major strategic initiative, the Dolphin Project, involves the production and processing of natural gas from Qatar's North Field, and transportation of the dry gas by sub-sea export pipeline from Qatar to the UAE, which began in July 2007.

The long term customers for Dolphin gas from Qatar are ADWEA (Abu Dhabi Water & Electricity Authority), UWEC (Union Water & Electricity Authority), DUSUP (Dubai Supply Authority) and from 2008 Oman Oil Company. Each has signed a gas supply agreement with Dolphin Energy for 25 years. Dolphin Energy is owned 51 per cent by Mubadala Development Company, on behalf of the Government of Abu Dhabi — and 24.5 per cent each by Total of France and Occidental Petroleum of the USA.

Qalhat LNG, CNOOC sign pact

Source: *Times of Oman*, 20 September 2008

Qalhat LNG, in its continuous pursuit to further reach new markets in the global arena and to enhance its business relationship with potential new customers, has signed a Master Sale and Purchase Agreement (MA) with China National Offshore Oil Corporation (CNOOC).

The agreement was signed by Luo Weizhong, president of CNOOC Gas and Power Trading and Marketing Limited, and Harib Al Kitani, president and CEO of Qalhat LNG

The signing ceremony held in the head office of Qalhat LNG at Qurum, was attended by Pan Weifang, ambassador of China, as well as senior executives from both the companies.

The agreement will help reinforce the current good relationship and enhance the potential business opportunities for the mutual benefits of both the companies.

CNOOC, founded in 1982, is one of the largest state-owned oil giants in China, as well as the largest offshore oil and gas producer. China is considered by many industrial analysts as the fastest developing LNG market.

Its first LNG terminal in Guangdong province started operating in 2006 and was followed by the Fujian terminal, which completed construction in 2008. Two more terminals are currently under construction.

The first-ever Omani LNG cargo into China was sent by Qalhat LNG in April 2007 which also marked China's first-ever spot cargo purchase.

Qalhat LNG, which began its start up operations only three years ago, has already concluded many MAs with key market players, covering different regions of the world. This MA marks yet another important step forward in diversifying Qalhat LNG's customer portfolio and further advancing its LNG business.

Production of oil rises by 5.8 per cent, Exports fall by 2.5 per cent

Source: *Times of Oman*, 20 September 2008

The Sultanate's total exports of crude oil stood at 126.44 million barrels during the first seven months of 2008, against 129.62 million barrels during the same period in 2007, constituting a 2.5 per cent decline.

The monthly statistical bulletin published by the National Economy Ministry showed that the Sultanate's total production of crude oil and condensates stood at 158.78 million barrels by the end of July 2008, against 150.17 million barrels during the same period in 2007, constituting a 5.8 per cent rise.

The bulletin said the average price of Omani oil per barrel rose by 58 per cent during the first seven months of 2008 to \$96.22, against \$60.90 per barrel during the same period in 2007.

China topped the countries importing Omani oil as it imported 60.69 million barrels during the first seven

months of 2008, against 62 million barrels during the same period in 2007, constituting a 2.1 per cent decline. Japan came second as it imported 18.18 million barrels by the end of July 2008, against 17.5 million barrels, constituting a 3.9 per cent rise.

Thailand came third as it imported 16.69 million barrels, against 21.67 million barrels during the same period in 2007, constituting a 23 per cent decline.

The Sultanate's production of natural gas fell by 0.4 per cent during the first seven months of 2008 to 623.166 million cubic feet (mcf) against 625.929 (mcf) during the same period in 2007. Gas consumption also slipped 2.6 per cent to 99.535 MCF against 102.187 MCF.

The gas consumption also fell by 2.6 per cent by the end of July 2008 to 99.535 mcf against 102.187 mcf during the same period in 2007.

Oilex begins Phase 2 of Block 56 drilling programme

Source: *Oman Observer*, 9 September 2008

Australian oil firm Oilex Ltd has announced that it has successfully spudded the Sarha-2 well in its Block 56 concession in the south of the Sultanate. The well is the first in the second phase of drilling that comprises a continuous sequence of four wells in Block 56 area. The well will initially be drilled by the Abraj Rig 204 as an exploration and appraisal well to evaluate the same oil bearing zones that were intersected in Sarha-1 discovery well.

On conclusion of the exploration phase of drilling, the well will be drilled horizontally into the oil zone tested at the nearby Sarha-1 well and used for extended production testing. Oil production rates in the range 300-700 barrels per day are anticipated. Drilling operations in the exploration phase are planned to take 17 days to reach total depth at 1,650 metres, the company said in a press statement.

The joint venture participants in the Block 56 concession are Oilex Oman Limited as operator (25 per cent), Videocon Industries Limited (25 per cent), GAIL (India) Limited (25 per cent), Hindustan Petroleum Corporation Limited (12.5 per cent) and Bharat Petroleum Corporation Limited (12.5 per cent). The Block is located on the eastern flank of the South Oman Salt Basin, an area which has already seen significant exploration success

and subsequent production. Several of the fields in this area hold over 500 million barrels of oil in place. Most of these fields were discovered by Petroleum Development Oman (PDO) during the last 20 years.

The pipeline network from those producing fields in the main part of the South Oman Salt Basin is only about 30 km to the west of the Sarha wells. Oilex has been pursuing an aggressive exploration programme in Oman since the award of Block 56 to the joint venture in July 2006. Three wells, two of which encountered oil, have been drilled and the acquisition of 1,000 km of 2D seismic and extensive reprocessing of existing 2D and 3D seismic data has been concluded. A 3D seismic programme covering 400 km² is planned to commence in November 2008.

The Sarha 2 well is planned to evaluate proven Permo-Carboniferous reservoir intervals in the Gharif and Haima formations which were not fully evaluated at Sarha-1 due to hole problems. These are major productive horizons across Oman. Following the evaluation of these zones, the well will be plugged back and a 500 metre horizontal section will be drilled in the Al Khlata formation and completed for production to evaluate the zone which tested oil at the Sarha-1 exploration well. This extended production test is planned for a minimum

period of 120 days with produced oil trucked and sold to a nearby PDO receiving station. Results from this production test will be used for planning the full field development of the Al Khlata oil zone. Sarha-2 will be followed by two further exploration wells (Prospects D and J) which will evaluate structural features similar to

the Sarha discovery and neighbouring fields in PDO's Block 6. An additional exploration well (Prospect A) will follow as the last well in the current sequence and will investigate a much larger, high relief feature in the central Block 56 area. Formal naming of the prospects is to be confirmed by Oman government authorities.

Oman offers LNG facilities

Source: *Iran Daily*, 5 September 2008

Iran is seeking to use gas processing facilities in Oman to export its vast natural gas reserves. Iranian officials will hold talks in Tehran this week with their Omani counterparts to discuss a natural gas deal. The talks follow a trip by Oil Minister Gholam Hossein Nozari to Oman earlier last week, ISNA reported.

The scheme would involve piping gas from a shared reservoir off the northeast of the Musandum Peninsula to Oman for conversion into liquefied natural gas (LNG), which is compressed and frozen for export to the industrialized world. Part of the gas production would also be used domestically in Iran and Oman.

The talks are not connected to the Salman Field, which the UAE is hoping to exploit with Iran to send gas to Sharjah through a pipeline built by Crescent Petroleum.

The Oman deal represents Iran's best hope to get involved in the global LNG trade. Iran has the world's second-largest reserves of gas after Russia. Market ana-

lysts believe that the scheme to export gas through Oman would be a bonus for both sides.

In late May, Ali Kheirandish, managing director of Iran LNG, told a conference in Abu Dhabi that the country would be ready to export its first LNG cargo by the end of 2010. Yet, Iran's under-construction LNG facilities are not ready to export its vast reserves.

Oman, which has built expensive LNG facilities but is now suffering from a shortage of gas, is looking for new sources.

Meantime, a joint venture could provide for technological transfer and allow Iranian personnel to gain experience in the global LNG trade.

Manouchehr Takin, an analyst at the Centre for Global Energy Studies in London, said the negotiations were "a good sign", and a chance for Oman and Iran to increase their economic ties.

Tehran seeks to use Oman LNG plant

Source: *Trade Arabia*, 31 August 2008

Iran wants to use an Omani liquefied natural gas (LNG) plant to supercool its gas so it can be exported by ship to other countries.

Iran's oil minister will travel to Muscat next week to discuss this plan, a report in Gulf Daily News said. Iran has the world's second biggest reserves but has been slow to develop gas exports and has no LNG facilities that can supercool gas.

Oil Minister Gholamhossein Nozari's discussions would cover Omani investment in Iran's Kish gas field in the Gulf and the export of Iranian gas to that country and Iran's partnership in the Omani LNG industry.

National Iranian Offshore Oil Company managing director Mahmoud Zirakchianzadeh said the two countries were in negotiations on the export of one billion cubic feet of Iranian gas per day to Oman.

A memorandum of understanding has already been signed and Iran hopes the final agreement on exporting gas to Oman will reach the signing stage by the end of the year.

The gas heading to the Omani LNG facility will be used by the National Iranian Oil Company, a state firm which oversees Iran's hydrocarbons industry, in its international marketing and sales.

Some of the Iranian gas would be used by Oman. The two countries have also talked of developing another Gulf gasfield, called Hengam in Iran and West Bukha in Oman.

Iran's gas reserves were put at 27.80 trillion cubic metres at the end of last year, compared to Oman's much more modest 690 billion cubic metres.

Oman Shipping takes delivery of supertanker in South Korea

Source: *Oman Tribune*, 30 August 2008

Oman Shipping SAOG on Friday launched a very large crude carrier (VLCC) Manah at Kojah Island in South Korea. The supertanker is 332 metres long, 60 metres wide, 30 metres high and can carry 317,000 tonnes of crude oil.

The launch was held under the auspices of Ahmed Bin Salem Al Wuhaibi, CEO of Oman Oil and member of the board of directors of Oman Shipping SAOC. The ceremony was attended by HE Moosa Bin Hamdan Al Taie, the Sultanate's Ambassador to South Korea, and Adel Bin Abdullah Al Raisi, managing director of Oman Shipping and advisor on gas affairs at the Ministry of National Economy.

"The launch is a part of a bid by Oman Shipping to meet the needs of the crude market. Manah, the second of its kind to be delivered to the Sultanate, will commence

commercial operations soon," Al Wuhaibi said.

The supertanker, designed to world standards, is fitted with the advanced navigation systems and other technical equipment.

"Five multipurpose tankers will join Oman Shipping fleet by the end of this year, increasing the number of commercially operated oil and gas tankers to 16," said Raisie. "The company recently executed a number of contracts with shipbuilders to build a number of multi-purpose tankers to increase the strength of Oman Shipping's fleet to 32," he added.

The company has plans to increase its fleet of multi-purpose tankers to 80 by 2012, he concluded. The dignitaries took a tour of the tanker, manufactured by Samsung Heavy Industries.

Crude exports jump 5.3% in June

Source: *Oman Tribune*, 27 August 2008

The Sultanate's total crude oil exports rose 5.3 per cent to 153.2 million barrels as at the end of June 2008 compared 128.5 million barrels exported during the corresponding period in 2007.

According to the monthly bulletin published by the Ministry of National Economy, the total production of crude and condensates fell 4.4 per cent to 108.1 million barrels against 113.1 million barrels.

The average daily production recorded a 4.7 per cent rise to stand at 743.4 barrels against 710.1 barrels during the corresponding period a year ago. The average price of Oman crude surged 55.3 per cent to \$92.39 compared \$59.51 per barrel, said the bulletin.

China emerged the main importer of Oman crude during the period with 52.6 million barrels against 51.9 million barrels, constituting a 1.3 per cent rise.

Thailand came second with 15.1 million barrels against 18.7 million barrels, constituting a 19.1 per cent decrease. Japan stood third with imports of 13.8 million barrels against 14.7 million barrels, registering a decline of 5.8 per cent.

The production of natural gas fell 0.2 per cent to 438.9 billion cubic feet (BCF) against 439.9 BCF. Gas consumption also dropped 0.2 per cent during the period to 436.9 BCF compared to 439.9 BCF recorded during the corresponding period last year.

Octal Petrochemicals celebrates two years of operations in Oman

Source: *AmeInfo*, 25 August 2008

Oman-based Octal Petrochemicals has celebrated two years of operations at a press conference held to recognise the support of Octal's principal lenders. Octal board member Rashid Saif Al Sadi presented crystal awards to Bank Muscat and Bank Dhofar. The banks participated in Octal's initial investment of \$350m announced last November.

Octal board member Rashid Saif Al Sadi said: 'Octal is fulfilling its expansion strategy to become a

homegrown global petrochemicals leader, and the involvement of Oman's leading financial institutions has been critical to our success. We thank our Omani bankers, the Salalah Free Zone and the Oman government for their support.'

He said: 'Octal is the largest exporter from the port of Salalah, a growing employer and a significant investor in local and regional suppliers. We have come a very long way in a short space of time and our progress

would not have been possible without the confidence of local and regional investors. Octal's rapid development shows the potential of Oman as a location for manufacturing and the qualities of doing business in Salalah Free Zone.'

Operational in six months, phase one 2006 saw Octal's entry into PET sheet production for global export. Octal's second plant, built in 19 months, will ramp up production of PET resins starting this October.

Rashid Saif Al Sadi expressed special thanks to BankMuscat for its lead advisory, trade finance and treasury expertise and thanked BankDhofar for participating in the lending process.

AbdulRazak Ali Issa, Chief Executive, Bank Muscat thanked Octal and said, 'We are happy to be involved in Octal in various roles. Our involvement as financial advisor, equity investor, Mandated Lead Arranger and the largest lender demonstrates our confidence in this Omani project and its prospects'.

Kris Babici, Chief Executive Officer of BankDhofar, said: 'BankDhofar is proud to be associated with Octal, and we have a strong emotional attachment to this project because it has been set up in the Dhofar region. The company's initiative is well conceived and is being executed with precision.'

Octal estimates global yearly sales at the rate of US\$450 million by the end of the year. Monthly sales currently exceed \$4m. A new sales office will open in Europe by

the end of the year, complementing sales offices in Dallas and Shanghai.

Octal Petrochemicals' other Oman-based investors include NIFCO (National Investment Fund Company), Muscat Overseas Group, Oman Investment Company, Malatan Trading and Contracting, Oman and Emirates Investment Holding, Suhail Bahwan Group, and DIDIC (Dhofar International Development & Investment Holding Company), and BankMuscat. Individual and institutional investors from Saudi Arabia, Kuwait and the US are also onboard.

Octal's phase-two expansion will make it the largest polyester company in the Middle East and one of the biggest on one site outside China. Octal expects staff numbers to reach 300 by the end of this year and it will continue its aggressive recruitment drive well into 2009.

Octal has also commissioned the first phase of a liquid chemicals terminal at Salalah port, the first 'tank farm' of its type in the region. The first two 5,000 metric ton tanks at the terminal are designed to receive mono-ethylene glycol (MEG).

Nicholas Barakat, Managing Director of Octal Petrochemicals, said: 'Octal has so far generated sales worth more than US\$55 million through its offices in Europe, China and the US. Customers understand the distinct quality advantages involved in our integrated one-site production model. The efficiencies we bring are increasingly attractive in the current environment of high energy costs.'

Omanis sharpen skills in oil drilling

Source: *Oman Observer*, 25 August 2008

Midwest Oilfield Services is in a league of its own, literally a chip of the legendary David who confronted and conquered multinational Goliaths who for decades were unchallenged in oil and gas drilling operations in the Sultanate.

Mohammed al Jahwari was barely 24 years old in 2001 when he took the momentous decision to set up Midwest, in all respect then a leap of faith, becoming the first 100 per cent Omani owned company to specialise in performance drilling services, offering turbine drilling, directional drilling and supervision.

Today, after seven years of focused operations, Midwest is a leading provider of drilling services and solutions, delivering value to the oil and gas industry. "It is our objective to provide customers with products and services that realistically reduce the cost of their drilling operations," Al Jahwari said. The going was no doubt

tough for Midwest, but Al Jahwari pursued his dream with passion and in the process has left a trailblazing performance, including a world record in gas drilling in the fourth year of operations. The feat was all the more laudable as Midwest had used self-designed turbine-driven tools, which had never been used in Oman before.

The record was set in a contract for Petroleum Development Oman (PDO), continuously drilling 1,261 metres to achieve the longest run with a 83/8 diamond bit. The world beating run took place at Saih Rawl 207 where the 1.2 km-run was drilled through Al Khalat, Hasira, Saih Niyada and Ghudun formations to a pre-determined depth. The turbines and Smith KGR-50 bit could have drilled deeper still, but 1,261 metres was the agreed depth for an assembly change, Al Jahwari said. "When we pulled out both the turbine and the bit, they were in good condition.

The equipment went through several designing stages during initial trials before manufacturing. Midwest now plans to have the turbine components manufactured, assembled and tested in Oman. Al Jahwari acknowledged PDO's support as critical in its endeavours to get the bespoke equipment built and tested in Oman.

PDO lauded the performance by Midwest and noted that it was one of the biggest success stories in terms of bringing on a local company for mainstream drilling operations. The equipment produced by Midwest for Oman are now marketable around the world, it added.

"Midwest has proved that Omanis can take up any challenges and deliver world class results," Al Jahwari noted. In another notable achievement, the company had employed 100 per cent Omani personnel in a directional drilling project for PDO, he added.

Midwest is equipped with highly experienced, competent and dedicated staff, reputed in maintaining the highest levels in business conduct, quality and HSE.

"We believe in attracting young talented enthusiastic and disciplined Omani youth, developing and retaining those who are willing to take the challenges and opportunities and make them realise their ambitions in terms of career, rewards and family commitments. Our working environment encourages growth while team-oriented work stimulates creativity and inspires people to reach their full potential," Al Jahwari pointed out.

The inspirational story of Al Jahwari is replete with seemingly insurmountable obstacles. A school dropout, his journey of adventure began in 1996, taking up odd jobs and a brief stint with the police in Bahrain, before opting for a secretarial job in Muscat. A trainee assignment with Muscat Overseas Oil and Gas division then followed, later moving on as a technician at SQU. Subsequently, Al Jahwari worked in an oil rig with Baker

Hughes where he developed competent drilling skills.

In 2000, when Halliburton took over the rig managed by Baker Hughes, he worked with them for a year and left to start Midwest in 2001. The remarkable tilting of the scale occurred in his favour when Smith International, a global player in oilfield component and technology support, bought Dynea International. Key research and development personnel then working with Dynea joined Midwest to mark the beginning of the company's triumphant journey.

"This was one of the crucial decisions that charted the successful rise of Midwest," Al Jahwari said. "The next challenge was to compete with global giants like Halliburton, Smith and Schlumberger in which we have proved our mettle, emerging as the first choice for oil majors operating in Oman," he added.

Initially, financial constraints hindered investment in equipment vital for securing drilling contracts, Al Jahwari said. The ice was broken when a trial contract was granted by Occidental of Oman. With bank guarantees not forthcoming to source the required equipment, Al Jahwari was in a dire crisis when BankMuscat stepped in and extended the hand of support.

"Since then, there has not been an occasion for Midwest to look back. PDO was greatly instrumental in developing us as an Omani company well equipped to challenge multinationals," Al Jahwari said.

The corporate philosophy of Midwest is to remain a lean, smart and efficient player, Al Jahwari said. With a turnover of RO 5 million, the company has taken prudent measures to always split risks among as many groups like banks, partners and suppliers, he added. Midwest has a clear vision to emerge as a leading player and is not averse to taking risks, complemented by hard work and constant learning, Al Jahwari added.

Gas deal with Oman

Source: *Iran Daily*, 17 August 2008

Iran and Oman have signed an agreement based on which Iran will export natural gas via Oman. The agreement will open a new gas export route for the Islamic Republic.

Under the agreement, Iran will export one billion cubic feet of natural gas to Oman's export terminal to produce liquefied natural gas (LNG), MEED reported.

Iran's natural gas will be processed in Oman's Qalhat LNG plant. The plant can produce just under 10 million tons of LNG per year.

"Potentially you could have Iranian gas actually being piped to Oman and then liquefied and sold on international markets," said Stuart Lewis, Middle East director at IHS, an energy consultant.

The project was in its early stages but there were signs it would move ahead quickly; both sides were looking at finalizing the deal in September, Lewis said.

"If you contrast that to all the projects that are under consideration and haven't come to fruition, this project could be quite significant," Lewis added.

Iran and Oman have been discussing gas cooperation, including development of the Hengam-Bukha field project. Hengam is a joint field west of Bukha in the Sultanate of Oman reportedly containing two trillion cubic feet of gas.

Before signing the agreement, the two sides agreed on exporting Iran's gas, developing the Kish gas field, Oman's investment in Iran oil and gas fields, including Hengam fields, developing these fields by the Iranian team, and establishing a joint investment company.

Thirst for oil feeds innovation in Oman

Source: *Washington Post*, 12 August 2008

Sirens and air monitors surround the more-than-\$1 billion oil installation rising off the flat, rock-strewn desert floor here in the 120-degree heat of Oman's interior.

Construction crews, mostly Indians and Pakistanis in once bright-colored coveralls washed out by the sun, lay out escape routes and raise airtight shelters intended to save the lives of oil workers if the sirens ever go off.

Far underground, below a mile-thick layer of salt, lies the oil that Oman's state-controlled petroleum company is seeking. It sits in a cloud of pressurized gases laced with hydrogen sulfide at concentrations that can kill in minutes.

In Saudi Arabia, Oman's neighbor, oil production still can be as easy as jamming pipe into the ground and pumping up the oil, or standing back to let it gush forth from the pressure of the reservoir.

But for Oman, "easy oil is over," said Khalid Jawad al-Khabouri, a gum-snapping petroleum engineer at the headquarters of Oman's state oil company in Muscat, the capital.

At Harweel and several of the country's complex, aging fields, Oman is going after oil the hard way. More than any country along the Persian Gulf, Oman provides a preview of the future of oil.

A sultanate of fewer than 3 million citizens, Oman has staked much of its future on evolving production techniques known as enhanced oil recovery. Geologists and engineers here are employing many technologies also developing elsewhere in the Middle East, North America and China.

The country has invested \$4 billion to \$6 billion in current enhanced oil recovery projects, said Khalifa al-Hinai, technical adviser to Oman's Oil and Gas Ministry. Most of the techniques involve pumping some agent — steam and other gases, or chemicals including polymers and detergents — into a reservoir to encourage oil to flow.

Petroleum Development Oman, a consortium that includes Oman's government along with Shell, Total and Partex oil companies, also is adopting in-situ combustion, which involves lighting fires within reservoirs to draw out the oil.

For Oman, the plunge into enhanced oil recovery is a necessity.

The world's other oil producers, even Saudi Arabia, will one day follow. With oil prices wedged above \$100 a barrel this year, investors worldwide are sinking billions of dollars into enhanced oil recovery.

"The world has to," said Matt Simmons, an energy investment banker and a leading proponent of the argument that oil will run out sooner rather than later, in a telephone interview from the United States. "Because it's the last game going."

Even Oman has had to realize, however, that there's no single "magic undiscovered field or technology," cautioned Sadad Husseini, a veteran former petroleum geologist for Saudi Aramco.

Less flashy moves than enhanced recovery, such as recent decisions by Oman to open its oil fields to more competitors, are at least as smart, Husseini said.

With enhanced oil recovery, "It's just a case of people catching on to the buzzword that this is going to fix it, and we're going to get a whole lot of oil out of it," Husseini said. "And it doesn't quite do that."

Oman's state-controlled oil company started to see the end of easy oil in 2000, when daily production peaked at 840,000 barrels. Then production fell through one bottom after another, hitting 561,000 barrels a day in 2007.

By most accounts, Oman's sultan, Qaboos bin Said, had used much of the wealth of Oman's glory days of oil wisely.

He created generous public services and a modern, if pervasive, government -- police here routinely stop and issue fines to motorists on the road if their car needs

washing, and inspectors scour Muscat for any building not painted the mandated white, cream or other light color.

Qaboos's father, Said Bin Taimour, provided fewer than 10 miles of paved road for all of Oman. He allowed Christian missionaries to run the nation's sole hospital.

Since bloodlessly deposing his father in 1970, Qaboos has put schools, clinics and roads within reach of all, thanks to Oman's oil. Air force helicopters shuttle children living in the country's mountains to boarding schools. Navy ships serve as school buses for some of the children living on Oman's islands.

But Qaboos was slow putting into practice plans to diversify Oman's economy. Even now, oil and gas account for nearly 80 percent of government revenue. So when oil production started falling, Oman's government and oil officials started worrying.

"We as a company were in trouble," said John Malcolm, the managing director of Petroleum Development Oman. "When you come to the edge of the cliff, you've got two choices," Malcolm said. "You can walk away from the edge, or you can fall off the edge."

In 2003, the oil company assembled what would become

scores of specialists and gathered up all the reports it could find about its fields. Experts searched for ways that old or undeveloped fields could be made productive.

Harweel, in southern Oman, is one of the results. The plant will pump gas into the reservoir, using the gas as a solvent to make oil flow to production wells. The hydrogen sulfide and other gases pumped up will be separated and treated, and some of it pumped back underground. Pipes with walls more than 3 inches thick will transport the hydrogen sulfide-laced gas.

The cost overall: "A Ferrari a meter," engineers at Harweel said.

Oil producers could expect to get 10 percent of Harweel's oil without enhanced oil recovery. With it, they hope for 30 percent. Without enhanced recovery, Oman could expect to run out of oil within 15 years. With it, said Hinai, the oil ministry adviser, Oman hopes for 40 years.

At company headquarters, Khabouri, the engineer, ran through the evolving recovery techniques. Then he reached up and flicked an imaginary lever.

"After that," he said, "switch off the lights."

SQU team tries new oil research method

Source: *Times of Oman*, 11 August 2008

A team from Sultan Qaboos University (SQU) is currently conducting a research project on enhanced oil recovery by using microbes for the first time at the AGCC and Arab level. The team is headed by Dr Saif bin Nasser Al Bahri, associate professor and head of the Biology Department at the College of Sciences at SQU.

Dr Ali bin Saud Al Bimani, vice-chancellor of SQU, Dr Yahya bin Mansour Al Wahaibi, assistant professor at the Oil and Chemical Engineering Department at the College of Engineering, and Dr Abdul Qadir Al Shafeie, associate professor at the Biology Department at the College of Science, are members of the team.

The project had received the support of SQU and a royal grant from His Majesty Sultan Qaboos bin Said. Petroleum Development Oman (PDO) is also financing the project.

The project aims at utilising the microbes basically located at oil hideouts to improve the yield by catalysis of microbes to produce gases such as the carbon dioxide, dissolvent, polymerisation, acids and other substances

which changes the oil characteristics and ease its production, thereby saving funds spent on producing these substances.

The low-cost technique will help enhance oil production. Besides it is environment-friendly.

The project comprises four phases. The first one, commenced in June 2006 and lasted for six months, was aimed at acquainting themselves with what scientists are up to in this field worldwide.

The second phase, began in June 2007, will last till May 2010 during which laboratory experiments would be conducted using rock and fluids samples from the targeted field to identify the microbes located at oil hideouts and substances produced to enhance oil production.

Phase 3 includes application of the technology partially on the field, while phase four include appellation of the technique on the targeted field. The technique had been used in the US, Australia, India, China and Romania.

Tethys runs seismic on Block 15, wraps pilot hole in JAS-2

Source: *Tethys Oil*, 31 July 2008

Tethys Oil has received final approval to commence acquiring 3D seismic over the Jebel Aswad (JAS) structure on Block 15 onshore Oman. BGP Oil and Gas Services has been awarded the contract and mobilization of the 3D crew has commenced. The seismic survey will completely cover the JAS structure and a total of 285 square kilometers of seismic is planned to be acquired. The purpose with the study is to better define and map the structure, which is needed for more detailed reserve calculations and to optimize drilling location placements for future wells. The seismic acquisition is estimated to take 6 weeks to complete.

Jebel Aswad-2 (JAS-2) spudded in the beginning of June. The vertical pilot hole drilled on the JAS-2 delineation well has been electrically logged. The logs confirm hydrocarbon presence in both the Natih A and Natih C reservoirs. Preparations are currently underway

to sidetrack the pilot hole and complete a horizontal leg in the top Natih A reservoir.

"The main reservoir - Natih A - was encountered slightly higher than in JAS-1, which confirms the reservoir extension towards the south east," said Tethys Managing Director Magnus Nordin. "Additionally, log responses indicate good hydrocarbon saturation in Natih C, which we had reasons to expect but earlier indications were sketchy."

Tethys has a 40% interest and is operator of Block 15 where the Company is conducting an appraisal/development program on the Jebel Aswad structure. On testing of the JAS-1 well in June 2007, the well flowed a total of 2,626 boepd (11.03 mmscfpd of natural gas and 793 bpd of 57API condensate). Danish company Odin Energi is partner holding 60% interest.

Multinational oil giants gain prominence

Source: *Oman Observer*, 23 July 2008

The Sultanate is encouraging multinational oil giants to develop the country's difficult oil fields on production sharing basis. More than 10 offshore and onshore blocks have been awarded to international oil giants in the past three years. The companies that signed these pacts include Tethys Oil, Reliance Industries, Circle Oil, PTTEP, Rak Petroleum, Indago Petroleum, British Petroleum and British Gas.

Among these, a landmark concession agreement for boosting gas production was signed with British Petroleum (BP). The concession for Block 61 covers some 2,800 sq km, including the Khazzan and Makarem gas fields in central Oman. BP is expected to invest around \$750 million over the next six years to develop the block, which has huge gas potential estimated at around 30 trillion cubic feet (tcf).

Few years ago, an important deal was struck with Occidental and few other partners for jointly developing the potentially prolific Mukhaizna oil field in central Oman. The project, estimated to cost \$3 billion over a 30-year life span, is expected to contribute significantly to the oil production in the coming years.

The partners of the venture are local subsidiaries of a number of oil majors and investment firms, notably Occidental Mukhaizna, Shell Oman Trading Company, Liwa Energy, Total E&P Oman, Partex (Oman) Corporation,

and Oman Oil Company (OOC). Occidental is deploying thermal enhanced oil recovery (EOR) techniques to extract some 1 billion barrels of heavy crude from the Mukhaizna field.

Production is expected to peak at around 150,000 barrels per day by 2010 from merely 10,000-12,000 bpd now. In a move to boost hydrocarbon production, the majority state-owned Petroleum Development Oman (PDO) is investing heavily on EOR programmes. Of the anticipated production of 790,000 barrels per day (bpd) in 2008, PDO is expected to contribute 550,000 bpd or 70 per cent of total output. This is against 80 per cent contribution from the national oil company.

PDO has been investing billions of dollars, especially for implementing EOR schemes in Qarn Alam, Marmul and Harweel, to enhance output from ageing oil fields. The plan is aimed at raising the national oil company's production to 700,000-750,000 bpd by 2011 from 561,000 bpd last year. The country is targeting to produce 790,000 bpd of crude oil this year, which is against an output of 710,000 bpd last year. The majority state-owned company is expected to contribute around 550,000 bpd this year. However, the country's oil production is expected to touch 900,000 bpd by 2011.

The engineering, procurement and construction (EPC) contract was awarded for the Qarn Alam steam injection project which is expected to start production by 2010.

Similarly, Marmul polymer flooding project in southern Oman has already been awarded. These two large projects are in addition to the Harweel miscible gas injection project, which is well under way.

In fact, PDO is one of the few oil companies in the world that is executing world-scale projects in each of the three EOR types — thermal, chemical and miscible gas. Last year, PDO discovered large volumes of oil and natural gas in a new field and an extension to an existing field. The company has discovered oil at the Budour Northeast oil field and rock formation at Rahab-Southeast field. Both fields are located in south of Oman.

The newly discovered gas field — Simr — is close to the existing Saih Nihayda gas field in central Oman, where PDO operates one of its four gas processing plants. PDO is concurrently executing eight new field development projects, each of which is valued at over \$100 million, and a further 50 new field development projects worth between \$20 million and \$100 million each.

The national oil company is now concentrating on large fields, leaving the cluster of small fields to foreign companies for development. This will help the national oil company to dedicate its resources to larger fields. Around 80 per cent of PDO's oil production is coming from 20 per cent of its wells. The company has awarded a service contract to Indonesian energy firm MedcoEnergi to develop a cluster of 18 small fields in the Nimr Karim area of southern Oman, which produce 18,000 bpd.

Subsequently, PDO has awarded a contract to Petrogas to develop a cluster of 18 small oil fields in Rima area of southern Oman. The 15-year service contract is aimed at raising a quick and cost-effective way of production levels in these fields, which contain more than 500 million barrels of oil and are currently producing about 2,000 barrels of oil per day.

Natural gas is gaining prominence as an important source of export revenue and partly compensates a fall in oil output. The government has been taking several initiatives to enhance natural gas production to meet emerging demand from both industries and liquefied natural gas plants in Sur.

Demand for natural gas as a feedstock is expected to soar as several petrochemical and other manufacturing industries are lined up to be supplied with gas in the next two to three years, making Sohar Industrial Port Area a major natural gas consumption hub in the country. Consumers who have signed long-term pacts with government for supplying gas include Oman Polypropylene, Oman Methanol, Sohar International Urea and Chemical Industries, Shaded Steel, and Sohar Alu-

minium, among others.

Also, Oman LNG and Qalhat LNG are consuming a major chunk of natural gas to produce more than 10 million tonnes per annum of liquefied natural gas (LNG) for exports. PDO, which is the single largest natural gas producer in the country, has been investing heavily for gas exploration, treatment plants and pipeline networks.

The share of natural gas and condensates in PDO's total production has been growing in recent years. The government is anticipating an output of more than 72 million cubic metres per day of natural gas this year. Dolphin Energy is expected to supply natural gas soon, which will marginally enhance availability of gas in the country. Dolphin Energy will supply Qatari gas to the tune of 200 million cubic feet per day using an existing pipeline, which currently delivers Omani gas to a power station in the UAE.

Since early 2004, Oman has been supplying 135 million cubic feet of gas per day to the UAE. This was for Dolphin's first energy initiative — to deliver gas to the Qidfa power and desalination plant of Union Water and Electricity Company (UWEC) in the UAE. There has been a special focus on gas pipeline network as well. In line with the move, Oman Gas Company (OGC) is embarking on a major expansion of its gas transportation infrastructure aimed at keeping pace with the rapidly growing demand for natural gas around the country.

New gas pipelines and compression stations are on the anvil, designed to serve customers in Sohar, Barka, Salalah and elsewhere around the Sultanate. It is entering a new phase in growth, which will result in a significant expansion of the gas pipeline network from approximately 2,000 km at present to 2,500 km by 2009.

OGC will undertake a number of gas compression projects aimed at augmenting the company's gas supply capacity. Envisaged is a new 24-inch, 45 km pipeline from Murayrat to Barka, designed to supply gas for a second independent water and power project (IWPP) planned at Barka. Another 32-inch, 250 km pipeline is planned from Saih Rawl to Salalah aimed at enhancing gas supply to consumers along the pipeline.

Also, OGC will provide a 32 km pipeline link to the giant Mukhaizna field in south Oman where a major EOR project is being executed by Occidental Mukhaizna. These and other projects will add around 500 km of new pipelines to OGC's gas transportation network. OGC is also set to make its first foray into gas compression activities. The company is building new compression stations at Al Buraimi and Fahud. These investments will help OGC meet the strong growth in natural gas demand, thereby helping fulfill the aspirations of the government.

Range inks MOU with Taqah to farm-in to Oman Block 57

Source: *Range Metals Inc*, 23 July 2008

The Board of Range Metals Inc. announced that its wholly-owned subsidiary Range Oil and Gas Inc. has entered into a Memorandum of Understanding with Taqah Oil Exploration to farm in to exploration block 57 in Oman.

Under the MOU, Range will pay 100% of the costs associated with drilling up to 3 exploration wells on Block 57 and will earn a 50% working interest in the Block. The total cost of the program is estimated to be in the order of US\$ 14 million. Range will be appointed operator of the Block, subject to Oman Government approval.

Block 57 is held under a Production Sharing Agreement entered into between Taqah and the Oman Ministry of Oil in 2006, and is located on the west flank of the prolific south Oman salt basin, close to existing oil production infrastructure.

Roger Bethell, geologist and director of Range Oil and Gas, believes that this area of Oman is analogous to the Mississippian sub crop play in Eastern Saskatchewan

where unconformity traps contain several billion barrels of oil. The current seismic coverage with 2800km of 2D seismic and 31km of 3D seismic over Block 57 indicates 16 prospect leads with three of them having sufficient control to elevate them to drillable prospects. An ongoing seismic program is planned to upgrade the other leads to drillable targets.

The three initial wells are targeting unconformity traps in the Upper and Lower Khuff reservoirs. The first two wells will be drilled to approximately 1500 meters, and the third well to 3,400 meters to test deeper targets. Sub crop plays of the magnitude identified by seismic in this area of Oman may, by analogy with similar geological areas, contain large reserves of hydrocarbons.

The transaction is subject to agreement on definitive documentation, necessary regulatory and government consents and Range's ability to raise the funds necessary to advance the project. Range is in final negotiations with a Canadian brokerage house to provide the necessary financing for the project.

Oman LNG to raise annual production

Source: *Oman Tribune*, 15 July 2008

Oman Liquefied Natural Gas (Oman LNG) Company announced that the company was planning to increase the annual production capacity of its plant in the Wilayat of Sur to 7.7 million tonnes.

The company said that it had exported more than 850 consignments of natural gas in the last eight years as the focus was on supplying the consignments on time under the agreements signed with various international companies, adding that it also seeks new ventures in the world markets.

The Sultanate launched natural gas exploration at the

end of the 1980s.

His Majesty Sultan Qaboos Bin Said had issued a Royal Decree to set up Oman LNG Company in February 1994 and laid the foundation of the company's plant in Sur in November 1996.

In less than four years, His Majesty opened the Sur plant worth \$2 billion.

The first consignment from the Sur plant was exported to Korean Gas Company under a 25-year contract to supply 4.1 million tonnes of gas annually.

Record oil revenue boosts Oman's budget surplus

Source: *Oman Observer*, 13 July 2008

The Sultanate posted a whopping RO 912 million budget surplus for the first quarter of 2008, thanks to the record growth in international crude oil price. The surplus is seen against a RO 400 million deficit projected in the budget proposal for the current year early this year and RO 417 million surplus posted for the first three-month-period of last year. Like previous years, the

surplus will be used to strengthen the financial reserves of the state.

The oil revenue soared by 55.8 per cent to RO 1,599.7 million for the first quarter from RO 1,026.8 million for the same period last year, mainly driven by record rise in international crude price, the Ministry of National

Economy said in a report.

The average price of Omani crude soared to \$88.11 per barrel for the first four-month period of 2008 from \$56.89 a barrel for the same period last year. The country's daily average crude oil production, including condensates, for the four-month period was up by 4.1 per cent to 743,300 barrels from 714,200 barrels, while oil production grew by 4.9 per cent to 89.936 million barrels for the four-month period from 85.699 million barrels for the same period last year.

However, the ministry said that gas revenue fell by 23.8 per cent to RO 212.8 million for the first quarter this year from RO 279.4 million due to stoppage of gas exports to the United Arab Emirates (UAE). "Gas exports to the UAE were stopped by the end of last year. This could be the reason for a fall in gas revenue," Khalifa al Hinai, Technical Adviser at the Ministry of Oil and Gas told the Observer.

Between 2004 and 2007, Oman supplied 135 million cu-

bic feet of gas per day to a UAE power station. Dolphin Energy will supply 200 million cubic feet per day of Qatari gas to Oman using the existing pipeline.

The country closed last financial year with a surplus of RO 844 million, after covering a projected budgeted deficit of RO 400 million. The ministry said that total government revenue also showed a phenomenal growth of 36.5 per cent to RO 2,116 million for the first quarter from RO 1,549.9 million, while investment expenditure moved up by 39.4 per cent to RO 375.8 million from RO 269.5 million. Current expenditure grew at a slower pace of 7.2 per cent to RO 836.4 million from RO 780.3 million during the period under review.

According to the budget proposal for 2008, the revenue and expenditure are estimated at RO 5.4 billion and RO 5.8 billion respectively. The country's oil and gas exports also surged by 47.6 per cent to RO 1,537.9 million for the first quarter of 2008 from RO 1,042 million for the same period last year, while non-oil exports were up by 9.2 per cent to RO 277.3 million from RO 231.6 million.

Gas from Dolphin project likely to arrive next month

Source: *Oman Observer*, 16 June 2008

Qatari gas supplied via the Dolphin project could begin flowing into Oman as early as next month, Dr Mohammed bin Hamed al Rumhy, Minister of Oil and Gas, said. Speaking to journalists on the sidelines of a PDO contract signing ceremony yesterday, Dr Al Rumhy said he was hopeful that gas supplies from Qatar's giant North Field could commence in July. "We are currently testing the compressor stations at Buraimi," in preparation for the arrival of the gas, he stated.

The Sultanate is expected to receive around 200 million standard cubic feet per day (mmsf/d) of gas via the Dolphin project under an agreement reached in 2004 between the state-owned Oman Oil Company (OOC) with Abu Dhabi-based Dolphin Energy Limited (DEL). DEL, which is jointly owned by Mubadala Development Company, Total and Occidental Petroleum, has already begun pumping Qatari gas to the UAE via a submarine pipeline. On the Oman side, a bi-directional pipeline that until last July supplied Omani gas to DEL as part of the same 2004 agreement, will channel the Qatari gas to the industrial hub at Sohar when supplies commence.

Oman Gas Company (OGC), which operates the country's energy transportation network, has built a compression station at Buraimi to facilitate the flow of low pressure Dolphin gas to Sohar. Gas supplies from the Dolphin project will open a new source of feedstock

and energy for the Sultanate's rapidly expanding industrial and petrochemical sector. Asked about prospects for enhanced imports from the Dolphin project, Dr Al Rumhy said: "We are always asking for more gas from everywhere, not just from Dolphin. The question is can we get it? The gas (situation) is very tight now across the whole region."

Commenting on a proposal by the Gulf Cooperation Council (GCC) states to develop an intra-Gulf gas network, Dr Al Rumhy said the initiative was presently being pursued bilaterally, rather than as a bloc. "I think it is making progress, but more on a bilateral front, than on a multilateral GCC level. We are already connected with the UAE, while Qatar is in discussion with Bahrain, so things are moving."

Meanwhile, the ministry is expected to shortly award the first of a number of oil and gas blocks against production sharing agreements. A number of onshore and offshore blocks are being offered to international oil firms as part of the government's ongoing efforts to augment hydrocarbon reserves. "We are on the verge of awarding one block," the minister said. Significantly, non-Opec member Oman has no plans to be part of an initiative mooted by some gas producing countries to create a gas cartel on the lines of Opec. "We are not part of 'Gas Opec'. We are not a big player in gas, anyway," Dr Al Rumhy stated.

Circle Oil granted extension for block in Oman

Source: *Circle Oil Plc*, 17 June 2008

Circle Oil announced the granting of permission for the first extension period for its Block 49 permit in the Sultanate of Oman commencing July 1st 2008.

Circle has completed extensive reprocessing and interpretation of pre-existing seismic and gravity/magnetics data from the Block. The seismic and old well data have also been used as an aid to complete detailed 3D gravity modeling for the permit.

The combination of the data sets has provided further evidence supporting our geological model which indicates the existence of a substantial salt basin in the southern half of Block 49.

Stratigraphy and geological depositional history appear to be analogous to the South Oman Salt Basin. In order to image any potential structures within the proposed salt basin and its flanks, Circle sought and has been granted permission to merge the two 2D seismic acquisitions for the original and first extension period into one larger 3D seismic acquisition.

The acquisition of a closely sampled 3D seismic survey will allow imaging of any structures, such as salt stringers within the postulated salt basin. Historically it has

been shown that these are not adequately imaged by 2D datasets. Imaging of the flanks of the basin is particularly important as these have also historically been shown to be very important areas for hydrocarbon trapping.

The 3D survey will cover an area of approximately 900 square kilometers and subsequent processing and analysis will result in the development of any prospects for early drilling.

David Hough, CEO of Circle Oil Stated, "The granting of this permission by the Omani Oil & Gas Ministry and movement to the first extension period is a major step in preparing the block for intensive seismic surveying and subsequent drilling. The work completed recently by our technical staff has further enhanced our belief in the prospectivity of the southern half of the permit. Neighboring wells continue to make substantial discoveries in analogous geological situations and we are very encouraged by these results."

"I would like to thank the Omani Ministry of Oil & Gas for their interest and support for our work and play concept, and for granting the extension to enable us to pursue this exciting area," he added.

Rima small-fields service contract signed

Source: *PDO*, 15 June 2008

Petroleum Development Oman (PDO), Petrogas Rima LLC (Petrogas) and Oman Oil Company (OOC), signed a contract today under which a cluster of 18 small oil fields belonging to PDO in the Rima area of south Oman will be developed.

The contract was signed by H.E. Mohammed al Barwani, the Chairman of the MB Holding Company, which is the parent company of Petrogas, Ahmed al Wahaibi, the Chief Executive Officer of OOC, and the Managing Director of PDO, John Malcolm.

The signing took place at the Ministry of Oil and Gas, in the presence of the Minister, H.E. Dr. Mohammed bin Hamad al Rumhy, and other senior officials.

"I am very happy to see that two Omani companies have won this important contract to develop the Rima fields," H.E. Dr Rumhy said. "The contract was awarded on the basis of a highly competitive open tender in

which more than 200 companies from both Oman and abroad participated."

Mr Malcolm hailed the Rima Small-Fields Service Contract as an effective way to increase production from the cluster of fields.

"The 15-year service contract is aimed at raising – in a quick and cost-effective way – the production levels of these fields, which contain more than 500 million barrels of oil in the ground and are currently producing about 2,000 barrels of oil per day," he said. "The contract will thus allow PDO to dedicate its resources to the development of its larger fields, which currently account for the vast majority of its oil production, and to the execution of its complex enhanced-oil recovery projects."

H.E. al Barwani said: "We have worked closely with PDO for many years. The experience we have gained and the support we have had from the Ministry of Oil

and Gas and from our partners give me confidence that we can take on the challenge of materially increasing the production of the Rima fields.”

As part of the Rima Small-Fields Service Contract, Petrogas and OOC will follow an agreed work programme covering all aspects of the cluster’s development—from exploratory appraisal and sub-surface studies to well engineering and facilities construction through to operations and maintenance. PDO, which retains full accountability for what happens in its concession area, will closely monitor the work undertaken by

the consortium.

Under the terms of the contract, Petrogas and OOC will only receive financial rewards based on the production levels obtained from the fields covered by the service agreement and on the costs involved in achieving those production levels.

A similar service contract was awarded in February 2006 to MedcoEnergi, an Indonesian oil and gas company, and OOC for the development of a cluster of small oil fields in the Karim area of south Oman.

Oman Gas set to venture into upstream gas business

Source: *Oman Observer*, 19 May 2008

Oman Gas Company SAOC (OGC), which owns and operates the country’s burgeoning gas transportation network, is diversifying its business portfolio to include — for the first time — a significant role in the upstream side of the natural gas business. The move is in line with the state-owned firm’s vision to eventually grow into an integrated gas company with interests in, among other areas, upstream gas development, and construction and operation hydrocarbon processing facilities.

“The coming five years are likely to witness a great change in OGC’s business as it focuses on being commercially more enterprising rather than a mere gas transporter,” said Dr Mohammed bin Hamad al Rumhy, Minister of Oil and Gas and Chairman of OGC. “OGC is turning now to be an integrated gas company which will be taking (greater) custodianship of the gas energy market in Oman,” he stated in the company’s 2007 Annual Report issued here recently. “The company intends to go more upstream starting with its participation in the new gas concession areas,” Dr Al Rumhy said. “OGC has already been active in the high level management of PDO, BG and BP gas concessions.

The aim is to manage gas as a resource on a country-wide scale, implementing strategies to meet the demand in terms of volume as well as quality.” OGC is preparing to enter into partnerships in upstream gas development, as well as in the engineering, construction and operation of hydrocarbon processing facilities, according to OGC’s Chief Executive Officer, Yousuf bin Mohammed al Ojaili.

“Last year was the start of the journey to take OGC into the next stage of business and responsibilities,” Al Ojaili stated in the Annual Report. “I am glad to note that this has progressed very well with the full support from the Board and government, and OGC is now get-

ting ready to participate in upstream gas developments and will be teaming up with other government companies in the Sultanate to realise these opportunities.”

OGC’s planned foray into the upstream gas business comes against a backdrop of an accelerated expansion of the gas transportation and compression capacity of its network. Work is under way on a new compression station in Fahud on the 32-inch pipeline that supplies gas to Sohar. A similar compression station is also under development at Buraimi to facilitate the import of low pressure gas from Dolphin Energy from the United Arab Emirates to Sohar. Work on both compression projects will be completed in the third quarter of this year.

OGC has also launched work on a new 250km loopline from Saih Rawl to Mukhaizna, which will be integrated with the existing Saih Rawl-Salalah pipeline. The project is expected to be completed in the third quarter of this year. New EPC contracts are also due to be awarded for additional compression capacity at Nimr aimed at augmenting supplies to Salalah, where a major methanol scheme is under development, while a new power and desalination plant is envisaged.

In the Sohar area, where several new major industries are under various stages of implementation, OGC is developing new supply capacity. The new consumers will include aluminium downstream industries in the Sohar Industrial Estate, as well as the aluminium loading bay, and the Shadeed and Sharq Sohar plants. Underscoring the growth of its transportation network, OGC transported a total of 7.37 billion cubic metres (BCM) of natural gas to consumers around the Sultanate last year, representing 4.2 per cent growth over 2006 volumes. Also for the first time in OGC’s history, a maximum of 27.2 million cubic metres of gas was transported on June 14, 2007, against the daily average of 20.2 MCM, the company added.

BP to commence Block 61 drilling by year-end

Source: *Oman Observer*, 18 May 2008

Energy giant BP plans to drill the first of several appraisal wells this year targeting the potentially prodigious Khazzan and Makarem gas fields in central Oman. If proven to be rich and commercially developable, the fields could provide a potentially vast supply of natural gas to feed the country's burgeoning appetite for energy and feedstock. Mindful of the strategic importance of this project to sustaining the Sultanate's rapid economic growth, BP says it is ramping up efforts to appraise and develop the fields.

"We understand the importance of this project to Oman, and are working hard to accelerate the programme as much as we can," said Michael Townshend, President, BP Oman. "It is in all of our interests to appraise these fields as soon as possible and, if successful, bring it to full field development.

We need to do this in a safe manner, as well as in a way that ensures economic success for the Oman Government and ourselves. We are encouraged by the support extended by the Government and the Ministry of Oil and Gas," Townshend added.

In February 2007 the international oil major was awarded the concession to appraise and develop gas reserves contained within Block 61, a 2,800 sq km area that includes the Khazzan and Makarem gas fields. Successful development of these 'tight' gas reservoirs could open up around 30 trillion cubic feet (TCF) in potential gas reserves.

Already, contracts totalling around \$150 million have been awarded by BP Oman for a range of appraisal activities. Global Geophysical Services of the United States is currently implementing the contract for seismic acquisition covering most of Block 61's acreage.

"This is our first field operation," commented Townshend. "We are evaluating the whole of the block by taking seismic images in what is the world's largest

land-based 3D wide azimuth seismic survey. This operation will last another six months."

Drilling will commence in the fourth quarter of this year, with Oman-based Dalma Energy & Co supplying two rigs for the operation. Initially two appraisal wells are planned, with four additional wells envisioned during 2009. "We will have the first set of results in the first quarter of 2009 and only then will we truly get to know how much gas can we extract from these very tight gas reservoirs."

The rigs, Townshend explained, will be specially outfitted to drill as far deep as 5km through some of the hardest rock ever known anywhere on Earth. "We know that Oman is blessed with some of the hardest rocks known to mankind, so we need to have as much horsepower as possible to drill through this very hard rock. Accordingly, the rigs will be beefed up with top drives and additional mud pumps."

Over the next five years, BP plans significant investment in appraising the development potential of the Khazzan and Makarem fields. A joint decision by BP and the Oman government to proceed with full field development is expected before early 2013. Appraising and developing Block 61's tight gas reservoirs present formidable hurdles, says Townshend.

"It will involve a lot of technical challenges in terms of how to get the gas out of the ground efficiently and cost effectively. Drilling efficiently through hard rock, completing the well, fracturing the extremely tight rock, stimulating the reservoir, and so on, will all pose major challenges." Towards this end, BP is bringing in expertise from its tight gas operations in North America, Algeria and elsewhere. "We are bringing BP's global expertise to bear on this project - whether it is fracturing, stimulation, hard rock drilling, seismic, and so on. Block 61 represents a very considerable hydrocarbon prize. We need to make sure we get this one right."

GE compression technology selected to increase production in Oman

Source: *GE Oil & Gas*, 8 May 2008

For more efficient extraction of gas from depleted wells in four of its gas fields, Petroleum Development Oman (PDO) has turned to advanced, high-pressure compression technology from GE Oil & Gas.

Under a multi-year, multi-project contract valued at more than US\$250 million, GE will supply 16 electric motor-

driven centrifugal compressors for high-pressure injection applications in the Kauther, Saih Nihayda and Yibal gas fields of Oman.

The compressors will be manufactured at GE Oil & Gas facilities in Florence, Italy and will be shipped to Oman over the period of 2009-2015, for a total of 14 projects

that will come on line between 2010 and 2016.

“For more than three decades, GE Oil & Gas has been dedicated to the development of state-of-the-art technology for challenging gas injection applications, such as sustaining and improving production from depleted wells,” said Claudi Santiago, President and CEO of GE Oil & Gas. “Our experience with these types of projects worldwide was a key factor in our selection by PDO to provide compressors for upcoming projects that will help maintain the levels of gas production throughout the region.”

The new projects reinforce GE’s existing relationship with PDO, a major exploration and production company in the Sultanate of Oman. Last year, GE received two contracts from PDO to supply centrifugal compressors for projects in the Saih Rawl gas field of central Oman and the Harweel oil field of south Oman.

PDO accounts for more than 80% of the country’s crude oil production and nearly all of its natural gas supply. The company is owned by the government of Oman (60%), the Shell Group (34%), Total (4%) and Partex (2%). Gas fields, however, are operated by PDO exclusively on behalf of the Omani government.

In addition to Oman, GE Oil & Gas is active throughout the Middle East, where the demand for technology and services to support the industry continues to grow.

“We are pleased to be supporting the leading role that the Middle East plays in fulfilling much of the world’s energy requirements,” said Mohammad Ayoub, Operations Leader and Region General Manager — Middle East for GE Oil & Gas. “We continue to expand our broad portfolio of products and services to help meet the pressing energy and environmental needs of customers throughout the region.”

Dwindling oil production drives Oman’s EOR efforts

Source: *Oman Observer*, 7 May 2008

Oman’s oil sector, the mainstay of the economy, contributed about 62 per cent of government revenues in 2007 compared to 65 per cent in the previous year. Despite a decline in the total annual oil production to the tune of 3.7 per cent — from 269.2mn barrels in 2006 to 259.3mn barrels in 2007 — the modest increase of the revenue pie was a result of the increase in the average price of Omani crude oil from \$61.7 per barrel in 2006 to \$65.2 in 2007, the Kuwaiti think-tank Global Investment House (GIH) said in an analytical report.

Oman’s oil fields are generally smaller, more widely scattered, less productive, and more costly per barrel than in other Gulf countries. The average well in Oman produces only around 400 bpd, about one-tenth the volume per well of those in neighbouring countries. To augment production, Oman uses a variety of enhanced oil recovery (EOR) techniques.

While these methods raise production levels, they increase the cost, says GIH. Petroleum Development Oman, the country’s second largest employer after the government, holds over 90 per cent of the country’s reserves and accounts for about 95 per cent of crude-oil production and nearly all of its natural gas supply. PDO owned 106 out of a total 124 oil producing wells.

PDO, together with other oil producing companies (Occidental Oman, Daleel Petroleum, Novus Oman and Petrogas, and so on) produced a combined 259mn barrels of oil in 2007, compared to 269.2mn barrels of oil in 2006, 283mn barrels in 2005, 285mn barrels in 2004, 299mn barrels in 2003 and 328mn barrels in 2002. To re-

verse this decline in oil production, PDO has planned for major investments in technology and infrastructure investments such as enhanced oil recovery technologies in the coming years. Owing to these increased investments in oil development activities, Oman’s oil and reserves stood at 5.6bn barrels at the end of 2006, an increase of 68.3mn barrels over the previous year.

The daily oil production at the end of January 2007 averaged at 716,400 bpd, which is a 7 per cent y-o-y decline from 770,500 bpd. Of this, 550,000 bpd is expected to come from majority state-owned PDO. Total crude oil exports totalled 222mn bbl/day in 2007, a decline of 4.8 per cent from the previous year. The majority of Omani oil exports were directed to the east. China, Japan, Korea and Thailand captured about 72.2 per cent of total oil exports in 2007.

To help offset declining output, Oman’s Minister of Oil and Gas announced in April 2006 that the country plans to invest \$10bn in upstream oil and natural gas projects during 2006-2011 to boost oil output to 900,000 bpd and natural gas production to 70-80mn cubic metres per day. A lion’s share of this effort will focus on enhanced oil recovery initiatives to improve recovery rates at several of the country’s oil fields.

Oman also plans to increase exploration and production activities, although the natural gas sector will receive much of these investments. The oil and gas investments are expected to constitute about 23 per cent of the total investment of the country in 2008, up 12 per cent over last year.

Oil output to be sustained despite high prices: PDO MD

Source: *Oman Observer*, 6 May 2008

John Malcolm, Managing Director, Petroleum Development Oman (PDO) explains why his company intends to keep oil production levels where they are rather than increase them to take advantage of high oil prices in an interview in *The Report: Oman 2008*, the latest of the annual business publications from Oxford Business Group (OBG), publishing, research and consultancy services firm.

“PDO’s shareholders have wisely resisted the temptation to reflexively boost the company’s oil production in the short term to take advantage of current oil prices. Doing so might have jeopardised our ambitious secondary and tertiary recovery plans,” he said. Secondary recovery involves the injection of an extraneous fluid, such as water, into the reservoir to maintain reservoir pressure and to displace hydrocarbons toward the producing wells.

Tertiary recovery — also known as enhanced oil recovery (EOR) — refers to the production of oil by thermal means (such as heating the reservoir with steam to reduce the oil’s viscosity), by chemical means (such as injecting chemical agents into the reservoir to alter the oil’s flow properties) and by means of miscible displacement (such as injecting a gas into the reservoir into which the oil can dissolve). PDO is one of the few companies in the world carrying out field-development projects in all three EOR categories. “PDO’s shareholders have instead opted to assure themselves of a stable level of production for the future.

They agreed in 2007 to set the company’s average annual black oil production target between 540,000 and 560,000 barrels a day, and that is the range where we intend to stay for the medium to long term. “This is not to say that our operations have been impervious to high oil prices. They probably affect us most in the same way that they affect others — as one of the primary drivers of rising costs.”

Rated as the premier guide for foreign direct investment into the country’s vibrant economy, *The Report* is an a guide to the many facets of Oman, including its macro economics, infrastructure, political landscape, banking and sectoral developments, and presents a remarkably in depth profile of Oman. The publication, with an international distribution of 72,400, is being produced by a team of six OBG analysts based in Muscat for six months, who conducted some two hundred interviews with leading political and economic figures.

Malcolm also added, “Secondary and tertiary recovery techniques require a lot of time, effort and money to implement well. They require a thorough understanding of the oil reservoir and careful, long term planning. We cannot let volatile oil prices drive our long-term business decisions.” *The Report: Oman 2008* is published in partnership with OCIPED, Official National Partner, Oman International Bank, as Financial Research Partner, PriceWaterhouseCoopers as Accountancy Partner, and Al Alawi Mansoor Jamal & Co as Legal Analysis Partner.

Oman plans to award 5 more non-associated gas blocks

Source: *Oman Observer*, 6 May 2008

The Sultanate is considering to award five non-associated gas blocks to international oil firms for development on production sharing basis, said a senior Oil and Gas Ministry official yesterday.

“We are in the process of evaluating bids and shortlisting companies for non-associated gas blocks in northern Oman. It will be awarded soon,” Dr Saleh Al Anboori, Director-General of Management of Petroleum Investment at the Ministry of Oil and Gas told the *Observer*. He was speaking on the sidelines of a graduation ceremony organised by the Petroleum Development Oman (PDO).

This is in addition to a plan to develop five oil blocks - two offshore and three onshore - situated between Musandam and Salalah. Of this, the offshore fields are Blocks 40 (located off Musandam coast) and Block 50

(near Masirah Island) and onshore concession are Block 17 (in Musandam) and Blocks 36 and 38 (in southern Oman bordering Yemen). “The government will invite bids from international oil companies for developing at least three oil blocks shortly,” he said, adding, “These are blocks 40, 17 and 50.” Dr Al Anboori said this was part of a government strategy to enhance oil and gas production with the expertise of multinational firms.

“The international oil companies have new techniques for seismic survey and imaging techniques for appraisal in difficult geographic conditions,” he noted.

“Each company has its own idea,” he said. Dr Al Anboori said that a concession to develop an onshore block near Masirah Island would be awarded to an international oil company soon. “Block 55 near Masirah Is-

land will be awarded for development within a month,” he said, adding; “We have received several bids from international companies for these blocks.”

The Sultanate has been inviting multinational oil firms to enhance oil output, whereas the majority state-owned PDO is investing heavily to enhance output using enhanced oil recovery programmes. It was only last year

that the government has awarded block 30 and 41 to RAK Petroleum and Reliance Industries, respectively, for development. As many as 20 foreign companies are currently engaged in different stages of appraisal, exploration and oil production in 30 oil blocks across the country. These include Occidental, British Gas, British Petroleum, Circle Oil, GotOil, Indago, Reliance Industries and PTTEP.

PDO set to double condensate production this year

Source: *Oman Observer*, 5 May 2008

Petroleum Development Oman (PDO) aims to double condensate production during 2008, with the newly commissioned Kauther Gas Plant set to contribute much of the additional volumes. Natural gas and its liquid by-product, condensate, both of which PDO produces on behalf of the Government of Oman, continued to represent a growing proportion of the Company’s total hydrocarbon output, said PDO Managing Director John Malcolm in his review of the company’s performance during 2007.

“Last year, our gas production was equivalent to 395,000 barrels of oil per day, while condensate production grew to an average of 46,000 barrels per day. Our total hydrocarbon production — our oil, as well as the gas and condensate we produce on behalf of the government — is equivalent to more than a million barrels of oil equivalent per day,” Malcolm stated in the company’s 2007 Annual Report issued here recently.

Condensate production in 2007, averaging 46,500 barrels per day, was below the Company’s target of 53,700 barrels per day. The lower condensate yield was attrib-

uted to a variety of factors, including production constraints at the Saih Nihayda plant, less-than-planned gas demand from customers and a lower than expected gas/condensate ratio at Saih Rawl.

However, condensate volumes have grown in the wake of the commissioning of the Kauther Gas Plant last November, two months ahead of schedule. Output from the gas plant averaged around 4 million cubic metres of gas per day and over 25,000 barrels per day of condensate by the end of 2007. The launch of the new unit will enable PDO to almost double condensate production during 2008, the Annual Report said.

Natural gas supplied by PDO to the Government Gas System (GGS) averaged 16.4 million cubic metres per day, which was higher by 0.7 million cubic metres per day compared to volumes supplied in 2006. The Kauther Gas Plant’s share was around 0.6 million cubic metres per day, the Report said. PDO gas supplies to major consumers outside the GGS also grew by around 0.9 million cubic metres per day to 46.9 million cubic metres per day.

\$1.9b worth of major contracts awarded

Source: *Oman Observer*, 5 May 2008

Petroleum Development Oman (PDO) has awarded a total of 96 major contracts with a combined value of \$1.9 billion last year. Also, the company awarded contracts worth \$60 million to local community contractors (LCC) in 2007, the national oil company said in its annual report. The LCC scheme is an initiative to give people living in the company’s concession area opportunities to establish their own companies, which could provide services to PDO.

PDO said that there was a sharp increase in capital expenditure, which was reflected across Oman and the region. The supply chain management department, therefore, had to ensure that contracting policies and strategies were adjusted to take into account the current market situation. The department has established a strat-

egy, planning and market intelligent section to support the development of contractor sourcing and selection processes that help to mitigate the current demand and supply constraints.

Meanwhile, the ability of Petroleum Development Oman (PDO) to secure oil and gas production depends critically on the delivery of new wells and the performance of existing ones, the annual report noted. PDO, which contributes almost 80 per cent of the country’s oil production, set an ambitious target of drilling 361 development wells in 2007.

“But tough market conditions, which limited the availability of rigs and well engineers, resulted in a shortfall of 61 wells,” the annual report said. Also, the tough mar-

ket conditions led to a 12 per cent increase in the average cost of new wells. Nevertheless, there were some significant successes — particularly in terms of the application of new well technologies.

In Fahud, for example, the introduction of special cement allowed the company to fix steel casing in deep wells with fewer complications. Under-balanced drilling was established as a standard technology, allowing oil to be produced while the well is being drilled and increasing its productivity once it is commissioned.

Last year, several PDO well engineers were sent to Houston, Texas, for short-term assignments at Blade Energy, a key service provider to Shell for under-balanced drilling and thermal-well design. Under the coaching and mentoring of the Blade experts, PDO well engineers customised well-design options for the under-balanced drilling and EOR techniques that will be implemented at certain fields. Another batch of well engineers will undergo similar training in 2008, this time focusing on the maintenance and operational aspects of such wells.

PDO reveals 3.2 billion-barrel increase in STOIP during 2007

Source: *Oman Observer*, 4 May 2008

Petroleum Development Oman (PDO) has reported an increase of 3.2 billion barrels in the company's STOIP (stock-tank oil initially in place) volumes in 2007. The figure represents an impressive 88 per cent jump over the corresponding STOIP increase of 1.7 billion barrels achieved in 2006. STOIP is the amount of oil believed to be originally contained in a rock formation at stock-tank conditions (under atmospheric pressure and room temperature).

The company attributed the growth in STOIP volumes largely to the booking of the Habhab heavy-oil reservoir that was appraised during the year, and from the Rabab Southeast and Budour Northeast oil discoveries. Further STOIP increases resulted from field development plans undertaken by the company's multi-disciplinary Study Centre and revised petroleum-engineering studies of the Amal, Habur, Ihsan/Mawhoob, Nimr C and other fields.

The higher STOIP figures are one of many highlights of PDO's performance during 2007, detailed in the company's 2007 Annual Report released here recently. "After several years of intensive effort and hard work by the Company's staff, I am pleased to report that we are well on the way towards laying a solid foundation for the Sultanate's long-term oil production," said PDO Managing Director John Malcolm in his review of the company's 2007 performance. "During 2007, PDO passed several project milestones that will ensure our ability to produce oil and gas for years to come."

The Study Centre, which is at the heart of PDO's efforts to secure the country's long-term oil output, completed five major field development plans (FDPs) during 2007, covering nearly 68 per cent of PDO's stock-tank oil initially in place. A further five new FDPs were initiated in 2007 which, by the end of 2009, will cover over 88 per cent of STOIP. Several new oil discoveries reported by PDO during 2007 are also expected to reflect positively on STOIP volumes growth. Following the discovery in

2006 of a major oilfield at Budour Northeast in south Oman, a second exploration well — known as Budour NE-2 — found significant new oil volumes in another reservoir of the field, said PDO in its Annual Report.

The other reservoir is located in a formation beneath the one tapped by the original discovery well. When tested, the Budour NE-2 well produced a high quality oil at rates in excess of 5000 barrels of oil per day. Budour Northeast will be the subject of an aggressive appraisal drilling programme in 2008, with several new exploration wells planned to be drilled in the area as well. Furthermore, a new and potentially significant oil discovery was made in Rabab Southeast, also in south Oman. By the end of 2007, the discovery well was being tested, and the results looked promising. Appraisal drilling will be done in 2008 and 2009 to further delineate the discovery, the Annual Report said.

Equally rewarding has been PDO's continuing drive to find new gas reserves in 2007. Commercially attractive volumes of natural gas were discovered at the Fahud Southeast field in north Oman. The gas bearing reservoir is located at a depth of around 4,500 metres, approximately 10 kilometres southeast of the Fahud oil field. Initial production testing of the discovery well yielded a stabilised gas flow rate of some 100,000 cubic metres per day.

A significant gas discovery was also made at Simr, located 28 kilometres northwest of the Saih Nihayda gas field. The Simr-1 well found substantial volumes of gas at a depth of five kilometres. Simr is located in the one of the blocks currently being marketed to third parties by the Ministry of Oil and Gas and therefore is likely to be developed by another operator. In another promising development, an exploration well discovered a field extension to the Burhaan West gas field, which is located northeast of Simr. At the end of 2007, the well was being tested with very encouraging results, the Annual Report stated.

63.8pc rise in Omani oil price

Source: *Oman Observer*, 26 April 2008

Exports of Omani crude totalled 36.108 million barrels during January and February this year, against 37.905 million barrels exported during the same period last year, entailing a decrease of 4.7 per cent.

According to the monthly statistical bulletin of the Ministry of National Economy, the total production of crude oil and condensates stood at 44.108 million barrels by end-February 2008, as against 42.306 million barrels during the corresponding period in 2007, representing a growth of 4.3 per cent.

Daily production averaged 735,100 barrels during this period, as against a daily output of 717,100 barrels during the corresponding period in 2007, constituting a rise 2.5 per cent. The average price of Omani oil rose by 63.8 per cent to \$86.78 per barrel by end-February 2008, as against \$52.98 per barrel during the corresponding pe-

riod in 2007. China topped the list of importers, lifting a total of 18.166 million barrels during the first two months of this year, compared to 19.164 million barrels during the same period in 2007, constituting a 6 per cent decrease.

Thailand imported 6.277 million barrels during the period in question, against 4.513 million barrels last year, an increase of 33.6 per cent. Japan came third with imports of 5.372 million barrels during the January-February 2008 period, against 5.162 million barrels during the same period in 2007, representing an increase of 4.1 per cent. Total natural gas production fell slightly by 0.5 per cent during January-February 2008 period to 172.408 billion cubic feet (BCF), against 173.284 BCF during the corresponding period in 2007. Gas consumption fell proportionately by 0.5 per cent to 172.408 BCF this year, against 173.284 BCF during the same period in 2007.