Oil&Gas WestAsia
Oil, Gas Refining and Petrochemicals Exhibition and Conference
10 – 12 April 2006, Muscat, Sultanate of Oman

Market Report

JANUARY-SEPTEMBER 2005

Compiled by:

OMANEXPO LLC

P.O. Box 20, Code 117, Wadi Kabir, Sultanate of Oman
Tel. No. +968-24-790333 Fax No. +968-24-706276
E-mail: omanexpo@omantel.net.om
Websites: www.omanexpo.com / www.ogwaexpo.com

Contents

OMAN

Oman signs concession pacts with oil majors	05
Drop in Oman's oil and gas production	05
OOC, Dolphin Energy sign gas supply deal	06
Off-take pact for petroleum products signed	06
Bids invited to develop 5 oil blocks	07
Oman Oil Refinery production up 2.9 percent	07
Petrofac secures new gas plant contract in Oman	08
BHEL wins Omani power contract	08
Oman Oil, Oman Refinery, LG Int'l sign $956 million Sohar Aromatics Project Pact	09
Oman net's oil revenue touches RO 2,676m	09
Occidental to develop major Oman oil field	10
China tops Oman crude oil import	10
Oman Chemicals to set up ammonia plant in Sharjah	11
Sultanate's oil production rises in June	11
Gas pact signed for $700 m steel firm	12
Malaysia's Petronas eyeing oil and gas fields in Oman	12
PDO signs deal for fourth party logistics services	13
Agreement for new LNG carrier signed	13
PDO notches gains in dealing with 'produced water'	14
Major boost to Mukhaizna oilfield development plants	15
PDO adopts new method to assess hydrocarbon potential	16
Gas production and consumption up as oil exports decline	17
ORC expanding refining capacity to 106,000bpd	17
PDO exceeds production, cost-saving targets	18
Oman, China sign MoU to boost petroleum sector	19
Oil and gas concession pact with Irish company signed	19
Full steam ahead for Qarn Alam project	19
Renaissance to acquire UK's BUE Marine	20
PDO announces award of large maintenance contract	21
$300m boost for plastics industry	21
Pact signed for industrial gases plant at Sohar	22
Galfar begins work on $360m PDO contract	23
Oil production pact with US, Abu Dhabi firms	23
Pact signed for $956m aromatic complex at Sohar	24
Sultanate, Thailand sign gas pact	24
Reliance Industries wins exploration block in Oman	25
PDO commissions Saih Nihayda gas plant	25
PDO awards biggest-ever service contracts	26
PTTEP inks gas sales deal in Oman	26

KUWAIT

Kuwait makes significant light crude discovery	27
KUFPEC awarded two exploration licenses in Yemen	27
Kuwaiti MPs finalise big oil project	28
Kuwait Drilling Fluids Co. occupies 60% Kuwaiti market	28
Kuwait makes new light oil find in northern field	29
Kuwaiti refiner invites bids for $5b facility	29
Kuwait, Hyundai in $400m deal	30
Kuwait Petroleum posts seven-fold rise in profits	30
Kuwait to upgrade refineries	31
Kuwait, Iran sign $7b gas deal	31
Petrofac wins $125 million Kuwait contract	32

SAUDI ARABIA

Saudi Aramco works towards maintaining production	33
J. Ray McDermott awarded Saudi Aramco project	33
Rowan obtains three-year drilling contract for five rigs in Saudi Arabia	33
Saudi Aramco and Sumitomo Chemicals in JV agreement	34
Saudis to set up petrochemical plant under expansion plan	35
Foster Wheeler awarded contract by Saudi Aramco for Khurais Project	35
Saudi Arabia aims to boost Asian crude sales	36
Technip signs accord for Saudi chemical plant in Yanbu	36
New oil gusher discovered in Saudi Arabia	37
New light Arab oil well discovered-Minister	37
Halliburton successfully installs new sand control system for Saudi Aramco	37
Saudi Aramco signs contracts for two mega projects	38

UNITED ARAB EMIRATES

Abu Dhabi's IPIC buys refineries in Far East	39
$354 million project to develop Abu Dhabi's Bab field	39
Adnoc to boost gas liquids 50%	40
Crescent National will supply gas to HFZ	40
New rig to shore up business	41
Bluewater Energy wins SPM contract from Abu Dhabi Oil Co.	41
Mubadala Development & Shell to form strategic alliance	42
Nabors Drilling International: Going deep with new technology	42
Mideast energy investment put at $532b in thirty years	43
Sky Petroleum to participate in Mubarek field	43
Dolphin natural gas begins flowing to Ras Al Khaimah	44
Cegelec gets oilfield power upgrade deal	44
Abu Dhabi to up Murban capacity to 1.5m bpd	45
Gas projects get big push amid growing demands	45
UAE to increase oil output to 3.2m bpd	46
Arab gas consumption set to overtake oil demand in 2005	47

QATAR

Technip, Chiyoda win $4 billion LNG contract	48
Interventionless well completion technology improves Qatar field	48
RasGas signs pact with BOC for helium sales, purchase	49
Japan's Marubeni wins Qatar concessions	49
RasGas' WHP5 begins production	50
Dolphin's Qatar project on track	50
Al Jaber and partner win $360 m Qatargas contract	51
12 gas-based petrochemical ventures under construction	51
Joint venture agreement for Qatar Industrial Gas Company	52
Qatar seals deal with GS and Daewoo	52
Dolphin Project to handle 3.2bcf/d gas in initial phase	53
Qatar will deliver gas to Dubai from 2007	53
Qatar to produce 24b SCF of gas a day starting 2010	54
Qatar to build world's largest petrochemical plant	54
Qatar to spend $15b on LNG ships, says Al Attiyah	55
Al Shaheen field offshore facilities inaugurated	55

YEMEN

Technip joint venture gets first Yemen LNG deal	56
Yemen LNG development launched	56
OMV discovers oil in Yemen	57

PNG's Oil Search wins new permits in Yemen	57
South Korea to explore oil block in Yemen	58
Vintage Petroleum finds oil in third Yemen well	58
Yemen LNG signs three LNG sales agreements	59

INDIA

India to explore frozen methane from under sea	60
Indian Oil expansion targets sour crudes	60
Reliance finds gas in central India	61
Reliance unveils big expansion plans	61
India awards 13 blocks to ONGC and Reliance	62
India and Pakistan sign gas pipeline deal	62
Cairn Energy plans early oil production from North India fields	63
India and Iran sign $18-bn gas deal, set up group on pipeline	63
Aker Kvaerner to modify Indian offshore platforms	64
Indian oil firms win in Libya bid	64

IRAN

Iran makes massive gas discovery on Kish Island	65
9 refineries operating above capacity to meet domestic needs	65
Darkhovein oil field in southern Iran to come on stream	66
Iran grants Indian oil firms access to Persian Gulf block	66
Pakistan and Iran sign MOU for import of gas	67
Iran signs contract to develop South Pars phases 17 & 18	67
Thai, Chinese firms sign deals to develop Iran oil fields	68
NIOC to develop Resalat, Reshadat oil fields	68
Iran signs deal to export LNG to India	69
OMV makes first oil discovery in Iran	69

Oman signs concession pacts with oil majors

Source: ***Oman Observer***, 07 September 2005

The Sultanate yesterday signed oil concession agreements with multinational companies for developing two oil blocks. The first concession pact was signed by the government with two companies — GotOil Resources Limited, a Swedish firm, and Odin Energi, a Danish company — for developing block 15 at Ibri in Dhahirah region. GotOil will be the operator, while the Danish firm will be its partner in developing the concession area, which stretches in an area of 1,389 sq kms.

The 6-year-long agreement is for conducting seismic survey and other exploration activities. The two companies will invest a total of $11 million during the agreement period. "This is our first concession agreement with Oman government and we expect good potential in the country", said Jonas Lindvall, President of GotOil Resources.

The pacts were signed by Nasser bin Khamis al Jashmi, Under-Secretary at the Ministry of Oil and Gas, on behalf of the government. On behalf of the private companies, it was signed by Lindvall and Thomas M Haselton, Chairman of Odin Energi A/S. The second agreement was between the government and Ireland-based Circle Oil Plc for developing block 52 — a 90,760 sq km-long offshore area that spreads from off the coast of Sokra to Yemen border.

Shamil S Daoud, Business Development Manager of the company for Middle East and North African region, said that the agreement provides for conducting geophysical studies, two-dimensional seismic survey and exploration activities. Circle Oil is expected to invest $18 million for exploration activities. The government will not invest anything for developing the two concession areas during the agreement period. Daoud signed the agreement on behalf of Circle Oil.

As huge investment is required for bringing the oil above the ground, the government has been encouraging multinational firms to undertake exploration. As part of the move, the government recently signed two other exploration and production sharing agreements with two multinational firms — the US-based Hunt Oil Company and Sinopec of China. This is in addition to its pact with Circle Oil for developing block 49.

The authorities are planning to sign some more concession pacts with international oil firms in an apparent move to raise production. Around 10 other international oil giants, including Novus, EnCana, Anadarko, Total, Occidental, Maersk Oil and PTTEP, are currently exploring for oil and gas reserves around the country. Recently, the Sultanate has invited bids for oil exploration and joint production contracts at five new sites.

Drop in Oman's oil and gas production

Source: ***Oman Observer***, 10 September 2005

The Sultanate's total export of crude oil reached 129.5 million barrels in the first half of this year compared to 130.9 million barrels during the corresponding period in 2004, constituting a fall of one percent.

The statistical bulletin issued by the Ministry of National Economy showed that the Sultanate's total production of crude oil and condensates as on June end stood at 140.1 million barrels as against 142.5 million barrels during the first half of last year, constituting a drop of 1.7 per cent.

The average daily production during the first six months of this year was 774,200 barrels as against 783,300 barrels during the corresponding period last year, constituting a 1.2 per cent drop. The average price of Oman crude rose by 43.1 per cent by the end of June this year to $49.97 per barrel, compared to $32.13 during the corresponding period last year.

China topped the countries importing Oman crude, accounting for 44 million barrels during the first six months of the year as against 54.1 million barrels, constituting a drop of 18.6 per cent. Thailand was in second position among the countries importing Oman crude, accounting for 26.4 million barrels in the first half this year, which constituted an increase of 25.4 per cent compared to 21 million barrels last year. Japan was in third despite a reduction in import of Oman crude by 1.8 per cent, accounting for 21.1 million barrels as against 21.1 million barrels in 2005

The Sultanate's production of natural gas decreased in the first five months of this year by 1.3 per cent to reach 312.816 billion cubic feet, compared to 316.928 billion cubic feet during the same period last year. Gas consumption dropped by 1.3 per cent by the end of May 2005 to 312.816 billion cubic feet, as against 316.928 billion cubic feet the previous year. **— ONA**

OOC, Dolphin Energy sign gas supply deal

Source: ***Oman Observer***, 06 September 2005

Oman Oil Company SAOC (OOC) announced yesterday the signing of a gas sales and purchase agreement (GSPA) with Dolphin Energy Limited (Dolphin Energy) of Abu Dhabi to deliver an average of 200 million standard cubic feet of gas per day (mmscf/day) to OOC from early 2008.

Maqbool bin Ali Sultan, Minister of Commerce and Industry and OOC Chairman, signed the agreement on behalf of OOC. Shaikh Hamdan bin Zayed al Nahyan, Deputy Prime Minister, Minister of State for Foreign Affairs and Chairman of Dolphin Energy Limited, signed on behalf of Dolphin Energy Limited.

The agreement is based on detailed discussions subsequent to the signing of a memorandum of understanding on April 20, 2004. A joint steering committee was established under the MoU to determine the commencement dates for gas supply as well as quantities and price.

Maqbool said: “This agreement with Dolphin Energy will further strengthen the existing brotherly ties and enhance the co-operation between the Governments of Oman and the UAE”. Shaikh Hamdan expressed his delight pointing out that the agreement allows a continuous supply of Dolphin gas to the Sultanate over a period of 25 years and that the agreement creates a GCC gas grid linking three Gulf states.

The Dolphin gas project is a unique strategic initiative covering the extraction, processing and production of gas from the Qatari north field to be supplied to UAE with effect from 2006 through an underwater pipeline and then to the Sultanate. OOC has been supplying natural gas to Dolphin Energy since early 2004 by means of a spur line specifically constructed to enable the export and import of natural gas between the two countries. The spur line, which was financed by OOC and built and operated by its subsidiary Oman Gas Company (OGC), connects the OGC system at Mahda to the Dolphin Energy system at Al Ain.

The pipeline initially provided up to 135 million cubic feet per day (mcf/d) on an average of natural gas to Dolphin Energy which serviced the Union Water and Electricity Company’s (UWEC) 656 MW power generation plant and its associated 100 million gallon a day (mg/d) desalination project in Fujairah. Gas deliveries under the new GSPA will be delivered by using the existing OGC spur line. OGC is 80 per cent owned by the Government of Oman, represented by the Ministry of Oil and Gas, and 20 per cent by OOC.

Fifty-one per cent of Dolphin Energy’s share capital is owned by the Government of Abu Dhabi, represented by Al Mubadalah company, while 24.5 per cent is owned by Occidental Petroleum of USA and 24 per cent by Total of France. — ONA

Off-take pact for petroleum products signed

Source: ***Times of Oman***, 05 September 2005

Oman Oil Company (OOC) SAOC and Vitol Group (Vitol) signed an agreement yesterday with Oman Refinery Company (ORC) LLC that sets forth the key terms pursuant to which OOC and Vitol will off-take refined Omani petroleum products from the Sohar Refinery starting mid-2006.

The agreement was signed by Maqbool bin Ali Sultan, minister of commerce & industry and OOC chairman; Nasser bin Khamis Al Jashmi, undersecretary of the Ministry of Oil and Gas and chairman of ORC; and Ian Taylor, president and chief executive of Vitol Group.

Maqbool Ali Sultan said: “The signing of the five-year term off-take heads of agreement illustrates the commitment to capitalise on the opportunities and synergies between Omani and international companies that will further support the government’s efforts in diversifying the Omani economy”.

“Oman Refinery Company is proud to have concluded this agreement with OOC and Vitol, and looks forward to further enhancing cooperation between the companies,” added Nasser Al Jashmi.

The agreement marks the achievement of a major milestone in OOC’s and Vitol’s joint effort to establish a trading company that will trade crude oil and related products in the international market. The trading company, majority of which is owned OOC, expects commencement of trading activities in the beginning of 2006.

OOC is a commercial company 100 per cent owned by the government of the Sultanate of Oman. The company was created in 1992 to give the government another vehicle for pursuing investment opportunities in the energy sector both inside and outside Oman. - ONA

Bids invited to develop 5 oil blocks

Source: ***Times of Oman***, 21 August 2005

The government is understood to have invited bids for oil exploration and joint production contracts at five new sites, sources said here yesterday.

"These blocks were relinquished by the 60 per cent government-owned Petroleum Development Oman (PDO). The deadline for companies to submit bids is January 1, 2006," reliable sources told Times Business yesterday.

Oil majors from the US, China, Malaysia and India are believed to be eyeing these blocks. Consultants representing companies from these countries have already started exploring the scope of investing in Oman's oil and gas sector.

These sites covering an area of more than 23,000 square kilometres are believed to have billions of barrels of crude reserves. The blocks — 54, 55, 56, 57 and 58 — were relinquished by the PDO in several concessions.

The government encourages foreign oil companies to invest in exploration and production. The ministry already has a programme of acreage releases, and foreign companies have been investing in Oman. The sector, which is one of the major pillars of the domestic economy, already enjoys the presence of a number of international oil companies with well-established operations.

Oil sector accounts for more than 40 per cent of Oman's GDP. Based on realised gains, GDP is expected to cross RO10 billion this year as against RO9.5 billion recorded in 2004. The daily average production in June 2005 stood at 774,200 barrels compared with 783,300 barrels in June 2004. Oman produced more than 129.5 million barrels of crude in the first six months of 2005 as against 132.7 million produced for the six months, a year ago.

PDO, together with oil producing companies such as Occidental Oman, Daleel Petroleum, Novus Oman and Petrogas, produced about 285 million barrels of oil in 2004 compared with 299 million barrels produced in 2003, recording a fall of 4.6 per cent.

Oil exports fell 5.4 per cent last year to 264 million barrels compared with 264 million barrels exported in the preceding year.

Production fell 2.4 per cent in the first six months of the current year. Oman crude price rose 24 per cent in 2004 to $34.42 a barrel as against $27.84, a barrel in 2003. Oman crude realised an average prize of $45.97, a barrel in June 2005 compared with $32.13, a barrel, in June 2004.

Oman's daily average production of oil for the year 2005 was estimated to be 753,000 barrels. The country has earned more than $7 billion from oil in 2004.

Of late, the government renewed its Block 6 concession and operating agreements with foreign oil majors Shell, Total and Partex for another 40 years. The agreements provide the concessionaries with rights to carry out petroleum operations for oil in Block 6 for the next 40 years, effective from January 2005 to December 2044. In fact, the agreements are renewed some eight years before the old agreements ending in 2012.

Oman Oil Refinery production up 2.9 pc

Source: ***Times of Oman***, 27 August 2005

The quantity of oil used at Oman Oil Refinery stood at around 15.7 million at the end of June this year, compared to 15.3 million during the same period in 2004, constituting a 2.9 per cent rise.

The refinery products included car regular and super petrol. The super petrol quantity fell by 9.7 per cent to around 2.2 million by the end of June 2005, compared to 2.3 million barrels during the same period last year. The quantity of regular car petrol rose by 9.46 per cent. The produced quantity of aircraft fuel rose by 47.8 per cent by the end of June. The quantity of produced diesel rose by 2.6 per cent to around 3.6 million barrels against 3.5 million barrels at the end of June 2004.

The quantity of petrol gas (biotin) rose by 0.7 per cent by the end of June 2004. Refining residues rose by 2.6 per cent at the end of June 2004. — ONA

Petrofac secures new gas plant contract in Oman

Source: ***Petrofac press release***, 25 July 2005

International oil services company Petrofac has secured a contract with the Sultanate of Oman's Ministry of Oil & Gas (MOG) to build a new gas plant in the Kauther field in north Oman. The single-train plant will recover valuable gas and condensate reserves. The Kauther field is being developed and operated by Petroleum Development Oman (PDO) on behalf of the MOG.

The three-year contract, valued at more than USD 200 million, will be executed through Petrofac Engineering & Construction from its base in Sharjah. Petrofac is tasked with engineering, procurement and construction (EPC) of the 20 million standard cubic metre facilities over a twenty-four month period and will then operate the plant for an initial one-year period. The project will draw on capability across the Petrofac group from engineering and construction through to operations services.

Commenting on the award, Maroun Semaan, CEO, Petrofac Engineering & Construction, said, “This award marks Petrofac's re-entry into Oman which we consider to be a strategically important market for the group. We are pleased to be working with PDO again and our long term Omani construction partner, Galfar Engineering & Construction”.

Vice President of sales & marketing, Peter Warner added, “This is the first time PDO has implemented a ‘design competition’ type approach on a bid, whereby the bidders were responsible for undertaking the front-end engineering design within the EPC bidding process. Such design competitions allow bidders to implement their own ideas into, and take ownership of, the front-end design within the constraints of functional specifications.”

PDO has recently completed commissioning a gas plant of a similar size in Saih Nihayda in the Sultanate and this most recent contract is evidence of the growth in Oman's gas industry. PDO's gas engineering manager, Abdallah Al Aufi said, “We are pleased to welcome Petrofac back to our family of contractors. We have worked together effectively to execute a novel way of tendering, and I believe Petrofac's experience and commitment will ensure this project's success.”

This is Petrofac's first project in Oman since the successful completion of the North Oman Crude Stabilisation Project for PDO in 1994. The new plant at Kauther is important to the country as it will produce a high level of condensate in addition to gas. The conditioned gas is to be exported into the existing Government gas system and the condensate is to be exported from Kauther to the existing Saih Rawl Central Processing Plant.

The Kauther field is located in the Al Dakhlia region of Oman, 50km south of the town of Adam and was discovered by PDO in 2001.

BHEL wins Omani power contract

Source: ***MENA Report***, 24 July 2005

Bharat Heavy Electricals Limited (BHEL) has secured a contract of US$270 million for two power projects on turnkey basis in Sultanate of Oman.

The order has been won in the face of stiff international competition on the basis of online internet bidding, from Petroleum Development Oman (PDO), a company majority owned by the Government of Oman with the balance shareholding by Royal Dutch Shell, Partex and Total.

These are the largest unit rating gas turbines being installed by PDO. With this order, BHEL supplied generating sets will account for over 40% of PDO's installed generating capacity, demonstrating the confidence that PDO has in BHEL's capabilities. Apart from this, BHEL is presently executing three orders for their compressors projects in Oman.

This is the third order for BHEL for gas turbines based power projects from PDO and comes after successful completion of the 140 MW gas turbine based Qarn Alam power project in 2004 and 90 MW gas turbine based Hubara power project for PDO Oman in the year 2000.

BHEL is the largest engineering and manufacturing enterprise in India in the energy-related infrastructure sector. BHEL was established more than 40 years ago.

Oman Oil, Oman Refinery, LG International sign $956 million Sohar Aromatics Project pact

Source: ***Times of Oman***, 20 July 2005

Oman Oil Company (OOC), Oman Refinery Company (ORC) and LG International of Korea yesterday signed a shareholders agreement for Sohar Aromatics Complex valued at $956 million. The agreement was signed at the Ministry of Oil and Gas.

While Dr Mohammed bin Hamad bin Saif Al Romhi, minister of oil and gas, and deputy chairman of OOC board signed for the OOC, Nasser bin Khamis Al-Jashmi, oil and gas ministry undersecretary and chairman of ORC board, and Dong Hwan-kang, executive vice-president of LG International, signed for their respective sides.

As per the shareholders agreement, OOC owns 60 per cent of the project and the remaining percentage is equally divided between Oman Oil Refinery and LG. The project will start commercial operation during the third quarter of 2008. It will produce 800,000mtpa of paraxylene and 210,000mtpa of benzene using naphtha produced by the Sohar Refinery Company (SRC).

Paraxylene is a key raw material in the production of polyester fibres and pet plastic bottles. The second petrochemical produced on the complex is benzene which is an industrial chemical used to produce a wide range of plastic (polystyrene, nylon), detergents and other chemicals.

Romhi said that this prestigious project is yet another milestone in the strategic development of Oman petrochemical industry which is expected to play a leading role in the diversification of the economy while creating jobs and further downstream business opportunities.

Al Jashmi said that this is a major project for ORC outside the refining business. This project will further enhance ORC's contribution to the development of the Sohar industrial area and the national economy while expanding ORC's business portfolio.

Kang said: "I am proud to be one of the members who will write another success story in the petrochemical industry in Oman.

Following Oman polypropylene and ethylene dichloride projects, I am sure that cooperation through this joint venture project will cement further the economic ties between Oman and LG International.

Oman's net oil revenue touches RO 2,676m

Source: ***Oman Observer***, 16 July 2005

The government's net oil revenue rose by RO 359.7 million to touch RO 2,676.1 million last year, mainly on account of a rise in international oil prices.

The budget for last year was drawn initially on the assumption of the average oil price of $21 per barrel. However, the actual average price of oil realised for Omani crude worked out to $34.42 a barrel last year.

Oil revenues continued to remain a major source of government revenue and its contribution in total revenue stood at 66.2 per cent in 2004, according to the Annual Report of the Central Bank of Oman (CBO).

The report also said that net government revenues at RO 4,040.2 million last year were higher by RO 734.9 million as compared to RO 3,305.3 million in the previous year.

While oil revenue went up by 15.5 per cent, non-oil revenue moved up even sharper by 37.9 per cent. Revenue from liquefied natural gas and oil condensates last year stood at RO 373.7 million, which aided the increase in the share of non-oil revenue.

While the total revenues registered an increase of 22.2 per cent, the aggregate expenditure of the government rose by 19.5 per cent last year. In view of the surplus fiscal position, the government continued with its debt restructuring policy and repaid RO 84.9 million external loans.

Taking advantage of the easy domestic liquidity condition, it also raised RO 88.5 million on cash basis through the issuance of development bonds. Receipts from sale of natural gas rose by 21.8 per cent to RO 106 million last year.

Other current revenue receipts declined by 2.9 per cent to RO 850 million last year from RO 875 million in the previous year, mainly on account of a fall in the income from government's investment.

Occidental to develop major Oman oil field

Source: ***Occidental press release***, 14 July 2005

Occidental Petroleum reports that a Royal Decree has been issued by the Sultanate of Oman approving the contract for the development of the Mukhaizna oil field, one of the largest oilfields in Oman.

Under the terms of a new Production Sharing Contract, Occidental will be operator of the field and hold a 45 percent interest, the Government of the Sultanate of Oman, through Oman Oil Company, will hold a 20 percent interest, 17 percent will be held by Shell Oman Trading Company Limited, 15 percent by Liwa Energy Ltd. (an investment company of the Government of Abu Dhabi), Total E&P Oman will hold a 2 percent interest, and Partex (Oman) will hold 1 percent.

Located in central Oman, the Mukhaizna field was discovered in 1975 by Petroleum Development Oman (PDO). The field is currently producing approximately 10,000 barrels of oil per day. Occidental and its partners expect to invest over US$2 billion to implement a large-scale steam flood to increase production to approximately 150,000 barrels per day within the next few years and to recover approximately 1 billion barrels of oil over the life of the project.

"We are very pleased to have been chosen to work as partners with Oman to develop this important project," said Dr. Ray R. Irani, Chairman, President and Chief Executive Officer. "This is another step in the implementation of our growth strategy in one of our core areas. Occidental is an industry leader in increasing and prolonging production from mature and under-developed fields by applying cutting-edge technology and state-of-the-art reservoir management techniques. This is an exciting opportunity to create value for the people of Oman and for our stockholders."

Occidental has been active in Oman since 1979. During the first quarter of 2005, Occidental's daily net production in Oman averaged 23,000 barrels of oil and 56 million cubic feet of gas, for a combined rate of 32,000 barrels of oil equivalent.

China tops Oman crude oil import

Source: ***Khaleej Times***, 09 July 2005

China emerged the main importer of Oman crude during 2004, accounting for 40.3 per cent of export volumes as against a 27.7 per cent share in 2003. Thailand stood second, lifting 16.4 per cent of Omani crude compared to 18.6 per cent in 2003. South Korea was third with a share of 15.9 per cent while Japan was in fourth place with a 15.5 per cent share.

Some volumes were also imported by Taiwan, Malaysia, the USA, Singapore, New Zealand and the Philippines, the Central Bank of Oman (CBO) stated in its annual report.

Crude oil exports reached 263.6 million barrels in 2004 compared to 278.5 million barrels in 2003. The share of oil and gas exports also dropped moderately from 92.7 per cent in 2003 to 90.8 per cent in 2004.

Oman's proven oil and condensate reserves stood at 4.803 billion barrels in 2004 representing an increase of 8.5 million barrels over 2003.

Total production during 2004 reached 285.4 million barrels of oil and condensates compared to 299 million barrels in 2003, registering a decrease of 4.5 per cent, the report said. Out of 124 producing wells, 107 belonged to PDO. Other producers during 2004 were Occidental Oman, Daleel Petroleum, Novus Oman and Petrogas.

Oman's proven natural gas reserves (associated and non-associated) rose by 0.53 trillion cubic feet (TCF) to reach 24.24 TCF in 2004, New wells as well as better exploitation of the existing ones led to the rise in reserves, the CBO report said.

During 2004, LNG exports touched 6.9 million tonnes compared to 6.7 million tonnes in 2003. LNG was exported to Korea, the USA, Japan, Spain, France and Belgium. In addition, some 216 metric tonnes of natural gas liquids (NGL), which is a byproduct of the gas liquefaction process, was exported to the United Arab Emirates and India in 2004.

Oman Chemicals to set up ammonia plant in Sharjah

Source: ***Gulf News***, 10 July 2005

The Hamriyah Free Zone Authority in Sharjah yesterday announced that a $200 million (Dh736 million) ammonia/urea plant is to be set up in the zone by Muscat-based Oman Chemicals and Pharmaceuticals LLC (OCPL).

OCPL, the only bulk drug manufacturer in the Middle East and Africa, also signed a 25-year agreement with the Sharjah-based Crescent Petroleum yesterday for the supply of natural gas.

The agreements were signed at the HFZA headoffices attended by Shaikh Khalid Bin Abdullah Al Qasimi, Chairman, HFZA, and Sharjah Ports Authority, Shaikh Humaid Bin Nasser Al Naemi, OCPL Chairman, Hamid Jafar, chairman and chief executive officer, Crescent Petroleum and other top officials.

Dr Rashid Al Leem, Director General, HFZA, said the project would be one of the largest in the free zone.

First phase production of 400,000 tonnes of ammonia a year will commence by April 2007 with phase two production of urea and other products at the plant will start in 2008, said Shaikh Humaid.

High prices and a shortage of ammonia in the world market spurred the company on to setting up its own ammonia plant.

The plant will not only meet its own needs of ammonia, which it currently imports, but also export the surplus, he said.

The plant's annual turnover is expected to top $80 million (Dh294 million). A second plant is planned in Oman in the next couple of years, he told Gulf News.

Ammonia as a raw material is used for innumerable end products. Shaikh Humaid said that up to 75 per cent of the plant's ammonia production will be exported, with the rest being used by its pharmaceutical plants.

He said the company's decision to set up its first ammonia plant in HFZ was due to the availability of cheaper gas supplies at the rate of $1.5 MMBtu (million metric British thermal unit) compared with $6 MMBtu in Europe.

The plant's natural gas requirement is about 45 million standard cubic feet per day. The project requires 60,000 square metres of land for its phase one operating facilities including product storage.

Production of urea will occur as phase two followed by nitric acid, ammonium nitrate and ammonium phosphate.

Leading technology from MW Kellogg considered among the best available in the world today, in terms of energy consumption, plant on stream efficiency and environment protection has been procured for this plant, company officials said.

OCPL manufactures and markets bulk semi-synthetic penicillin with sales in Middle East, Europe, Far East and India. Set up 14 years ago, the company has an annual turnover of $45 million and currently manufactures and sells about 1,200 mt/year of antibiotics besides other products related to control sugar, cholesterol and blood pressure.

Sultanate's oil production rises in June

Source: ***Times of Oman***, 06 July 2005

Nassir bin Khamis Al Gashmi, Oil and Gas Ministry undersecretary, has said that the Sultanate's total oil production stood at 785,000 barrels per day during June 2005, a rise of more than 21,000 barrels, compared to May 2005. He attributed this increase to a surge in oil condensates production which averaged 68,000 barrels per day during May 2005 and an increase in the production of other companies which operate outside the concession areas of the PDO.

Al Gashmi added that the Omani oil price during June 2005 was the highest since the Sultanate started producing and exporting crude oil. He noted that there is big demand for Omani oil whose price exceeded $54 in some days of June 2005. He said the oil prices have surged despite an announcement by the Opec to increase the daily production by 500,000 barrels to reach 28 million barrels per day starting from July 1, 2005.
— ONA

Gas pact signed for $700 m steel firm

Source: ***Times of Oman***, 05 July 2005

The Sultanate yesterday signed an agreement with Shadeed steel company to provide a factory it is setting up at Sohar industrial port with gas.

Dr Mohammed bin Hamad Al Romhi, oil and gas minister, signed the agreement on behalf of the Sultanate's government, while Ali bin Hamil Al Ghaith, chairman of Shadeed steel company, signed for his side.

Nassir bin Khamis Al Gashmi, Oil and Gas Ministry undersecretary, told Oman News Agency that the company would establish a steel factory whose first phase costs $350 million.

The factory's production capacity is 720,000 tonnes of moulds a year. He added two American and German companies would transfer technology and provide the project with equipment. The project is the first of its kind in the world, he said.

The strategic location of Sohar port will enhance the product competitiveness. He noted that the project would consume 1.4 million cubic metre of gas a day over a period of 20 years.

The project will provide citizens with 225 permanent jobs, he said.

The company's board chairman expressed appreciation for the support extended by the government, saying the total cost of the project (first and second phases) is $700 million. — ONA

Malaysia's Petronas eyeing oil and gas fields in Oman

Source: ***Times of Oman***, 01 July 2005

Malaysia's Petronas is looking at acquiring oil and gas fields in the Gulf.

Talking to Times Business from Kuala Lumpur yesterday, a senior Petronas official said the company is exploring investment opportunities in Oman, the UAE, Qatar and Kuwait.

"We are already operating two significant offshore oil blocks in Bahrain under an exploration and production sharing agreement. We are keen to invest in Oman's oil and gas fields, and avenues are being explored," Petronas executive said.

It has been the company's strategy to pursue growth through explorations and reserves acquisition in the international exploration and production arena since its inception 30 years ago.

The Kuala Lumpur-based oil giant had recorded a turnover of $25.7 billion and a net profit of more than $6 billion last year. Petronas, with assets of more than $52 billion, currently has operations in 34 countries. In Yemen, the company has interest in an onshore exploration Block, in collaboration with Ansan Wikfs and Yemen Corporation. Other countries where the Malaysian-government owned Petronas is active in exploration include Egypt, Sudan, South Africa, Morocco, Iran, India, Thailand, Philippines, Indonesia, China, Australia, Pakistan, Switzerland, Ethiopia, Cambodia, Algeria, Angola, etc.

"The company has so far invested more than $8 billion in international markets. We are so keen to expand our operations in the Gulf and the Middle East," Petronas official said.

Late last week, Petronas signed a $3 billion gas deal with Singapore's Keppel Corp. According to the historic deal, Keppel will buy gas from Petronas for over 18 years. Under the agreement, Keppel and Petronas will build a 5km pipeline that will connect Malaysia's gas system at Plentong, Johor, to Singapore's gas transmission system. Malaysia's proven crude reserves stand at about five billion barrels. Naturals gas reserves stood at 87 trillion standard cubic feet as at the end of last year.

Malaysia's daily production of crude oil and condensates stand at over 750,000 barrels.

PDO signs deal for fourth party logistics services

Source: ***Oman Observer***, 28 June 2005

Petroleum Development Oman (PDO) held a cer emony on Sunday to mark the signing of a major contract for the provision of fourth-party logistics services by Exel and BahwanCybertek. The contract, which was put in place over the past three years, will let the Exel-BahwanCybertek joint venture manage all cargo operations, including drilling-rig moves, on behalf of PDO. In addition, the joint venture will integrate its logistics system nationally and regionally so that other companies and governmental agencies can take advantage of it.

The ceremony was attended by PDO Managing Director John Malcolm, Deputy Managing Director Abdulla al Lamki, and representatives of the PDO's Logistics department led by the Logistics Manager Warith al Kharusi. Representing Exel at the signing ceremony were its CEO for contract logistics in mainland Europe, Middle East and Africa, Leigh Pomlett, and its Middle East Regional Director, Colin Wain. Representing Bahwan Cybertek were Hind Bahwan, its Chairperson, and S Durgaprasad, its CEO.

The contract's advent promises to increase the utilisation of truck capacities by some 10-20 per cent. The subsequent reduction in kilometres driven will result in savings as well as reduced exposure to traffic accidents. The application of a new transport management system with track and trace capabilities will result in a step-change improvement of the service level offered to the primary customers, namely PDO's interior-based drilling and engineering operations. The contract will unify the system so that everyone—not just PDO-related companies—can take advantage of it.

The scope of cargo haulage that will come under the system's umbrella will include, amongst other things, loads from ports to the coast and interior, rig moves, loading and unloading operations, crude-oil and water haulage, and clearing and forwarding. Al Kharusi said: "This type of fourth-party logistics contract is the first in the Middle Eastern exploration and production industry. It will not only result in an improved service but will also help local businesses to grow.

The execution of all activities will be subcontracted to established local trucking companies. Logistics integration on this scale is a perfect example of sustainable development in practice: it makes optimum use of resources; it improves the safety of our operations; and it stimulates the growth of local businesses." "What we will end up with is a unified system of logistics that spans the whole country and that links with other transport systems, including passenger transport. This is a very positive development for PDO and the Sultanate of Oman in general," Al Kharusi concluded.

Agreement for new LNG carrier signed

Source: ***Times of Oman***, 23 June 2005

Ahmed bin Abdulnabi Macki, minister of national economy and deputy chairman of the Financial Affairs and Energy Resources Council and chairman of the board of directors of Oman Shipping Company, yesterday here signed a joint venture ownership agreement for an LNG carrier with Japanese companies Osaka Jaz, NVK Co. and K Line.

"With this, the number of LNG carriers under the control of Oman Shipping Company rises to seven," said Macki after signing the agreement. He said the new 289-metre long and 49-metre wide LNG carrier with a capacity of 153,000 cubic metres would be put into service in 2008.

The new carrier will be utilised for the shipment of liquefied natural gas as per the long-term agreement signed with Oman LNG Company.

The OSC will have a 40 per cent stake in the new LNG carrier while Osaka Jaz will have 51 per cent, NVK Co. six per cent and K Line the rest of three per cent.

"The OSC attaches more significance to the marine transport sector and the new carrier will not only support the company but help boost the overall national economy," Macki said, adding that OSC has already started providing training to the Omani cadres in the maritime sector.

The signing ceremony was attended by Mohammed bin Yusuf Al Zarafi, the Sultanate's ambassador to Japan, and the Omani delegation accompanying the minister.

Macki also held talks with senior officials of Japanese shipping and oil giants including Mitsui. They discussed ways of promoting cooperation between Omani companies such as Oman Shipping Company, Oman LNG and PDO with the Japan companies in the field of oil and gas.

Macki stressed the significance of strengthening cooperation and establishing more joint ventures in private as well as public sectors. The meeting was attended by Sultanate's ambassador accredited to Japan. — ONA

PDO notches gains in dealing with 'produced water'

Source: ***Oman Observer***, 25 June 2005

Petroleum Development Oman (PDO) has reported significant gains in its ongoing effort to deal with the copious amounts of water that is produced along with oil from a number of major fields within its concession.

During 2004, nearly seven barrels of water were produced for every barrel of crude oil primarily from maturing fields in the south. But the rate at which the produced-water volume is growing is now slowing, says PDO, thanks to several technological and water-management initiatives adopted by the company.

One notable success, outlined by the company in its recently issued Annual Report for 2004, involves the use of expandable zonal inflow profiler (EZIP) technology to reduce 'produced water'.

The EZIP is a type of well completion that, when placed in contact with water inside a borehole, swells to provide a strong seal that prevents the water from entering the well.

A total of 44 wells have been completed with EZIPs and by the end of 2004 they had contributed an additional 400,000 barrels of oil. This technology has since been massively deployed, says PDO. Almost half the amount of produced water is now used for waterflooding (in which water is injected into a producing formation in order to support reservoir pressure and displace oil towards producing wells).

Four major waterflooding projects were progressed during 2004. The waterflood-based field-development plan covering the Ghariff, Haima and Al Khalata reservoirs in the Marmul area is well on track to be completed by the end of 2005. One variant of waterflooding being seriously investigated for this area involves thickening the injected water with polymers so that the sweep efficiency of the flood is markedly improved.

The fourth waterflooding project, involving 23 fields known as the Rahab-Thuleilat-Qaharir (RTQ) cluster, lags behind the Marmul project in its scheduling.

But that position will enable what was learned from the Marmul project to be incorporated in the RTQ field-development plan, says PDO. In any case, rock samples from the reservoirs in the cluster are being analysed and an additional appraisal well will be drilled in 2005 to confirm a significant extension to one of the cluster's fields.

The remainder of the 'produced water' is mostly injected into deep or non-exploitable aquifers, although some of it is disposed of in shallow aquifers. Most of the company's shallow water disposal will be phased out with the completion of deep water disposal projects in Nimr, Rima and Suwaihat in 2005.

PDO, however, has requested the Ministry of Regional Municipalities, Environment and Water Resources to permit the shallow disposal of produced water in Sayyala and Sadad,

since the environmental impact of the continued disposal in those areas is very small. The request has been backed up by detailed monitoring and computer modelling of the plume of disposed water, the company stated in its Annual Report.

PDO is also investigating ways of treating production water from the Nimr field so it can be used locally for productive purposes.

For over three years now, the company has been exploring the potential use of produced water in the cultivation of beds of reeds as a means of cleaning the water of its hydrocarbon contaminants.

The produced water flows in at one end of the bed, and by the time the water has reached the opposite end of the bed, most oil has been removed by the biological action of the plants' roots.

The treated water has then been used to irrigate a plot of salt-tolerant trees, which could perhaps yield a saleable product. An independent study of the scaling-up of this reed bed/forest combination concluded in 2004 that it was technically, financially and socially feasible.

The potential use of produced water as boiler feedstock for steam injection projects was also explored by PDO in 2004.

Major boost to Mukhaizna oilfield development plans

Source: ***Oman Observer***, 22 June 2005

The Government of Oman yesterday signed a pair of landmark agreements with a consortium of investors designed to ramp up production from the potentially prolific Mukhaizna field. The pacts, involving investments of several billions of dollars over the operational life of the project, will contribute significantly to the government's ongoing efforts towards reversing the trend in falling oil output. Dr Mohammed bin Hamed al Rumhy, Minister of Oil and Gas, signed the two deals — a Production Sharing Agreement and a Joint Operating Agreement — with the consortium partners at a well-attended ceremony held at the Grand Hyatt Muscat.

Participating in the venture are local subsidiaries of a number of oil majors and investment firms, notably Occidental Mukhaizna LLC, Shell Oman Trading Company Limited, Liwa Energy LLC (a subsidiary of Mubadala Development Company), Total E&P Oman, Partex (Oman) Corporation, and the state-owned Oman Oil Company (OOC).

Signing on behalf of the consortium partners were Dr Eduardo Grilo of Partex, Jean-Luc Porcheron of Total, Rolf Monjo, President of Occidental (Middle East), Sultan al Jaber of Liwa Energy, and Raoul Restucci, Shell's Executive Vice- President (Middle East, Russia and Caspian region). Also present at the ceremony were Nasser bin Khamis al Jashmi, Oil and Gas Under-Secretary, and several senior ministry officials including Dr Ali bin Thabit al Battashi, who led negotiations on behalf of the government.

The Government of Oman, as owner of Mukhaizna's hydrocarbon resources, will retain 80 per cent of all revenue proceeds from the field's output. The remainder 20 per cent will be divided as follows: Occidental Mukhaizna (9 per cent), Oman Oil Company (4 per cent), Shell Oman Trading (3.4 per cent), Liwa Energy (3 per cent), Total (0.4 per cent), and Partex (0.2 per cent). As operator, Occidental Mukhaizna LLC will deploy thermal enhanced oil recovery (EOR) techniques to develop 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.

In remarks to journalists, Dr Al Rumhy hailed the significance of the agreements. "It marks the first time that we have a consortium of so many companies coming together on the upstream side. This is the first time we've managed to bring together Shell, Total, Occidental and so on, within one project, and we're looking forward to working with them to produce tangible results for the country."

Development of the field, which holds heavy oil, will be fast-tracked to significantly boost production from the present 10,000-12,000 bpd, he said. "We hope to peak at 150,000 bpd, but we will see significant production from this field from next year onwards. Investment is expected to run into billions of dollars over the 30-year life of the project, much of which will be injected in the early years of the venture."

With the signing of the production sharing and joint operating agreements, the operation of Mukhaizna, which falls within Petroleum Development Oman's (PDO) Block 6 concession, will now pass into Occidental's hands. While PDO as a company will not directly participate in the new venture, its shareholders — Shell, Total and Partex, besides the Omani government — are partners in the project.

Dr Al Rumhy said the enhanced oil recovery technique envisioned for Mukhaizna would involve a new approach. "We have been trying this method for a number of years, but have never done it on a large-scale. PDO has another project, quite similar to this one, at Qarn Alam, a contract for which was awarded recently. We are now embarking more and more on better recovery methods."

First discovered in 1975, development of the Mukhaizna field has so far been limited to cold production due to the heavy nature of the oil and associated high costs. Occidental plans to implement a large-scale steam flood scheme to increase production from the field, whose hydrocarbon potential is estimated at two billion barrels of STOIP (stock tank oil in place).

Occidental's cutting-edge enhanced oil recovery technology, combined with rapid decision-making processes, will allow for Mukhaizna's development to the fast-tracked, say officials. Occidental of Oman, a subsidiary of the California-based oil giant, is currently the second largest producer of oil in the Sultanate, with significant volumes of natural gas also produced from its Block 9 concession.

A further shot in the arm for the Mukhaizna's project is the participation of Liwa Energy, a subsidiary of Abu Dhabi-based Mubadala Development Company, which is also investing in a huge methanol scheme planned at the Salalah Free Zone. The methanol project, also backed by state-owned Oman Oil Company, entails the development of a 3,000 metric tonne per day state-of-the-art methanol plant, using natural gas as feedstock. Mubadala is a development and investment company wholly owned by the government of Abu Dhabi.

PDO adopts new method to assess hydrocarbon potential

Source: ***Oman Observer***, 18 June 2005

Petroleum Development Oman (PDO) has adopted a new approach to assessing the hydrocarbon potential of a reservoir prior to planning the field for development. The revamped methodology, termed as 'hydrocarbon maturation', is one of six major business processes that have been implemented this year in an effort to sustain and build on the company's performance over the coming years.

The other five priorities listed by the company as key to achieving ambitious savings and production targets are: Well & Reservoir Management; Operational Excellence; Development of Staff; on-time and on-budget delivery of Drilling & Engineering Projects; and Contracting & Procurement. 'Hydrocarbon maturation' is a new way of finding hydrocarbon-bearing reservoirs; appraising their size, structure and properties; accurately simulating the way in which the hydrocarbons flow through them into wells; and then planning — in light of all the data and all the uncertainties — how best to extract the hydrocarbons from them for delivery via pipeline to the coast for export.

"The hydrocarbon-maturation process, in particular, is paramount for us. It is through this process that volumes of discovered oil are progressed from 'oil originally in place' through 'scope for recovery' to reserves. And reserves constitute the portfolio of field-development opportunities that is the very future of our business," stated Managing Director John Malcolm in the company's 2004 Annual Report, issued here recently.

"For that reason we have redesigned the hydrocarbon maturation process as well as the other five business processes in 2004, to streamline and standardise them so that accountabilities are clear and informed decisions are made at the right time and at the right leadership level. These revamped processes will be implemented in 2005 with the support of a new organisational structure," he added.

During 2004, PDO's developed reserves (those volumes of oil that have been made accessible by existing wells and production facilities) increased on the basis of the comprehensive studies underlying the company's field development plans. In particular, the field-development plans for Lekhwair and Nimr yielded increases in reserves that more than offset the decreases in the reserves of Yibal, Al Noor, Fahud, Marmul, Natih and Saih Nihayda.

The company also found some oil and gas through its exploration efforts. Exploration wells revealed 48.6 million barrels of "new oil" at Malaan, Tibr and Ghafeer that have been categorised as scope for recovery. Exploration wells drilled near existing fields also revealed an additional 66.4 million barrels of scope-for-recovery "old oil" at Musallim, Burhaan North West and Maurid. By having them hooked up quickly to the oil-production facilities, the company managed to produce an average of 3,300 barrels per day from its successful exploration wells at Musallim, Malaan and Tibr.

No gas reserves were booked in 2004, although the field development plans for the company's major gas fields are expected to result in bookings, which will be factored into the company's reserves at the end of 2005. However, some gas was discovered in 2004. Exploration wells did discover 0.53 trillion cubic feet (TCF) of gas that have been categorised as scope for recovery.

Several major gasfield projects critical to ensuring an uninterrupted supply of gas for domestic consumption, were progressed during 2004. PDO was well on its way to securing feedstock for the Qalhat LNG plant through the construction of the Saih Nihayda Gas Plant (SNGP) in central Oman and the laying of a 48-inch loop pipeline from the SNGP to the vicinity of Al Kamil.

Gas production and consumption up as oil exports decline

Source: ***Times of Oman***, 18 June 2005

The Sultanate's crude oil exports stood at 86.86 million barrels during the first four months of 2005, compared to 86.93 million barrels during the same period in 2004, constituting a 0.1 per cent decline.

The monthly statistical bulletin issued by the National Economy Ministry stated that the Sultanate crude oil and oil condensates production was 92.71 million barrels at the end of April 2005, compared to 95.48 million barrels in 2004, a 2.5 per cent drop.

The average daily production was 772,600 barrels during the first four months of 2005, against 785,500 barrels in 2004, a 1.6 per cent decline.

The average price of Oman oil rose by 43.7 per cent at the end of April 2005 to $44.23 per barrel, compared to $30.78 in 2004.

China topped the countries importing Omani oil as it imported 31.95 million barrels during the first four months in 2005, against 38.24 million barrels during the same period in 2004, constituting a 16.4 per cent drop.

Oman's natural gas production rose by 2.1 per cent during the first four months of 2005, to 252.69 billion cubic feet, compared to 247.5 billion cubic feet during the corresponding period in 2004.

Gas consumption also rose by 2.1 per cent at the end of April 2005 to 252.7 billion cubic feet, compared to 247.5 billion cubic feet at the end of April 2005. — ONA

ORC expanding refining capacity to 106,000bpd

Source: ***Times of Oman***, 15 June 2005

State-owned Oman Refinery Company LLC is expanding its refining capacity from the present 85,000bpd (barrels per day) to 106,000bpd.

To part finance the $320 million expansion project, ORC, the leading oil refining company in Oman, yesterday signed a syndicated term loan facility agreement involving $140 million with a consortium of regional and local banks, led by Bahrain's Gulf International Bank (GIB).

"We hope to complete the expansion by the end of 2006 or early 2007. The term loan facility will be utilised to part finance the expansion project," ORC CEO Dr Adil A. Al Kindy told Times Business on the sidelines of the signing ceremony.

Al Kindy said work on the expansion began seven months ago. Sixty per cent of the project cost has been met by utilising our internal resources. ORC, which has achieved a 90 per cent Omanisation, is the single supply source of petroleum products in Oman. The refined products are made out of Oman crude, which is received from the Petroleum Development Oman, and supplied after refining to the marketing companies.

ORC's current expansion project also includes the MAF-Sohar crude pipeline to provide feedstock for Sohar Refinery Company (SRC). The new crude oil pipeline will connect ORC area at Mina Al Fahal (MAF) and the SRC in the port area. The estimated pipeline length is 266 kilometres, which makes it one of the biggest of its kind in Oman.

Established as a limited liability company in 1982, ORC started out with an initial refining capacity of 50,000bpd. This conversion of Oman's own crude oil into high value products has contributed remarkably to the economic and overall development of the country.

Consistent economic growth and an ever-increasing need for petroleum products in Oman led to new challenges to which ORC responded by expanding its process capacity to 80,000bpd in 1987 through a low cost modification in the plant.

Today, the refinery operates 24 hours a day to process 85,000bpd which comes close to meeting the nation's total demand for LPG, motor gasoline, aviation fuel, diesel and fuel oil.

PDO exceeds production, cost-saving targets

Source: ***Times of Oman***, 14 June 2005

Petroleum Development Oman (PDO), the Sultanate's premier oil company, notched up significant successes during 2004 boosting oil output, discovering new wells, and achieving notable gains on the Omanisation, environment and social fronts.

Presenting the company's annual report, Managing Director John Malcolm said: "I am glad to report that the Company had an excellent year in all these respects. For the second year in a row, we have met or exceeded our annual oil-production targets. We also managed to meet or exceed all our main environmental performance targets, which have to do with oil spills and greenhouse-gas emissions."

The average annual production of 661,000 barrels of oil per day in 2004 exceeded the company's target of 650,000 barrels per day. On the gas supply front, all customers nominated by the government also received from PDO a virtually uninterrupted supply of natural gas amounting to 15.4 billion cubic metres. Two-thirds of this volume went to Oman LNG's plant at Sur, said Malcolm.

As a byproduct of gas production and processing, PDO also produced a total of 17.3 million barrels of condensate and 76,123 tonnes of liquefied petroleum gas (LPG), which was primarily sold to consumers as cooking fuel by bottling companies.

Malcolm attributed the above-target oil production in 2004 to two main factors: The amount of oil coming from wells drilled during the year was more than planned, and the amount of oil held up because of equipment shut-downs was less than planned. In addition, a concerted programme of well and reservoir management enabled PDO to noticeably lessen the natural decline in the rate of oil production from wells drilled prior to 2004.

Cost-efficiency initiatives also paid dividends during the year. Capital and operational expenditure remained well within approved budgets. Total expenditure in 2004 was $1,638 million, consisting of $498 million operating expenditure and $1,140 million capital expenditure (including exploration expenses).

"The 2004 budget, originally approved by the Board of Directors in October 2003 and adjusted a year later, allowed for about 5 per cent more operating expenditure and about 7 per cent more capital expenditure. Compared with the actual expenditure of 2003, that of 2004 represents an increase of 1.5 per cent (amounting to $17 million) in capital expenditure but a decrease of 1 per cent (amounting to $5 million) in operating expenditure. Unit expenditure in 2004 was $6.79 per barrel, representing an increase of 7 per cent from 2003," the report stated.

Significantly, the budget for 2004 took also into account a cost-saving target of $150 million relative to the 2004-2008 programme originally proposed by PDO in October 2003. These savings were achieved in spite of the tight market conditions, the company said. Savings beyond the $150-million target arose mostly from the company's further cost-saving initiatives, while approximately $70 million came from the re-phasing of capital expenditure for certain projects.

The report attributed the company's improved business performance in 2004 partly to the adoption of a sweeping change programme, known as the Operating Model Review (OMR). OMR, which envisages ambitious savings and production targets over the next few years, will focus on six key priorities: well and reservoir management; operational excellence; people; hydrocarbon maturation; drilling and engineering projects; and contracting and procurement.

"OMR teams have been busy redesigning and standardising the six priority processes, to ensure that accountabilities are clear, that the work is carried out without overlaps or duplication, and that the information needed to make decisions is available and understood. To support these revamped processes, the OMR teams have also put together a new organisational structure, which was approved by the Board of Directors for implementation in 2005," the report said.

In particular, John Malcolm noted PDO's achievements in terms of staff development. "By the end of 2004, there were 55 more Omanis in the company than there were at the start of the year, and we spent more than $3.6 million and devoted more than 10,400 man-days to the training of Omani staff. We also thoroughly reviewed the career plans for the 110 most promising Omanis in the company and exceeded another corporate target: the progression of at least 25 Omanis to senior positions. In fact, a total of 77 Omanis were promoted to senior positions in 2004."

Oman, China sign MoU to boost petroleum sector

Source: ***Oman Observer***, 13 June 2005

A Memorandum of Understanding (MoU) on boosting Omani-Chinese co-operation in petroleum sector was signed between the Sultanate and China at Al Bustan Palace Hotel yesterday.

The MoU was signed by Ahmed bin Salim al Wahaibi, Executive President of Oman Oil Company, and Chen Geng, President of China's National Petroleum Corporation from Chinese side in the presence of Dr Mohammed bin Hamad al Rumhy, Minister of Oil and Gas.

Al Wahaibi said the MoU, which was the outcome of efforts made by the Oman-China joint committee, would generate a variety of investment opportunities for both countries.

He said the Chinese forward-looking trend for investment abroad encouraged the Sultanate to sign the MoU. — ONA

Oil and gas concession pact with Irish company signed

Source: ***Oman Observer***, 07 June 2005

The Sultanate and the Irish Circle Oil Company have signed a new concession agreement for oil and gas exploration and production in Block 49, which covers parts of the wilayats of Maqshan and Thumrait in the governorate of Dhofar over an area of 15,439 square metres.

The pact was signed at the Ministry of Oil and Gas by Dr Mohammed bin Hamad Al Romhi, minister of oil and gas, on behalf of the Sultanate's government and on behalf of the executive president of Irish company.

In a statement, the minister of oil and gas said the pact commits the company to conduct geological and geophysical assessments and bi-dimensional seismic and gravity surveys. He said the agreement also allows the Irish company to extend exploration for additional periods to carry out other exploratory programmes in the block which include drilling a number of exploratory wells.

Romhi said the company will spend $22 million and that the government bears no investment risk during the exploration period.

The minister hoped the company would succeed in discovering new oil fields to contribute to increasing the Sultanate's oil reserves and rates of production. The signing ceremony was attended by ministry officials. — ONA

Full steam ahead for Qarn Alam project

Source: ***PDO press release***, 05 June 2005

The Qarn Alam steam project - one of the cornerstones of Petroleum Development Oman's (PDO) Enhanced Oil Recovery programme - has been given the green light to proceed with the Front End Design. This is the world's largest scale development for steam injection in fractured carbonate using this complex and innovative mechanism.

In early May, the design work on the plant began in earnest with the award of the contract to produce the Front End Design (FED), which went to the Calgary-based firm MEG Worley. A substantial Engineering, Procurement and Construction (EPC) contract to construct the plant is expected to be awarded during 2006, with the tenders due to be announced early next year.

In simple terms, the project involves heating up the entire fractured carbonate reservoir by injecting steam into the formation. This in turn reduces the viscosity of the oil in the matrix and enhances Gas Oil Gravity Drainage (GOGD).

Project Manager Sami Baqi commented: "There is still a lot of work to be done as we head toward the opening of the tender for the EPC contract, but with construction of the plant due to start late next year or early 2007, we can truly say that it is full steam ahead for Qarn Alam."

Renaissance to acquire UK's BUE Marine

Source: ***Times of Oman***, 07 June 2005

Oman's Renaissance Services yesterday said it will acquire the UK's BUE Marine, one of the largest ship owners and marine services groups in Europe, providing support to the offshore oil and gas industries worldwide.

Renaissance Chief Executive Stephen Rowland Thomas told Times Business that the deal was at an advanced stage, and expected within the next few weeks. The transaction will take place through Renaissance's 100 per cent subsidiary Topaz Energy and Marine Dubai (Topaz).

The acquisition will create one of the top ten offshore vessel operators worldwide.

"Post-acquisition, the combined marine business of BUE and Topaz will rank amongst the top 10 offshore support vessel operators in the world with a geographical footprint in the Caspian, southeast Asia, the Middle East, and West Africa," Stephen said.

BUE, which is headquartered in the UK, currently operates primarily in the Caspian region. Established in 1991, BUE has historically provided and managed marine support vessels for the offshore oil and gas sector in the North Sea and the Caspian.

In recent years, BUE has invested heavily and now operates a diversified fleet of 42 vessels comprising supply vessels, anchor-handling tugs, accommodation vessels, icebreakers, work barges, and utility boats.

As part of its ambitious fleet expansion programme, BUE has another 19 vessels and barges under construction in shipyards with further orders to follow. The enterprise value of the company including the current new build programme underway is in the region of $150 million.

Topaz is also in the offshore support vessel business and operates in the Middle East, southeast Asia, and West Africa. The BUE and Topaz customer base comprises almost all the leading international oil and gas companies such as Shell, BP, Total, Statoil, Agip, etc. with both companies having established a reputation as quality fleet operators.

The BUE group employs over 600 people. Key senior executives including the BUE CEO will continue with the enlarged group. The headquarters of the combined Topaz and BUE business will be based in Dubai, given its logistical advantages and proximity to major offshore markets.

Renaissance acquired Topaz earlier this year to create one of the largest services company in Oman with a diverse group of businesses. Based on the audited results, the combined turnover of the two companies for the year ended December 2004 was over $225 million with net profit in excess of $40 million.

A key driver for the merger was to create a company, which would be able to grow rapidly in its principal businesses through acquisitions. BUE fits in with this plan and will contribute approximately another $100 million of annual turnover to the group with commensurate profitability. From a strategic viewpoint, BUE is operating in a market that does not overlap with the current operations of Topaz, with substantial potential for further growth in this region for other businesses within the Renaissance Group. Leading local and international banks will support this transaction. Today, BUE has offices in Edinburgh, London, Baku, Ashkabad, Atyrau, Aktau, Bautino and Larnaca.

Renaissance share yesterday gained 5.36 per cent on the Muscat Securities Market. The scrip closed at RO6.680 after touching a high of RO6.900.

PDO announces award of large maintenance contract

Source: ***Oman Observer***, 05 June 2005

Petroleum Development Oman (PDO) has awarded two contracts for the engineering and maintenance of its numerous production stations in the north and south of Oman.

The multi-million riyal contracts were awarded to a joint venture STS-Mott MacDonald in the North and to Parsons Arabia Industries JV in the South.

The two new contracts will replace a number of contracts currently in place to design, build and maintain PDO's production stations.

A production station is the facility at which oil is processed before being pumped along the Main Oil Line for refining or export.

The award of the contracts follows two awards earlier this year for the installation and maintenance of PDO's flowlines in the north and south.

The new simplified contracting strategy that PDO is introducing will save the company millions of riyals and make it easier and more effective in managing its business.

PDO Deputy Managing Director Abdullah al Lamki commented: "PDO has been reviewing the way it does business over the past two years, and contracting is a big part of our business. Our strategy is to streamline and simplify the number of interfaces we have with our contractors so that we can deliver projects more effectively and in a cost-efficient way.

The award of these engineering and maintenance contracts is a key element in the realignment of the way we will conduct our business from now on."

$300m boost for plastics industry

Source: ***Times of Oman***, 01 June 2005

The Liwa Petrochemical Company yesterday signed a $300 million licence, technology and core equipment supply agreement with Uhde GMBH of Germany for the ethylene dichloride (EDC) plant in the Sohar Port industrial area.

The agreement was signed on behalf of Liwa Petrochemical Company by Dr Mohammed bin Hamad Al Romhi, minister of oil and gas and chairman of Liwa Petrochemical Company, while Helmuth Knauthe, member of the executive board, signed for Uhde GMBH.

"With this new technology transfer agreement, we believe that Uhde GMBH, with its experience in the sector, will provide the finest technology services for the EDC plant. We hope that this new agreement will be a successful beginning of a long partnership between Uhde and the Liwa Petrochemical Company," said Dr Romhi.

He stated that the capacity of the plant is 300,000 tonnes of ethylene dichloride per annum which will be used in the manufacturing of various plastic products in the future downstream projects in Sohar as well export to international markets. The project will provide 170 direct jobs in various fields in addition to other employment opportunities in the future potential downstream plastic industries.

The Liwa Petrochemical Company is equally owned by Oman Oil Company SAOC, LG International (LGI) of Korea and National Petrochemical Company (NPC) of Iran, each having a share of 33.3 per cent. The shareholders agreement was signed on November 7, 2004 in Muscat.

The signing ceremony was attended by Nasser bin Khamis Al Jashmi, Oil and Gas Ministry undersecretary, and Engineer Ahmed bin Salim Al Wahaibi, executive president of the Oman Oil Company. — ONA

Pact signed for industrial gases plant at Sohar

Source: ***Oman Observer***, 29 May 2005

Oman Refinery Company (ORC) is partnering with industrial gases giant Air Liquide of France, among other investors, in the development of a modern industrial gases unit at the Sohar Industrial Port. An agreement to this effect was signed here yesterday by the partners creating the joint venture Air Liquide Sohar Industrial Gases LLC (ALSIG). Also participating in the project are leading Omani business houses Mohsin Haider Darwish LLC and Omar Zawawi Establishment (OMZEST).

Taking part in the signing were Dr Adil Abdulaziz al Kindy, Chief Executive Officer of Oman Refinery Company, Waleed Zawawi of OMZEST, Mohsin Haider Darwish of MHD LLC, and Philippe Ronjour, Vice President of Air Liquide. ALSIG is envisaged as a state-of-the-art unit with an initial capacity to manufacture 200 tonnes per day of nitrogen. In later phases, the plant will be upgraded to produce oxygen and other industrial gases, depending upon demand by industries located within the Sohar Industrial Port complex.

ALSIG has obtained a concession from Sohar Industrial Port Company (SIPC), which manages the port and industrial zone, to exclusively supply industrial gases to companies operating within the zone. Later, in remarks to the Observer, Dr Al Kindy, who is also Chairman of Air Liquide Sohar Industrial Gases LLC, said the project stems from plans originally conceived by Oman Refinery to set up a nitrogen plant serving Sohar Refinery Company.

Oman Refinery is developing the $1 billion refinery at Sohar jointly with the Government of Oman, and is the main provider of feedstock and utilities to the new refinery.

"Oman Refinery had initially planned to execute the nitrogen plant project as part of its obligations to supply feedstock and utilities to Sohar Refinery". However, in line with the government's strategy to encourage local and foreign investment in the industrial sector, it was decided to invite other partners as well."

The scope of the project has since been widened to manufacture not just nitrogen, but other industrial gases that can serve upcoming industries in the Sohar area," Dr Al Kindy explained. At yesterday's signing ceremony, Oman Refinery also inked an agreement to lift the new plant's initial output of nitrogen, which is destined for the Sohar Refinery and associated Oman Polypropylene projects. Further offtake agreements are also expected to be signed in the future as new industrial gas-dependent industries progressively come on stream at Sohar.

According to Wilfried Manet, General Manager of Air Liquide Sohar Industrial Gases, work on the facility will commence in the fourth quarter of this year. The plant is expected to be operational by March 2006, with deliveries of nitrogen due to commence on April 1, 2006. The gas will be supplied by pipeline to the consumers, he said, adding that a total investment of around $10 million is envisaged in the first phase.

Speaking at the ceremony, Pierre Dofour, Regional Director of Air Liquide in the Middle East, stressed the importance of an industrial gases plant for the development of local industry. "A sound and professionally managed industrial gases infrastructure is essential to the success of an industrial basin of the kind envisioned at Sohar. Air Liquide will bring its world class expertise in industrial gases to further contribute to the competitiveness and success of the industrial hub."

Air Liquide, which has a majority 50.1 per cent stake in the Sohar venture, is a world leader in industrial and medical gases and related services. Present in more than 70 countries, Air Liquide's 36,000 employees provide specialised technological expertise and innovative solutions to a wide variety of customers.

The Group's core business is to supply oxygen, nitrogen, hydrogen and many other gases and services to most industries, including steel, oil refining, chemicals, glass, electronics, healthcare, food processing, metallurgy, paper and aerospace. Sales in 2004 totalled 9.37 billion euros. Oman Refinery has 29.9 per cent of the equity in Air Liquide Sohar, while MHD and OMZEST have a 10 per cent stake each.

Galfar begins work on $360m PDO contract

Source: ***Times of Oman***, 11 May 2005

Galfar Engineering & Contracting LLC has commenced work on the $360 million off-plot delivery contract in PDO's north and central Oman oil and gas fields.

A grand ceremony was held at Grand Hyatt to mark the commencement of this prestigious project by Galfar. Senior officials from PDO and Galfar attended the function.

The contract involves construction of 800km of flowlines a year for a period five years. There is an option to extend the period for another two years.

Addressing the gathering of dignitaries, Managing Director of Galfar P. Mohammed Ali said: "Galfar began with a meagre RO900 contract some 28 years ago and today we stand tall with a mega $360m contract."

Mohammed Ali also underlined the commitment of Galfar towards Omanisation by saying that the number of Omanis working on the project would be 1,200 by the end of the contract.

Sheikh Saif Al Hinai, PDO's oil director for north, speaking on the occasion, expressed confidence that Galfar would be able to deliver the project on time.

Galfar is just completing the 4-year design, civil, mechanical, electrical and instrumentation service contracts ($217 million) of PDO.

In addition, the company is carrying out several lumpsum EPC and non-EPC contracts of PDO. The consortium of Snamprogetti (Italy), Bechtel (US) and Galfar had completed in 2000 the $370 million LNG upstream central processing unit, managed by PDO.

Oil production pact with US, Abu Dhabi firms

Source: ***Times of Oman***, 01 May 2005

The Ministry of Oil and Gas announced yesterday that it signed a heads-of agreement with Occidental Petroleum Corporation and Mubadala Development Company governing the development of the Mukhaizna heavy oilfield under a new production-sharing agreement.

The current production of the field is approximately 10,000 barrels a day.

Occidental and its partners, including the government of Oman, expect to invest over $2 billion to implement a large-scale team flood to increase production from the field to 150,000 barrels a day within the next few years.

Occidental Petroleum Corporation is a US oil and gas company based in Los Angeles. Mubadala Development Company, a wholly owned company of the government of the emirate of Abu Dhabi, will invest in the project through its wholly owned subsidiary Liwa Energy Limited.

Dr Mohammed bin Hamad Al Romhi, minister of oil and gas, signed the agreement on behalf of the Sultanate's government, while Casey Olson, executive vice-president, signed on behalf of Occidental Petroleum Corporation and Ahmed Ali Al Sayegh, director and board member, signed on behalf of Liwa Energy Limited.

Senior representatives from the Ministry of Oil and Gas, Occidental Petroleum and Liwa Energy Limited attended the signing ceremony. — ONA

Pact signed for $956m aromatic complex at Sohar

Source: ***Times of Oman***, 04 May 2005

Oman Oil Company(OOC) announced yesterday its plans to construct a $956 million grass-root aromatic complex at Sohar industrial port area.

The basic engineering contract was awarded to Axens at a signing ceremony held at the Ministry of Commerce and Industry yesterday. The agreement was signed by Maqbool bin Ali Sultan, minister of commerce and industry and chairman of Oman Oil Company; and Jean Sentenac, chairman and CEO of Axens.

The basic engineering is scheduled to be completed by the end of September 2005. The front end engineering design (Feed) will be undertaken by Jacobs consultancy in parallel with the basic engineering. The complex will produce 800,000mtpa of para-xylene and 210,000mtpa of benzene using naphtha produced by Sohar Refinery Company. Para-xylene is a key raw material in the production of polyester fibres and pet plastic bottles.

The second petrochemical produced at the complex is benzene. Benzene is an industrial chemical used to produce a wide range of plastics (polystyrene, nylon), detergents and other chemicals.

Maqbool bin Ali Sultan said this project is a further step towards executing the government's long-term strategy in petrochemicals, and that this project has various benefits to Oman.

In addition to adding value to Omani hydrocarbons, it will create job opportunities for qualified Omanis and also provide opportunities for local Omani companies to participate in the execution of the project and later during operation. The OOC board has also approved offering Oman Refinery Company (ORC) a 20 per cent equity stake in the project. ORC is the owner of all hydrocarbons and utilities produced at SRC. Additional equity investors are expected to be invited prior to the launch of financing.

OOC is a commercial company 100 per cent owned by the government of the Sultanate of Oman. The company was created in 1992 to give the government another vehicle for pursuing investment opportunities.

Axens, which is located in Paris, was formed on July 1, 2001, through the merger of IFP's (Institute Francais du Pitrole) technology licensing division with procatalyse catalysts and adsorbents. The signing ceremony was attended by Dr Mohammed bin Hamad Al Romhi, oil and gas minister; deputy chairman of the OOC board Eng. Ahmed bin Salim Al Wahaibi, company's CEO an other officials. — Oman News Agency

Sultanate, Thailand sign gas pact

Source: ***Times of Oman***, 28 April 2005

The Sultanate and Thailand signed at Al Bustan Palace Hotel yesterday an agreement to provide the Sultanate with gas. Present at the ceremony was Dr Thaksin Shinawatra, Thai premier.

Dr Mohammed bin Hamad Al Romhi, oil and gas minister, signed the agreement on behalf of the Sultanate's government, while the Thai energy minister signed for his side.

Nassir bin Khamis Al Jashmi, ministry undersecretary, said according to the agreement signed with the Thai PTIP Company, the Sultanate would purchase gas produced by the company at Shams Field in the Sultanate.

The company will develop and invest in the field by the middle of next year to produce around 1.4 million cubic metres of gas daily. The agreement period is four years.

Al Jashmi said the gas produced would meet domestic requirements, pointing to the possibility to increase the quantity of gas produced and extend the agreement period.

The signing ceremony was attended by Ahmed bin Abdulnabi Macki, minister of national economy and deputy chairman of the Financial Affairs and Energy Resources Council; Yousuf bin Alawi bin Abdullah, minister responsible for foreign affairs; Maqbool bin Ali Sultan, commerce and industry minister; and the delegation accompanying the Thai premier. — ONA

Reliance Industries wins exploration block in Oman

Source: ***Reliance Industries press release***, 14 March 2005

Reliance Industries has successfully acquired exploration rights to one of the large deepwater blocks in the Sultanate of Oman. The Exploration and Production Sharing Agreement for Block-18 was signed in Muscat on March 12, 2005 by His Excellency, the Minister of Oil and Gas, Dr. Mohammed Al Rumhy and Mr. PMS Prasad, President & CEO Petroleum Business of RIL. This agreement takes RIL and India one step closer to addressing the hunt for secure energy supply.

Referring to the present Indian government's Common Minimum Program of securing India's energy supply, an RIL official said, 'The major objective is to augment the energy security of India'.

In addition to Oman, RIL has a 25% stake in an exploration block in Yemen, which has discovered oil. Oman, Yemen and other Middle East counties have multifaceted strategic advantages for Indian oil companies, with strong and friendly diplomatic ties, existing commercial interests and a significant Indian Diaspora.

RIL's Block-18 is off the Batinah coast in the Gulf of Oman and spreads over 18,000 sq km. (shallow and deepwater, up to 1000m water depth). RIL will be the operator of the Block with 100% of the working interest.

By establishing its presence in Oman and with a number of overseas projects on the anvil, RIL is active across the petroleum value chain in upstream, refining and retailing.

PDO commissions Saih Nihayda gas plant

Source: ***PDO press release***, 12 March 2005

Petroleum Development Oman (PDO) has achieved another significant landmark in its history of supplying natural gas for the nation's development with the commissioning of the $150-million Saih Nihayda plant. The new plant began to export gas and condensate (a liquid hydrocarbon by-product of gas production) on 3 March.

The Saih Nihayda plant, which is processing gas from the condensate-rich, deep gas reservoirs of the Saih Nihayda field, is capable of exporting up to 20 million cubic metres of gas per day and 10,000 cubic metres of condensate per day. Its construction was carried out under contract by a joint venture between the local firm, Al Hassan, and the Canadian firm SNC Lavalin.

It is the largest gas project to have been completed by PDO since the completion in 1999 of the Upstream LNG project, which consisted of the development of the Saih Rawl and Barik gas fields as well as the construction of the Central Processing Plant at Saih Rawl and the laying of a 48-inch pipeline from there to Qalhat, near Sur.

The plant – which took just four years from the concept definition to commissioning – will be needed to feed gas to the nation's third LNG train, which is currently under construction at Qalhat.

Until the third liquefaction train is commissioned later this year, the Saih Nihayda Plant will be supplying gas to the two existing liquefaction trains of the Oman Liquefied Natural Gas plant, also at Qalhat, and to other costumers via the existing 48-inch pipeline. To ensure an adequate future supply for all costumers, the capacity of the 48-inch pipeline is also being expanded by PDO in another major project that is currently underway.

"The commissioning of this plant represents the first of several new-generation projects aimed to meet the increasing gas demand from the different gas-based industries in Oman," said Project Manager Abdallah Al Aufi. "It was the first time in PDO that a project of this size has been executed by a team consisting of more than 90% Omanis. Gas is a very dynamic business in PDO. We are now preparing the groundwork for the building of a fourth gas plant at Kauther, to continue to meet the needs of Oman's economic diversification plans."

PDO awards biggest-ever service contracts

Source: ***PDO press release***, 12 March 2005

Petroleum Development Oman (PDO) has awarded it largest-ever service contracts for the installation and maintenance of its flowlines in the north and south of Oman.

The multi-million rial contracts were awarded to Galfar in the north and Al Turki in the south following competitive bidding involving a number of bidders.

The two new contracts replace a myriad of contracts that were in place earlier, making it much easier for PDO to manage its business. The new contracting strategy is also expected to deliver savings and benefits to PDO worth around R.O. 30 million.

PDO spends between $100-$200 million on flowlines each year. Flowlines carry the oil from the individual producing wells – of which there are thousands in PDO - to the production stations, and onward into the Main Oil Line through which the oil is pumped to the coast for export.

Abdullah Shuely, PDO's Engineering Manager for the North, explained why the new contracting strategy for flowlines had been put in place: "The new strategy will deliver improved productivity and standardisation across PDO. We think this new approach to contracting will make a significant contribution to helping PDO meet its business-improvement targets."

Shuely continued: "The award of these contracts is a great step forward for PDO and shows that when we say we will change the way in which we and our contractors work we mean it."

PTTEP inks gas sales deal in Oman

Source: ***PTTEP press release***, 25 February 2005

PTT Exploration and Production Public Company Limited signed Heads of Agreement for Gas Sales of Shams Gas Field in Block 44 with the Government of Sultanate of Oman.

The signing ceremony was held this morning at Government House in Bangkok and was witnessed by Prime Minister Thaksin Shinawatra and Minister of Energy Mr. Prommin Lertsuridej.

The Heads of Agreement was signed by Mr.Maroot Mrigadat, President of PTTEP and Dr. Mohammed Hamed Saif Al-Rumhy, Minister of Oil and Gas, Sultanate of Oman. Under the agreement, PTTEP Middle East Company Limited (PTTEP ME), a subsidiary of PTTEP, will sell natural gas to the Ministry of Oil and Gas, Sultanate of Oman, at the volume of 50 million standard cubic feet per day, starting by the fourth quarter of 2005.

The Heads of Agreement also covers principal conditions of the Gas Sales Agreement which will be signed in the next few weeks, including sales volume, gas quality, time of delivery and gas prices.

PTTEP President Mr. Maroot Mrigadat said "The development of Shams Gas Field in Block 44 is a significant step forward for PTTEP as a prudent operator in a foreign country. Block 44 has a very good hydrocarbon potential; PTTEP is currently drilling an exploration well in the southern part of Block 44 targeting for oil. Gas and oil found in Oman will give PTTEP another channel to bring to Thailand more foreign exchange."

The Shams Gas Field has indicated its potential since 1978. After PTTEP ME acquired the rights to become an operator of Block 44 on July 21, 2002, the re-testing was conducted at the Shams Gas Field to confirm its reserves for production. Good production tests as well as the policy of Thai's Ministry of Energy to support the exploration and production activities of PTTEP overseas and the policy of the Government of Sultanate of Oman which requires natural gas to meet its rising gas demand, encourages PTTEP to develop this field.

The Shams Gas Field is located in a high potential area. The field not only delivers natural gas, but also about 3,000 barrels of condensate per day. PTTEP plans to invest approximately US$ 50 million to develop Shams Gas Field in 2005 and will drill two more development wells for gas and condensate production which is expected to come on stream later this year.

Kuwait makes significant light crude discovery

Source: ***Deutsche Presse Agentur***, 26 August 2005

State-owned Kuwait Oil Company (KOC) has hit upon commercially-viable light crude oil in one of its northern fields, senior company executives said.

The find is located just north of the Sabriya field at the Um Niqa structure, they said, noting that the most recent tests conducted in mid-August showed the well produces high-quality crude oil measuring 45 degrees on the API (American Petroleum Institute) scale.

The find is significant, said KOC executives, because it is the first hydrocarbon ever produced in Kuwait from an oil layer known as the Upper Marrat reserve, within the northern Jurassic formation. The well had initially been identified as part of the Sabriya field and labelled SA-215.

KOC tested the well at three intervals ranging between 14,580 and 14,884 feet in depth and found it capable of producing an initial 1,879 barrels per day (b/d) of light crude along with large amounts of associated gases. Heavier flow could be expected after the so-called acidization tests, they said.

Early July KOC discovered the well of 45-degree crude at 15,000 feet within the Um Niqa structure. The executives said then the discovery had “enormous significance” since engineers had suspected highly promising levels of crude lay within the Marrat and neighbouring structures. Pre-acidization tests showed the find capable of yielding 3,052 b/d.

The KOC renamed the well early August after testing a 180-foot interval at between 15,000 and 15,230 feet showing it to produce 2,455 b/d of light crude measuring around 45 degrees API.

KOC has been engaged in an aggressive oil and gas exploration program, especially in the country’s northern and western fields.

Kuwait’s current capacity oil production is around 2.6 million b/d, which planners are aiming to increase to four million b/d by 2020.

KUFPEC awarded two exploration licenses in Yemen

Source: ***Xinhua News Agency***, 01 August 2005

The Kuwait Foreign Petroleum Exploration Company (KUFPEC) has received exploration rights on two oil fields in Yemen, the Kuwait News Agency reported.

KUFPEC Board Chairman and Managing Director Bader Al-Khashti was quoted as saying the company held 21.25 percent share of the exploration project co-run by an Australian consortium.

KUFPEC was established in 1981 with a mission to widen the scope of Kuwait’s oil industry activities worldwide. It is an offspring of the Kuwait Petroleum Corporation (KPC). The company carries out drilling and oil production in many countries, such as Yemen, Pakistan and Australia.

Kuwaiti MPs finalise big oil project

Source: ***Gulf News***, 01 August 2005

Kuwait parliament's financial and economic affairs committee has finalised the multi-billion-dollar northern oilfields project despite differences among members about the controversial investment.

The committee announced that it had approved the project to allow foreign oil companies to develop four oilfields in northern Kuwait following a series of meetings with Energy Minister Shaikh Ahmad Fahd Al Sabah and top oil executives.

Investment in the project is expected to be about $9 billion (Dh33.07 billion) and the main purpose is to raise daily output from the oilfields to about 900,000 barrels per day from about 500,000 barrels.

The project was first initiated more than ten years ago but remained stalled because of stiff resistance from lawmakers who fear that the country's lifeline oil resources may be surrendered to foreigners.

The government has maintained that the project is purely economic in nature and that it needed advanced foreign technology to extract large quantities of crude from secondary reservoirs.

Members of parliament favouring the project insisted that Kuwait will reap billions of dollars by raising production. Leading liberal MP Mohammad Al Sager said last month that Kuwait had lost at least $12 billion by delaying the implementation of the project and the loss will be even more in view of soaring oil prices.

Head of Kuwait Economic Society Rula Dashti last week urged MPs to put aside political differences and approve the project because it is vital for Kuwait.

The project is expected to come up for debate in parliament when it starts its next term in mid-October.

The parliamentary panel has introduced a number of changes to the government draft law on the investment, known as Project Kuwait.

It first limited the duration of the investment to 20 years, not 30 as the government had wanted. Any extension of the duration must be done with a new law.

The investment will apply only to four fields near Iraqi borders. Any new investment must be introduced through a new law. The committee also banned any role for agents of foreign companies and subjected the investment to Kuwaiti law.

Under the law, Kuwait will have total authority in raising or cutting output, depending on market demand. It also has the right to collect income tax of up to 25 per cent of profits of foreign oil companies.

Kuwait Drilling Fluids Co. occupies 60% of Kuwaiti market

Source: ***Kuwait News Agency***, 12 July 2005

Board Director of Kuwait Drilling Fluids and Oil Services Company Abdulaziz Al-Arradi said Monday that the company occupies 60 percent of the Kuwaiti market through joint projects with Kuwait Oil Company (KOC). At a press conference, Al-Arradi said that the company, since its establishing in 1966, has continuous contracts to provide KOC with necessary drilling fluids and supplies.

He added that the company will renew its contract with KOC, which will end this year, noting that the contract is valid for four years and worth KD 32 million. The fluids provided by the company facilitate drilling operations and reduce drilling's negative environmental effects. The Kuwaiti Drilling Fluids and Oil Services Company is a private firm with a 51 percent ownership by Kuwaiti investors and 49 percent ownership by the American company M-I SWACO.

The company owns two factories in Shuaiba industrial area, where it manufactures drilling fluids based on latest technologies provided by M-I SWACO.

Director General of the company Majid Al-Qassim said that the company's production of drilling fluids is estimated at 40,000 tons annually, which covers KOC's needs for drilling operations, while the total production capacity of its factories is estimated at 70,000 tons.

He noted that Kuwait was the first company to establish such factory in the gulf 40 years ago, noting that there are only three other factories in the gulf region, two in Saudi Arabia and one in United Arab Emirates. The officials also touched on a new partnership between the drilling company and M-I SWACO to establish environmental oil services, especially with the increasing needs for preserving the environment.

Kuwait makes new light oil find in northern field

Source: ***Deutsche Presse-Agentur***, 11 July 2005

State owned Kuwait Oil Company (KOC) has made a new light crude oil discovery with commercial viability in its northern Sabriya field near Iraq, senior KOC executives said Monday.

KOCs Exploration Group tested the new find at the well identified as Sabriya (SA-215), which was drilled to a depth of 16,700 feet to the base of the so-called Marat formation.

The new find was discovered some distance above that at the Middle Marat, Jurassic formation at the Umm Niqa structure, they said. The light crude measured 45 degrees (API) by American Petroleum Institute standards, which classified it as “light crude,” they said.

The well took 311 days to drill. An initial test showed that the well flowed at 3,052 barrels per day (b/d) the executives said noting that following a process known as “acidization,” the well could be expected to double that flow.

The discovery has “enormous significance” since there are additional layers of similar crude yet to be tested at the Marat formation, as well as in neighbouring structures, they added.

The discovery has greatly enhanced the viability of additional exploration at the Jurassic formation in that area, they noted.

KOC has been embarked on an aggressive oil and gas exploration programme at deeper levels, specifically in the northern and western part of the emirate.

Kuwait, which is capable of producing about 2.4 million b/d of crude aims to boost its output capacity to 3 million b/d by 2010 and 4 million by 2020.

KOC Chariman Farouk al-Zenki recently told an economic conference that the company intended to drill some 284-development wells during the coming three years in order to achieve production targets.

Kuwaiti refiner invites bids for $5B facility

Source: ***Gulf News***, 05 July 2005

State refiner Kuwait National Petro-leum Co (KNPC) yesterday invited international firms to apply for prequalification to build a new $5 billion (Dh18.35 billion) refinery with a capacity of up to 600,000 barrels per day.

“KNPC invites world-renowned companies ... to apply for prequalification documents in order to qualify to bid on the KNPC new refinery project on a Lump Sum Turnkey contract basis,” KNPC said in adverts carried by the local media.

KNPC Chairman Sami Rushaid said in May the new refinery may cost up to $5 billion and is set to be completed by 2010.

Companies interested in the project were invited to download a solicitation of interest questionnaire at KNPC’s website, it said. They must submit their response to the questionnaire by August 8.

KNPC said it would be a 615,000-bpd grassroots refinery. KNPC officials have said the new refinery will be designed to have a crude oil processing capacity of between 450,000 bpd and 600,000 bpd, but its capacity will be dictated largely by the crude slate.

The new plant will replace the ageing 200,000-bpd Shuaiba refinery which will be shut down by decade’s end.

The new environmentally-friendly plant will produce lower sulphur fuel oil for Kuwait’s water and electricity generating plans.

Kuwait, Hyundai in $400m deal

Source: ***Agence France Presse***, 16 May 2005

State-run Kuwait National Petroleum Company (KNPC) on Sunday signed a deal worth US$400m with South Korean Hyundai Engineering to upgrade a liquefied natural gas plant in Kuwait.

Work on the project will start in June and will be completed by the end of 2007, KNPC chairperson Sami al-Rasheed said during the signing ceremony.

It aims at modernising the liquefied natural gas plant at Al-Ahmadi refinery by enhancing the ethane recovery rate from the current 55 percent to 96 percent, he said.

The ethane will be sold to state-owned Petrochemicals Industries Co to be used as feedstock for the production of petrochemicals.

Hyundai Engineering is currently building a new oil export terminal at Al-Ahmadi at a cost of $340m. Kuwait sits on 10 percent of the world's proven oil reserves and it currently produces at full capacity of 2.7 million bpd.

The Opec member plans to invest up to $40bn in the next 15 years to modernise its oil sector which generates more than 90 percent of public revenue.

Kuwait Petroleum posts seven-fold rise in profits

Source: ***Times of Oman***, 28 May 2005

State-run Kuwait National Petroleum Co (KNPC) posted an almost seven-fold rise in net profits for the year to March 31, the company chairman said Saturday.

Net profits reached a record 628 million dinars (2.15 billion dollars) from 95 million dinars (322 million dollars) in the previous year, Sami al-Rasheed said.

"These profits are unprecedented in the company's history," Rasheed told a gathering of oil executives and reporters.

The sharp increase in profits was attributed to a rise in the prices of oil products and increased operational efficiency, he said.

KNPC runs the emirate's three refineries in the oil-rich southern region at a combined production capacity of around 920,000 barrels per day (bpd). It also controls the domestic petrol market. The company plans to boost its refining capacity to 1.2 million bpd by 2011 by modernizing two of the three refineries and building a new refinery at a cost of over 8 billion dollars.

The upgrade project is estimated to cost around 3.4 billion dollars and will be completed by the end of 2010 or early 2011. The third refinery at Al-Shuaiba with a capacity of 200,000 bpd will be closed once the project to build the new refinery is completed in early 2010, Rasheed said.

The capacity of the new refinery will range from 460,000 bpd if heavy crude is used to 600,000 bpd if medium crude is used, he said. Kuwait sits on 10 percent of the world's proven oil reserves and it currently produces at full capacity of 2.7 million bpd.

The OPEC member plans to invest up to 40 billion dollars in the next 15 years to modernize its oil sector which generates more than 90 percent of public revenue. — AFP

Kuwait to upgrade refineries

Source: ***Agence France Presse***, 15 May 2005

State-run Kuwait National Petroleum Co. (KNPC) is to begin shortly modernizing two of its three refineries and building a new refinery at a cost of over $8 billion, an official said yesterday.

“We are currently reviewing a report on modernizing the refineries at Al-Ahmadi and Mina Abdullah,” which together produce more than 700,000 barrels per day (bpd), KNPC Chairman Sami Al-Rasheed told a press conference.

The third refinery at Al-Shuaiba with a capacity of 200,000 bpd will be closed once a project to build a new refinery is completed in early 2010, Rasheed said.

“According to preliminary estimates, the (upgrade) project will cost around one billion Kuwaiti dinars ($3.4 billion) and will be completed by the end of 2010 or early 2011,” he said. The main purpose of the project is to produce “high quality refined products that meet stringent international standards”, he said. Rasheed said that KNPC is currently negotiating with technology providers for the various units of the new refinery that is expected to cost up to five billion dollars. “We are currently examining the front-end engineering phase of the project which will end in February next year. After that bids will be invited from several contractors,” he said.

The capacity of the new refinery will range from 460,000 bpd if heavy crude is used to 600,000 bpd if medium crude is used, Rasheed said.

Once the two projects are completed, Kuwait’s refining capacity will top 1.2 million bpd, he said. The new refinery will initially produce 225,000 bpd of fuel oil needed for domestic consumption to operate power plants, and 375,000 bpd of oil products intended for export. It will however produce only oil products after Kuwait starts importing natural gas from neighboring countries to operate its power plants.

The OPEC member sits on 10 percent of the world’s proven oil reserves and it currently produces at full capacity of 2.7 million bpd. Kuwait plans to invest up to $40 billion in the next 15 years to modernize its oil sector which generates more than 90 percent of public revenue.

Kuwait, Iran sign $7b gas deal

Source: ***Mehr News Agency***, 15 March 2005

An agreement on the exports of Iran’s gas to Ku wait was signed yesterday by the two countries’ oil ministers in Isfahan prior to the OPEC Ministerial Monitoring Meeting.

According to the deal, Iran will start exporting 10 million cubic meters of gas per day as of late 2007.
The two countries have been negotiating over the gas deal for quite a while and there had also been rumors that in order to export its gas to Kuwait, Iran had intended to cede the exploration of the Arash Gas Field to that country.

In fact, the dispute over the ownership of the Arash Gas Field has been a bone of contention in the relations between the two countries because, despite all the negotiations, no tangible results on the issue have been achieved up to now.

Kuwait’s Energy Minister Sheikh Ahmed al Sabah has reiterated that, his country is not willing to aggravate the disputes over the gas field, “Therefore, The Kuwaiti Foreign Ministry has initiated diplomatic efforts aimed at resolving the differences over the joint energy resources with Iran” the minister had earlier noted.

Last month, Iranian Oil Minister Bijan Namdar Zanganeh had said that, “The Arash Gas Field belongs to Iran and Tehran will defend its right of ownership over the field.”

According to official statistics, Iran has 132 billion barrels of oil and 26,800 billion cubic meters of gas in proven reserves, both at the second in the global list.

Petrofac wins $125 million Kuwait contract

Source: ***Petrofac press release***, 26 April 2005

Petrofac has secured a major maintenance contract with Kuwait Oil Company to deliver full maintenance services on the North and West areas in Kuwait.

The five-year contract will be executed through Petrofac Facilities Management and is the first performance-based full maintenance services contract within Kuwait to be awarded to an international contractor. Petrofac will provide integrated maintenance management and full maintenance services with the aim of improving equipment availability by providing cost-effective maintenance and associated technical support services.

The contract covers maintenance of 16 facilities mainly comprising of oil gathering centers, gas booster stations, gas steam and water injection plants, water gathering and pumping stations, gas and crude oil pipelines and well heads.

To facilitate execution of the contract, Petrofac will establish an in-country base including office, workshop and warehouse facilities. Leading Kuwaiti contractor Kharafi National will provide Petrofac with in-country support on an exclusive basis.

Approximately 650 people are to be employed on full contract operations during a six- month mobilization period, due to commence immediately. As part of Petrofac ‘s commitment to developing skills locally, by 2010, 25% of the workforce will be comprised of Kuwaiti nationals.

KOC deputy chairman, Fahed S.Al-Ajmi said,” This contract represents a major milestone. It is the first such performance contract for KOC and I expect it to be a “win-win “ arrangement. KOC is delighted to have a contractor of the caliber of Petrofac to execute the work for us.”

Commenting on the award Sandy Reid, operations director, Petrofac Facilities Management said, “Petrofac Facilities Management aims to be the first choice provider of operations management, maintenance, engineering and construction services to the oil, gas and petrochemical industries worldwide.

This contract is the latest important step in the continuing growth of our provision of performance-contracting facilities management services to international oil and gas markets.”

Saudi Aramco works towards maintaining production

Source: ***Saudi Aramco press release***, 22 August 2005

Saudi Aramco is moving ahead with field projects in the Marjan, Zuluf and Safaniya oil fields.

One project is geared toward maintaining production potential at the three fields, and includes construction engineering, partial procurement and fabrication of five wellhead jackets, including piles and conductors; five drill decks; and three scrapper decks.

The work also includes offshore installation of 21 kilometers of subsea pipelines, including one 24-inch and four 16-inch flow lines; tie-in spools; anode sled assemblies and associated cables; risers; and two 5-Kv subsea power cables totaling more than 6 km in length.

By the end of first quarter of 2006, Saudi Aramco anticipates installation of the first jacket in the Zuluf field. The final major milestones are scheduled for completion in October 2006, with the installation of the remaining structures, pipelines and cables.

The second project involves the installation of 42 Electric Submersible Pumps (ESP) on seven existing platforms in the North Safaniya field. Additionally, mezzanine decks will be added to the existing platforms to accommodate the ESP service equipment. Subsea power cables will be installed along with new flanklines and a 42-inch, 50 km trunkline from a new tie-platform to onshore Safaniya gas-oil separation plant 1.

J. Ray McDermott awarded Saudi Aramco project

Source: ***J. Ray McDermott press release***, 18 August 2005

J. Ray McDermott has been awarded work by Saudi Aramco to provide fabrication and installation for the Marjan, Zuluf, Safaniya oil field facilities.

"This is a significant contract award for us and we are pleased to have the opportunity to further expand our strong working relationship with Saudi Aramco, which dates back to the 1960's," said Bob Deason, President and Chief Operating Officer of J. Ray.

"J. Ray has already begun work on the project to ensure we meet our customer's requirements on this phase of the Maintain Potential program," he added.

J. Ray, utilizing its Jebel Ali fabrication facility, will commence construction engineering, partial procurement and fabrication of five wellhead jackets totaling over 6,710 short tons, five drill decks totaling over 2,200 short tons, and three scrapper decks averaging 630 short tons each.

Additionally, the work scope includes offshore installation of 13 miles of subsea pipelines including one 24" and four 16" flow lines in waters 49-170 feet deep, tie-in-pools, anode sled assemblies and associated cables; risers and two subsea power cables totaling more than 4 miles in length. Installation work is expected to be executed using J. Ray's DB27 marine vessel.

Rowan obtains three-year drilling contract for five rigs in Saudi Arabia

Source: ***Rowan Companies press release***, 02 August 2005

Rowan Companies has been awarded a term drilling contract by the Saudi Arabian Oil Company for five Class 116-C jack-up drilling rigs to begin operating offshore Saudi Arabia in early 2006.

The contract is for a three-year term and contains options for one additional year. Each rig is currently under contract in the Gulf of Mexico.

The relocation of rigs to the Middle East will begin late in the fourth quarter of this year and should be completed by the end of the first quarter of 2006.

Danny McNease, Chairman and Chief Executive Officer, commented, "We are extremely pleased to be returning to the Middle East and look forward to renewing our relationship with Saudi ARAMCO. I want to personally thank Rawabi Trading & Contracting Co. Ltd. who greatly assisted Rowan in this endeavor."

"This contract will bring more global diversification to Rowan's drilling operations and, over time, should improve the average return on our investments," he added. "However, Rowan remains very committed to the Gulf of Mexico and we believe that this contract will also improve business conditions for our 17 offshore rigs that are currently slated to remain in that market."

Saudi Aramco and Sumitomo Chemical in JV agreement

Source: ***www.energyme.com***, 01 August 2005

The Saudi Arabian Oil Company (Saudi Aramco) and Sumitomo Chemical Co., Ltd. (Sumitomo Chemical) signed an agreement to become joint venture partners in the development of a large, integrated refining and petrochemical complex in the Red Sea town of Rabigh, on the Kingdom's west coast.

The joint venture agreement follows the successful completion of a joint feasibility study, during which both companies performed front end engineering design and verified the viability of the project.
The joint feasibility study began on May 9, 2004, when Saudi Aramco and Sumitomo Chemical signed a memorandum of understanding to launch the effort.

The project has moved to an early phase of execution with the recent award of multiple engineering, procurement and construction (EPC) contracts. When completed in late 2008, the Rabigh Project will be one of the largest integrated refining and petrochemical projects ever to be built at one time.

A total of 2.4 million tons of petrochemical solids and liquids, along with large volumes of gasoline and other refined products, will be produced. Also, this project has created third-party investment opportunities in Saudi Arabia's private sector for utilities and other related infrastructure.

For Saudi Aramco and Sumitomo Chemical, the project represents an opportunity for the world's largest producer of hydrocarbons to partner with a leading world-class petrochemical producer.

It presents an opportunity for increased industrialization in Saudi Arabia and a platform for broad downstream conversion industry development in the Kingdom.
This Project represents a concrete example of the Kingdom's strategy of attracting foreign investment to expand its economy and provide increased job opportunities for Saudi nationals. It is also consistent with the objective of creating opportunities for private local investment in service and other related industries.

Sumitomo Chemical has been operating a large-scale complex in a petroleum-refining center, Singapore, since 1984. The Rabigh project is the company's first step to establish a foothold in an oil and gas-producing country, thereby securing stable feedstock supply for its operations.

The project opens a new stage in Sumitomo Chemical's worldwide business strategy, and is an important step forward in enhancing the global competitiveness of its petrochemical operations.

Background

Saudi Aramco currently owns and operates a topping refinery at Rabigh with a nominal crude distillation capacity of 400,000 barrels per day. The existing site and infrastructure will serve as the base platform for the development of the Rabigh Project.

Saudi Aramco studied various upgrade alternatives for the refinery since the company became its owner in June, 1995. These studies led to the conclusion that the best alternative to capture the synergies of the existing large crude capacity, together with significant investment in site and infrastructure, would be to expand the site into a large, fully-integrated refinery and petrochemical complex.

Agreement of the Parties

Saudi Aramco and Sumitomo Chemical have agreed to form a Saudi Arabian limited liability joint venture company with equal ownership. Saudi Aramco and Sumitomo Chemical successfully negotiated the joint venture to implement the Rabigh Project in parallel with the joint feasibility study, which confirmed the Project's technical, marketing and economic viability, as well as its capital and operating costs, among other factors. The new Company will be called the Rabigh Refining and Petrochemical Company, for short Petro-Rabigh.

The Project

In addition to contributing its world-class capabilities in hydrocarbon production and refining, and its decades-long experience of collaboration with the Kingdom's petrochemicals industry, Saudi Aramco will supply the Rabigh Project with crude oil, ethane and butane and will market the refined products produced by the Rabigh Project. Sumitomo Chemical will provide its extensive and proprietary petrochemical technology and marketing base to the venture.

The initial plans for the Project include, as the centerpiece of the expanded site, a high olefins yield fluid catalytic cracker complex integrated with a world scale, ethane based cracker, producing approximately 1.3 million tons per year of ethylene, 900,000 tons per year of propylene, and 60,000 barrels per day of gasoline as well as other refined products. Downstream petrochemical units are to be included to convert all of the olefin production to downstream products.

Saudis to set up petrochemical company under expansion plan

Source: ***Gulf News***, 19 July 2005

Saudi investors plan to set up a 9.5 billion riyal ($2.53 billion) petrochemical company on the Gulf coast and offer 40 per cent of its equity to the public, newspapers said yesterday. The company will operate a three million square metre complex in the industrial city of Jubail, Al Eqtisadiah daily said.

The newspaper said a domestic company, Al Khamasiah for Industrial Investment, is launching the project and has entered into negotiations with state oil company Saudi Aramco to provide gas feedstock. It also plans to involve a foreign partner.

The complex is due to start operating in 2009, the paper said, but gave no further details about the types and quantities of petrochemicals it would produce.

The project is part of Saudi Arabia's ambitious expansion plans, supported by high oil revenues and motivated by the need to diversify it economy away from reliance on crude exports.

Several projects will offer equity to Saudi investors. Saudi Aramco said in May it will grant shares in a planned joint venture export refinery in Yanbu, and petrochemical giant Sabic hopes to offer 35 per cent of shares in its Yansab subsidiary.

Aramco said on Saturday it plans to offer an unspecified stake to the public in its joint venture with Sumitomo to upgrade the Rabigh refinery on the Red Sea and build a petrochemical plant there.

Earlier this month, the kingdom inaugurated a major enlargement project which it hopes will double investments at its Yanbu Red Sea industrial city to 200 billion riyals.

Foster Wheeler awarded contract by Saudi Aramco for Khurais Project

Source: ***Foster Wheeler press release***, 05 July 2005

Foster Wheeler's UK subsidiary Foster Wheeler Energy Limited has been awarded a front-end engineering (FEED) and project management services contract by Saudi Aramco for the Khurais full-field development in Saudi Arabia.

This onshore crude increment program aims to deliver 1.2 million barrels per day (b/d) of Arabian light crude by 2009. It is the largest of several projects to be developed under Saudi Aramco's expansion program aimed at increasing oil production capacity to 12.5 million b/d by the end of the decade.

The terms of the contract were not disclosed and the project will be included in Foster Wheeler's second-quarter bookings.

"Foster Wheeler is delighted to be awarded this contract by Saudi Aramco and is proud to be involved in what is one of most important oil projects in the world today," said Steve Davies, chairman and chief executive officer of Foster Wheeler Energy Limited.

"This award confirms Saudi Aramco's confidence in our ability to meet their objectives for this project, based on our proven performance on its previous major oil and gas developments, such as Haradh and Qatif. We have consistently met or exceeded Saudi Aramco's safety, quality, schedule and cost targets and are fully committed to delivering the same outstanding performance on the fast-track Khurais project," he added.

"Foster Wheeler was the obvious choice for this work based on its previous experience on the Haradh and Qatif projects and its ability to meet the fast-track schedule with the required quality of personnel," commented Salman Al-Aradi, manager, Khurais Producing Facilities Projects Dept., Saudi Aramco.

Foster Wheeler's scope of work includes a grassroots central processing facility at Khurais, upgrade of support facilities at the Ju'aymah gas plant, inter-field pipelines, utilities and product handling/storage/infrastructure and support facilities. Foster Wheeler will validate the work undertaken to date and will provide overall project management and engineering services for the central processing facility, including certain procurement and construction management services.

Saudi Arabia aims to boost Asian crude sales

Source: ***Reuters,*** 20 May 2005

Oil giant Saudi Arabia is aiming to capture higher crude sales and maximise revenue in energy-hungry Asia.

Abdulaziz Al Khayyal, senior vice-president of refining and international marketing at Saudi Aramco, said while all markets Asia, Europe and North America remain "strategically important", Riyadh is sharpening its Asian sales drive.

"Asia has been and will continue to be one of our highest realisation markets," he said on the company's website.

"We want to remain in our three major market enclaves ... but send a higher percentage of our exports to the Asian markets."

That is already the case, with Aramco shipping about 60 per cent of its overseas oil sales, or some 4.5 million barrels per day (bpd), to Asia. But energy requirements are soaring in the region that accounted for nearly two-thirds of global demand growth in 2004.

And Aramco, now producing just over 9.5 million bpd, stands ready to supply still more oil. "We're going to work to do our part to meet this growing demand," said Khayyal.

"We are always eager to look at opportunities in growth markets such as China and India."

To that end, talks are under way with China for a refining and petrochemical project in China's Fujian Province with units of Sinopec and ExxonMobil.

Technip signs accord for Saudi chemical plant in Yanbu

Source: ***Kuwait News Agency***, 17 May 2005

Leading French oil engineering company, Technip, announced on Tuesday it had signed a "letter of intent" with Saudi Basic Industries Coporation (SABIC) for the construction of a large-scale ethylene and propylene production plant at the Yansab complex in the Red Sea city of Yanbu.

A statement from the French entity said that the plant would have a capacity of 1.3 million tonnes per year for ethylene and 400,000 mt/year of propylene.

The new structure aims to play "a key role in SABICs ambitious plan to significantly increase production of basic petrochemicals, intermediaries and polymers by 2008," the statement said.

The Saudi contract is a lump-sum, turn-key deal that will be carried out by Technips Rome affiliate. No value was given for the agreement but it is due to be completed by April 2008.

It is the second largest contract lifted by Technip in the region in a matter of weeks, following the gas liquefaction deal in Qatar.

New oil gusher discovered in Saudi Arabia

Source: ***Kuwait News Agency***, 09 May 2005

Minister of Oil and Mineral Resources Ali al-Neaimi announced Monday that the Saudi Aramco has discovered a new oil field in the Eastern Region of this country.

Located 320 km south of Dhahran and about 280 km southeast of Riyadh and called Halfaa I, the oil field has been gushing oil since last April at the rate of 6000 barrels of light crude a day, the Saudi Press Agency SPA quoted al-Neaimi as saying.

The field also produces 4.2 million cubic feet of gas at this initial stage with expectations that the amount would spike under ordinary conditions when the field becomes “mature.”

Last April 18, another oil field had been discovered in the vicinity of the same Eastern Region which is currently producing about 3300 barrels of light crude a day and three million cubic feet of natural gas, said the minister.

New light Arab oil well discovered-Minister

Source: ***Kuwait News Agency***, 18 April 2005

Saudi Aramco has found a new field for light Arab oil in the central region, Minister of Petroleum and Mineral Resources Ali bin Ibrahim Al-Naimi told Kuna Monday.

The oil was discovered at the well of Du’eiban-1, about 125 kilometers south-east of here, he said. The new well will produce 3,300 sulphur-free barrels of oil from a depth of 10, 260 feet.

The density of the newly discovered oil is 41 degrees according to the American Petroleum Institute standards. The oil is accompanied by three million cubic feet of gas per day, he said.

Concluding he noted that the Kingdom of Saudi Arabia has the highest world oil reserve that totals 261 billion barrels and will remain a major oil producer for 70-100 years, even after raising its oil productive level to 15 million barrels per day which is expected in the coming 15 years.

Halliburton successfully installs new sand control system for Saudi Aramco

Source: ***Halliburton press release***, 04 May 2005

Halliburton’s Production Optimization Division has successfully installed the first PoroFlex® expandable completion system on the Arabian Peninsula for Saudi Aramco.

The sand control technique of expanding screen in an open hole provides a solution for slim-hole side track re-completions that maximize the reservoir exposure while maintaining a sufficiently large internal diameter to allow the desired production rates. In addition, maintaining full bore access facilitates remedial operation during the life of the well.

“The customer was looking for a way to maximize production efficiency and reliably eliminate sand production in the weakly consolidated formation of this field,” said Jim Renfroe, senior vice president, Halliburton’s Production Optimization Division. “Delivering an open hole completion for Saudi Aramco optimizes their ability to achieve these goals.”

Halliburton’s high strength PoroFlex expandable completion system can be equipped with zone isolation to provide improved flexibility in complex reservoir conditions.

In addition, the technology provides a cost-effective solution that allows existing wells to be sidetracked using high angle or horizontal wells to increase reservoir exposure and production potential while maintaining wellbore access and durability.

A VersaFlex(TM) expandable screen suspension tool was utilized to suspend the screen in the well. The VersaFlex tool technology provides a reliable seal and ample hanging capacity between the screen and the parent casing. This was also the first deployment of Halliburton’s expandable hanger technology in the region. Additionally, the 1,374 feet (418.8 meters) of expandable technology deployed on this project represents the greatest linear feet of screen installed in a single well to date for Halliburton

Saudi Aramco signs contracts for two mega projects

Source: ***Saudi Aramco press release***, 17 February 2005

Saudi Aramco moved forward on two new mega projects as it signed landmark contracts with some of the world's leading engineering and construction firms for the Khursaniyah Oil and Gas Program and the Hawiyah Natural Gas Liquids (NGL) Recovery Program.

Saudi Aramco president and chief executive officer Abdallah S. Jum'ah congratulated the winning firms and the project teams, and emphasized that these contracts will help Saudi Aramco deliver on its promise to continue securing energy for the nation and for the world.

"The oil facilities will reinforce the company's international role in responding reliably to future oil market demand, while the gas program demonstrates Saudi Aramco's commitment to continue playing its part in the Kingdom's efforts to further grow and diversify the economy," Jum'ah said.

The Khursaniyah Program will develop oil and gas production facilities for the onshore Abu Hadriya, Fadhili and Khursaniyah oil fields near Jubail Industrial City in the Eastern Province, with capacity reaching 500,000 barrels of crude oil daily by the end of 2007.

The Hawiyah NGL Recovery Program will produce an additional 310,000 barrels of ethane and NGL products daily through the Hawiyah NGL Plant near the Ghawar Field and an expansion of the Ju'aymah Gas Fractionation Plant not far from Ras Tanura, expected to be completed in early 2008.

Italy's Snamprogetti was selected for the execution of the Khursaniyah Producing Facilities. The scope of work includes building a central gas-oil separation plant (GOSP) and wet crude handling facilities to process crude from the three fields, gas gathering compression facilities, a cogeneration plant, crude stabilization and water injection.

A consortium of Bechtel Overseas of London and Technip of Rome was selected for the Khursaniyah Gas Plant. The scope of work covers construction of two trains of gas conditioning and ethane and NGL recovery with a total capacity of 1.0 billion standard cubic feet per day (scf/d). The facilities will produce 550 million scf/d of sales gas and 240,000 b/d of ethane & NGL and 1,800 metric tons (mt) of sulfur.

Saudi Aramco also awarded five contracts to build the world's largest NGL processing plant at Hawiyah to recover ethane and NGL from approximately 4 billion scf/d of sales gas.

Japan's JGC Corp. was awarded the contract for the Hawiyah NGL and related facilities, consisting of three (3) NGL recovery trains, product surge and shipping facilities, utilities, tank and process control system. Snamprogetti will carry out the work related to gas treating and compression facilities to include inlet distribution, two (2) gas treating trains, sales gas compression, and electrical system and support facilities.

Contracts for communication, plant infrastructure facilities and temporary camp and catering services were signed with local contractors: General Telecom & Engineering (GTE), Modern Arab Construction (MAC) and National Engineering Services and Marketing Agency (NESMA).

Abu Dhabi's IPIC buys refineries in Far East

Source: ***Reuters***, 24 August 2005

Abu Dhabi oil investment fund IPIC laid out plans yesterday to boost its exposure to Far East growth markets by snapping up refiners, buying into Taiwan firm CPC and possibly bidding for Royal Dutch Shell's LPG business.

A top official at the International Petroleum Investment Co told Reuters that IPIC also wanted to double its stake in Spanish oil firm Cepsa to more than 15 per cent by buying stock from bank Santander.

"We are looking to buy refineries and marketing companies in the Far East, targeting Thailand, Malay-sia and Korea," said Khadem Al Qubaisi, head of IPIC's investment management division.

"We are also interested in utilities and gas companies because it is important for us to diversify our portfolio and we need exposure on the utility side, especially in Malaysia."

IPIC is owned by the Abu Dhabi government.
"We are positive about the refining industry because of demand in general and the synergies between Abu Dhabi and the Far East," Al Qubaisi said.
IPIC is not the only investment firm looking at opportunities in the region. British investment firm 3i Group Plc said yesterday it was keen on buying energy companies in Southeast Asia.

IPIC wants to purchase up to 25 per cent of state-owned Chinese Petroleum Corp (CPC) of Taiwan and to almost double its stake in Spain's Cepsa to more than 15 per cent. Negotiations on both deals have been held up, however.

IPIC signed a memorandum of understanding with CPC in June giving it the right to buy 20-25 per cent of CPC and set up a petrochemical joint venture with the Taiwanese firm, Al Qubaisi said.

"CPC is still not for sale by the government ... But we have started preliminary talks on the joint venture and are exchanging ideas. CPC is interested in establishing a petrochemical business in the Gulf region," he added.

As for increasing its stake in Cepsa by buying some of the shares of Spanish bank Santander, IPIC said the deal was conditional on the UAE and Spain resolving taxation issues.

"We now hold a 9.5 per cent stake in Cepsa and we are planning to almost double it to reach 15 per cent or above," Al Qubaisi said, adding that a Spanish delegation, that included Cepsa officials, visited Abu Dhabi to discuss the issue.

"We are a long-term strategic investor in Cepsa and we want to strengthen our investment," he added.

$354 million project to develop Abu Dhabi's Bab field

Source: ***www.pipelinedubai.com***, 08 August 2005

Abu Dhabi Company for Onshore Oil Operations' (Adco) has awarded NPCC a $354 million contract to carry out phase III of its gas development in the Bab field.

The gas will be pumped through a huge pipeline network to specialised firms in Abu Dhabi Gas Industries (Gasco) in OGD III-Downstream in the Bab Area.

NPCC will install systems to collect and re-inject gas, and set up an additional 400 kilometre pipeline network. The company will also develop five remote gas collector stations and will set up a sixth gas stationThe project, known as OGD III-Upstream, will be completed by the end of July 2007

The project aims to raise natural gas production capacity to three times its current level at the Thumama field. The gas will be pumped through a huge pipeline network to specialised firms in Abu Dhabi Gas Industries (Gasco) in OGD III-Downstream in the Bab Area.

NPCC will install systems to collect and re-inject gas, and set up an additional 400 kilometre pipeline network. The company will also develop five remote gas collector stations and will set up a sixth gas station.

Adnoc to boost gas liquids 50%

Source: ***Gulf News***, 16 July 2005

The Abu Dhabi National Oil Company (Adnoc) will increase production of gas liquids by more than 50 per cent due to growing market demand, a top company official said.

"Adnoc has recognised the demand growth and has planned projects to increase the production of gas liquids by more than 50 per cent in the next five years," said Kamal Morsi of Adnoc's Onshore Division, Exploration and Production Directorate.

Adnoc's current production of natural gas, liquefied natural gas (LNG) and gas liquids such as liquefied petroleum gas (LPG) and condensates is equivalent to 1.2 million barrels of oil production each day or roughly half the current crude production of the UAE.

"This gas liquids production does not fall under the Opec constraint on crude oil production and market demand is concurrently growing faster than oil around the world. Adnoc has recognised this demand growth and has planned projects to increase the production of gas liquids by more than 50 per cent in the next five years," Morsi said at a recent seminar.

"Sour gas production is likely to become a more important part of this production," he added. In his paper, Morsi provided an overview of the injection of carbon-dioxide (CO_2) into existing oil reservoirs for enhanced oil recovery (EOR).

"The process would be economical for oil recovery and it reduces the utilisation of valuable methane gas for injection, but it also helps reduce CO_2 emissions into the global atmosphere. Sour gas represents both associated and non-associated gas production which includes hydrogen sulphide in its natural state in the hydrocarbon reservoirs," he stressed.

The UAE's natural gas reserves are about 212 trillion cubic feet largely located in Abu Dhabi, the fifth largest in the world.

Increased domestic consumption of electricity and growing demand from the petrochemical industry has provided incentives for the UAE to increase its use of natural gas. The consumption has doubled in Abu Dhabi over the last decade and is projected to reach four billion cubic feet by 2005.

Crescent National will supply gas to HFZ

Source: ***Gulf News***, 10 July 2005

Sharjah-based Crescent National Gas Company Ltd (CNGCL), owned by Crescent Petroleum, is to supply natural gas to the Hamriyah Free Zone.

Following the announcement of a major ammonia plant at the zone, Dr Rashid Al Leem, Director General, HFZA, said that natural gas distribution to other industries and companies was in the pipeline.

The availability of natural gas will take Hamriyah Free Zone to the second level of industrialisation, he said.

This is part of CNGCL's major project of supplying natural gas for power generation, industry and other end users in Sharjah and Northern Emirates.

The total investment in the gas project is envisaged to be about Dh900 million, which will include the offshore platforms, the gas transportation system and the gas sweetening plant. Gas will begin to flow in the first quarter of 2006 and the construction of the 30-inch pipeline is already under way, said officials yesterday.

The gas transmission system will have a capacity to transmit up to 1,000 million standard cubic feet of gas per day and there are plans for further expansion.

The 108-km pipeline will carry gas from Mubarak Field to the new facility of SajGas for processing. Thereafter, the gas will be transported to the industrial units at Hamriyah Free Zone, Sharjah.

The zone now has about 850 companies working from 78 different countries.

The main thrust of Hamriyah Free Zone is to attract mainstream value added industries by developing and providing world class infrastructure and services.

New rig to shore up business

Source: ***Gulf News***, 26 June 2005

An Abu Dhabi-based company sees promising prospects for its pioneering offshore geo-technical drilling rig which was developed locally in association with a Belgian company.

A senior company official said the company has secured its first contract in Saudi Arabia and is likely to win more contracts in the UAE and the region.

"The new rig pioneered by our company, along with Gems International NV of Belgium, is designed to conduct offshore geo-technical investigations of the seabed to depths of 300 metres," said Maher Muqattash, head of the Architectural and Civil Department of Control Contracting and Trading Company (CCTC).

"We have won our first contract from Saudi Aramco and the completed unit set sail on its maiden voyage late last month and it will be involved in carrying out a geo-technical survey," he told Gulf News.

The project work will take 45 to 60 days, he added without stating the contract value.

CCTC, based in Mussafah, Abu Dhabi, plans to build more geo-technical drilling rigs. "We foresee good demand for such rigs in the UAE and the region, especially in Iran.

"The drilling equipment enables high quality site investigations to be undertaken from a variety of vessels and the modular construction ensures efficient transportation and mobilisation.

"The equipment is equally at home in near-shore environments as well as deep offshore with a maximum drill depth rating of 300 metres below the sea-bed using standard five-inch API drill piping."

The 30-year-old company has diversified its business activities over the years from power, water, industrial and commercial projects to the oil and gas sector as well as the fast-growing construction industry.

"This project marks a departure for CCTC while for Gems it is part of their core business. Both companies have collaborated on projects in the past, but this is the first time they have worked on a project of this nature," Muqattash said.

Explaining the technical details of the rig, Muqattash said in survey terms, it provides real-time data acquisition with graphic display, using both Wilson APB-100 and 150 kn tools.

Bluewater Energy wins SPM contract from Abu Dhabi Oil Co.

Source: ***Bluewater Energy Services press release***, 28 June 2005

Bluewater Energy Services B.V. has been awarded a contract by the Abu Dhabi Oil Co. Ltd. Japan (ADOC) for the design and supply of a complete SPM system for the Mubarraz Oil Field offshore UAE. The system will be used for the export of crude oil and condensate.

Bluewater's scope of supply consists of the design, procurement and fabrication of a Turret type, catenerary anchor leg mooring (CALM) buoy including pipeline end manifold (PLEM), telemetry system, geo-physical/technical survey and a piled mooring system.

The buoy will be located offshore Abu Dhabi, in a water depth of approximately 19 meters servicing tankers up to 330,000 dwt. Delivery of the complete system is expected to take place in 2006.

"This contract award by ADOC for a Turret type CALM buoy represents the third successive contract for Bluewater in the UAE for this type of buoy. The previous two were for VOPAK for the Fujairah Terminal and for ADMA-OPCO for the DAS Island Marine Terminal," stated Hugo Heerema, President of Bluewater Energy Services B.V. "Bluewater's Turret type CALM buoys are increasingly finding favor with clients worldwide in preference over the more traditional Turntable buoys due to design considerations that result in higher uptime, lower maintenance costs and lower operational costs over the life of the buoy."

Mubadala Development & Shell to form strategic alliance

Source: ***Shell press release***, 13 June 2005

HH General Sheikh Mohammed bin Zayed Al Nahyan attended a ceremony held at his palace to sign a Memorandum of Understanding (MOU) between Mubadala Development Company, a wholly-owned investment and development vehicle of the Government of the Emirate of Abu Dhabi, and Shell EP International Ltd, which is intended to lead to the formation of a strategic alliance.

The MOU provides the general framework upon which Mubadala Development and Shell will form the alliance, which is expected initially to focus on the Middle East and North Africa, outside Abu Dhabi. Areas of co-operation are likely to include the economic development of new and existing hydrocarbon resources, and the research and development of economically viable and environmentally acceptable energy solutions.

The agreement was signed by His Excellency Khaldoon Khalifa Al Mubarak, Chief Executive Officer, Mubadala Development, and Malcolm Brinded, Executive Director of Shell Exploration & Production. HE Khaldoon Khalifa Al Mubarak said today: “The signing of the Memorandum of Understanding with Shell is in line with our objective to partner with the best in the business and build a substantial oil and gas portfolio in the region and internationally. Mubadala looks forward to developing many exciting business opportunities with Shell in the Middle East and North Africa, and elsewhere.”

Mr. Brinded said: “We look forward to working closely with Mubadala. The Middle East and North Africa are important regions for Shell and they are regions in which we are expanding. With Mubadala’s strong regional relationships and our technical and operational expertise, we will now have even more to offer resource-holding countries.”

Nabors Drilling International: Going deep with new technology

Source: ***AME Info***, 01 June 2005

Nabors Drilling International has announced the construction of Rig 54 and Rig 200, the most technologically advanced deep drilling rigs, designed to meet the deep gas exploration and development needs in the Middle East in an official celebration of the completion of rig 54 at the Lamprell in Jafza (Jebel Ali Free Zone) facility.

The function was attended Sultan Ahmed bin Sulayem, Executive Chairman of Ports, Customs and Free Zone Corporation and number of senior officials in Jafza and companies.

Rig 54 and Rig 200 will utilize Nabors proprietary PACE (Programmable A/C Electric) drilling technology to create a new generation of deep drilling rigs. The 3000 horsepower A/C drawworks, three 1600 horsepower pumps, and the 7500 pounds per square inch mud circulation system enable the rigs drill deep, high pressure wells safely and efficiently. All rig operating and safety systems are designed to be controlled from an air conditioned Drillers Control Center using just a joystick and touch screens.

The rigs will have the option to add a rig skidding system to quickly move the rig from well to well in pad drilling applications. Pad drilling which is becoming an alternative for many Middle East operations is when multiple wells are drilled from a central location.

Siggi Meissner, president of Nabors Drilling International commented “In Speaking to our customers, we determined there was a need for a new advanced drilling system to handle the deeper gas wells our customers want to drill. Rig 54 and Rig 200 will add value to the deep drilling programs of our customers, here in the Middle East, for years and years to come.

“The advances in technology, captured in these revolutionary new rigs, will allow our customers to drill safely deeper, and faster than ever before,” he added.

Following the rigs completion, they will each begin 6-month contracts and Nabors expects to secure multi-year contracts before the construction process is completed.

Mideast energy investment put at $532b in thirty years

Source: ***Khaleej Times***, 24 May 2005

Arab oil producers are expected to pump nearly $84 billion in investment in five years to develop their oil and gas sector and more than $500 billion over the next three decades, according to a senior Arab energy official.

Abdul Aziz Al Turki, Secretary General of the Organisation of Arab Petroleum Exporting Countries (OAPEC), said gas projects alone are forecast to attract in excess of $230 billion as Qatar and other key Gulf oil producers are push ahead with mega LNG ventures.

In an interview with the Pipeline magazine to be published next week, Al Turki said Arab states had sufficient hydrocarbon resources to meet rising global demand, estimating their crude reserves at around 650 billon barrels and gas at over 51 trillion cubic metres — accounting for nearly 30 per cent of the world's total gas wealth. He also spoke about oil prices, Opec's efforts to ensure stability in global markets, and the expected role of Arab producers in the future.

"The best estimates of current investment needs of the Arab oil and gas industries were presented by the Arab Petroleum Investment Corporation (APICORP), which was established by OAPEC members in 1974 as a vehicle for financing Arab petroleum projects' he said.

APICORP figures indicated a call for $84 billion for new projects in the period from 2002 to 2006 for "longer term investment needs to expand oil production capacities to meet projected demand, the international energy agency (IEA) in its energy investment outlook, estimated the figure for the Middle East (including Iran and Turkey) at around $532 billion over the next three decades."

He said Arab states have enough oil to meet the growing global oil consumption, as they control nearly 60 percent of the world's proven crude resources.

"There is a general consensus among energy experts that there are sufficient oil and gas resources to meet energy demand and support economic growth for the foreseeable future. the main reserves of oil exist in Arab countries amounting to 650 billion barrel, or 60 per cent of world total proven reserves. as for natural gas, Arab countries' proven reserves amount to 51,714 billion cubic metres," he said.

Sky Petroleum to participate in Mubarek field

Source: ***Sky Petroleum press release***, 18 May 2005

Sky Petroleum has reached a definitive agreement with United Arab Emirates-based Buttes Gas and Oil Co. International Inc., a wholly owned subsidiary of Crescent Petroleum Company International Limited, to participate in an offshore oil and gas project in the Mid East Gulf. The project is a proposed infill drilling program in the Mubarek oil and gas field.

The alliance with BGOI and Crescent unites Sky Petroleum with one of the United Arab Emirates' most established and successful, integrated low-cost operators with over 30 years of extensive experience in the region. As established operators in the Mubarek oil and gas field for over three decades, BGOI and Crescent bring extensive knowledge of the geological formations and reservoir potential of the Mubarek Field.

The first commercial oil was produced in the mid 1970s in the Mubarek Field, marking the beginning of over three decades of continuous production. The total estimated cumulative recovery to date exceeds 100 million barrels of oil. Sky Petroleum believes that this represents approximately 30% of the estimated original oil in place (STOIIP) of 275 million barrels and that there are significant additional reserves that may be produced by the new infill well program. The Mubarek Field production facilities have the capacity to process 60,000 barrels of oil per day.

The company expects the first phase of a proposed two phase infill drilling program into the Ilam/Mishrif reservoir situated within the Mubarek Field to commence in early 2006.

Sky Petroleum is budgeting approximately US$25-28 million on infill drilling to maximize its interest in the Mubarek Field project. The company is currently finalizing a financial strategy to fund the required development expenditures along with additional funds for its own operating and working capital needs.

Dolphin natural gas begins flowing to Ras Al Khaimah

Source: ***Reuters***, 16 May 2005

Dolphin Energy Ltd (DEL) yesterday announced it began to supply natural gas to Ras Al Khaimah. An average of 40 million cubic feet per day (cfpd) of gas from Oman will be supplied for a period of two years and two months. The contract was signed by in October 2004.

The gas is being delivered to the Ras Al Khaimah Gas Commission via a tie-in near Qidfa between Dolphin's dedicated Al Ain-Fujairah pipeline and the existing Emarat gas pipeline network that serves the UAE's northern emirates.

"Dolphin gas is another step in seeking diversity in gas supply. It will form the basis for securing gas supplies and making it attractive for investors to set up business in Ras Al Khaimah," said Shaikh Saud Bin Saqr Al Qasimi, Crown Prince and Deputy Ruler of Ras Al Khaimah.

"Dolphin is today delivering natural gas to Ras Al Khaimah for the first time and we hope to establish a solid basis for future supply expansion," said Ahmad Ali Al Sayegh, Chief Executive, DEL.

"We thank Emarat for its cooperation in ensuring timely delivery of the product and we also thank Oman Oil Company without whom it would not have been possible to supply gas to Ras Al Khaimah from today."

Dolphin and Emarat have undertaken intricate "hot tap" procedures to safely link their respective pipelines without disrupting flows to existing customers.

Dolphin is selling gas to Ras Al Khaimah, under a gas sales and purchase agreement (GSPA) with Oman Oil Company in February 2003.

The Omani gas supplied to Dolphin under the short-term contract is sold primarily to the Union Water & Electricity Company (UWEC) in Fujairah through Dolphin's gas pipeline from Al Ain.

After Dolphin's export pipeline from Qatar to the UAE is completed at the end of 2006, substantial quantities of natural gas from Qatar will be available through the new link for Dolphin customers in both the UAE and Oman.

Cegelec gets oilfield power upgrade deal

Source: ***Gulf News***, 13 May 2005

Cegelec, a French technology services provider, has signed a contract with the Abu Dhabi Company for Onshore Oil Operations (Adco) for its power gen-eration integration project in three oil fields.

The electrical revamp project will allow the oil fields, which currently rely on local power, to be directly connected to the national grid.

The value of the contract was not revealed. It covers detailed engineering, procurement, installation, pre-commissioning and commissioning. The work mainly consists of modifications to the existing substations and associated facilities on the three oilfields, including an extension of the Scada system and telecommunication systems.

CIB (Cegelec Infrastructure Business) business president Bernard Lemoine said, "Cegelec and its local teams are delighted to be entrusted with this new project. This contract reinforces our long standing relationship with subsidiaries of the Adco group not only in the fields of instrumentation and control systems but also in electrical works for which Cegelec has developed a world-class expertise over the years."

Cegelec, which employs 26,000 people and is present in over 30 countries through a network of 200 agencies and over 1,200 offices, generates 43 per cent of its revenues from the industrial sector, 32 per cent from infrastructure building and 25 per cent from the tertiary sector.

Cegelec is an independent company set up in July 2001 after the acquisition of Alstom's contracting division through an LMBO (leverage management buy-out) supported by CDC Equity Capital and Charterhouse Development Capital which each own 45 per cent of the equity. The remaining 10 per cent is owned by the management and staff.

Abu Dhabi to up Murban capacity to 1.5m bpd

Source: ***Reuters***, 14 May 2005

Abu Dhabi aims to boost output capacity at its biggest Murban oilfield by 200,000 barrels per day (bpd) to 1.5 million bpd between December and March, the head of its state-oil firm said yesterday.

"There are new capacities coming gradually from June onward," Yousef Omair bin Yousef, chief executive of Abu Dhabi National Oil Co. (Adnoc), told Reuters. "Almost 200,000 bpd capacity will be added to Murban by the end of this year or early next year — say between December and March."

After the increase, Abu Dhabi's total oil production capacity will be around 2.7 million bpd, up from 2.4-2.5 million bpd, said bin Yousef.

Abu Dhabi, the main oil producer of Opec-member the United Arab Emirates, plans to further raise crude oil output capacity to 3 million bpd in the next three to five years to ease concerns over global oil supplies, he said.

The giant onshore Murban oilfield production capacity will be about 1.5 million bpd after the increase, Bin Yousef said.

The Murban oilfield is now undergoing regular maintenance.

He declined to give the maintenance schedules at the oilfield.

Gas projects get big push amid growing demands

Source: ***Gulf News***, 02 April 2005

Gas is the future, and the UAE is positioning itself to gainfully tap this resource.

The growing demand for natural gas from the local oil, petrochemicals and power sectors as well as from export markets is pushing Abu Dhabi to undertake ambitious gas projects.

"Major onshore and offshore gas development projects were completed and new phases have been implemented in order to develop the UAE's gas reserves that rank among the largest in the world," said Yousuf Omair Bin Yousuf, secretary-general of The Supreme Petroleum Council and chief executive of Adnoc.

"Our export sales of natural gas liquids (NGL) have increased substantially while we are also meeting the increased demand from local utility companies and the petrochemical industry," he added.

The UAE's natural gas reserves are estimated at over 200 trillion cubic feet, the fifth largest in the world after those of Russia, Iran, Qatar and Saudi Arabia. The largest reserves are located in Abu Dhabi, where the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu Al Bukhoosh oil fields rank among the world's largest.

"Increased domestic consumption of electricity and growing demand from the petrochemical industry have provided incentives to increase its use of natural gas. Consumption has doubled in Abu Dhabi over the last decade, projected to reach 4 billion cubic feet by 2005," said the Adnoc 2000-04 report.

In the last five years, major onshore gas development projects completed on schedule include the Asab Gas Development (AGD) and the Onshore Gas Development (OGD-II). Following the commissioning of the OGD-II, the mega $3 billion OGD-III and AGD-II was launched in 2003.

Production at the proposed new gas plant which will be located south of the existing Habshan complex is forecast to start in 2007. The EPC (engineering, procurement, construction) contract is expected to be awarded shortly.

"The main objective is to generate additional revenues from increased production of both condensates and NGL. The new plant will be designed for total capacity of over 1,300 million cubic feet per day (cfd) of well-streamed fluid, resulting in the supply of over 1,200 million cfd of gas to the treating section."

The ongoing offshore Khuff Gas Development project involves the installation of new gas facilities to gather and export gas to various applications via the Umm Shaif super complex. Completion is expected in mid-2005.

UAE to increase oil output to 3.2m bpd

Source: ***Khaleej Times***, 23 April 2005

The country which has a current production of 2.5 million barrel per day (BPD) is working on different projects to upgrade infrastructure to increase its oil output to 3.2.million barrel per day, by the end of next year, a report said.

The UAE's current Opec production quota, effective March 16, 2005, is 2.40 million bpd, and its current crude oil production as of April 2005 is 2.50 million bpd.

The UAE's total production capacity is 2.50 million bpd, so it does not have any spare capacity at the current level of production.

The Abu Dhabi National Oil Company (Adnoc) brought in ExxonMobil in June 2004 as a strategic partner in the development of the Upper Zakhum field, with a 28 per cent ownership stake, after a competitive bidding process. ExxonMobil is set to undertake a program of upgrades to the Upper Zakum field to raise its capacity from the current 550,000 bpd to 750,000 bpd by 2008, and to 1.2 million bpd by 2010.

Several projects to upgrade infrastructure at existing oilfields are planned or underway. A project to increase the capacity of the onshore Bu Hasa field is underway, including construction of natural gas separation units, drilling of natural gas reinjection wells, and water injection. The goal is to increase sustainable production capacity to 730,000 bpd from the present 550,000 bpd by the end of 2006.

A natural gas reinjection project also is planned for the onshore Bab field, which is expected to increase capacity to 300,000 bpd from the current 200,000 bpd.

Upgrades planned for the onshore Asab field are set to raise capacity from the current 280,000 bpd to 310,000 bpd by then end of 2006.

Three small fields, Al Dabbiya, Rumaitha, and Shanaget, also are under development, and are expected to add a total of around 100,000 bpd to production capacity in 2006. These projects part the UAE's stated goal of increasing production capacity to 3 million bpd by the end of 2006.

The UAE contains proven crude oil reserves of 97.8 billion barrels, or slightly less than 8 percent of the world total.

Abu Dhabi holds 94 percent of this amount, or about 92.2 billion barrels. Dubai contains an estimated 4.0 billion barrels, followed by Sharjah and Ras Al Khaimah, with 1.5 billion and 100 million barrels of oil, respectively.

Proven oil reserves in Abu Dhabi have roughly doubled in the last decade, mainly due to significant increases in rates of recovery. Abu Dhabi has continued to identify new finds, especially offshore, and to discover new oil-rich structures in existing fields.

NATURAL GAS: The UAE's natural gas reserves of 212 trillion cubic feet (Tcf) are the world's fifth largest after Russia, Iran, Qatar, and Saudi Arabia. The largest reserves of 196.1 Trillion Cubic Feet (Tcf) are located in Abu Dhabi. Sharjah, Dubai, and Ras al-Khaimah contain smaller reserves of 10.7 Tcf, 4.1 Tcf, and 1.2 Tcf, respectively.

In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. Current natural gas reserves are projected to last for about 150-170 years.

Increased domestic consumption of electricity and growing demand from the petrochemical industry have provided incentives for the UAE to increase its use of natural gas. Over the last decade, natural gas consumption in Abu Dhabi has doubled, and it currently stands at nearly 4 billion cubic feet per day (bcf/d).

The development of natural gas fields also results in increased production and exports of condensates, which are not subject to OPEC production quotas.

DUBAI: Dubai's natural gas consumption has been gowing by nearly 10 percent annually due to expansion of the emirate's industrial sector, a switch to natural gas by its power plants, and the need for an enhanced oil recovery (EOR) system based on natural gas injections for its mature oilfields. Dubai natural gas demand will average 810 Mmcf/d in 2005, with major swings between summer and winter consumption patterns.

Arab gas consumption set to overtake oil demand in 2005

Source: ***Gulf News***, 30 March 2005

Gas consumption in the Arab world is set to over take oil demand in 2005 as many regional countries are switching to the cleaner source of energy in power generation and other sectors, according to official forecasts.

The bulk of the demand growth will be recorded in the UAE, Saudi Arabia, Egypt and other countries with relatively high energy consumption and steady growth in their industrial sector, the Organisation of Arab Petroleum Exporting Countries (Oapec) said in a report on future energy consumption in the region.

Between 2005 and 2015, consumption of oil products, excluding those used in power generation, is projected to grow by around 1.6 per cent from 3.4 million barrels per day to 3.9 million bpd, the 10-nation group said.

Gas demand is expected to surge by 3.5 per cent from 3.5 million bpd equivalent to around 4.9 million bpd/e in the same period.

Total energy consumption, including oil, gas, coal and other sources not used in power generation, is forecast to grow by 2.6 per cent from 7.1 million bpd in 2005 to 8 million in 2010 and nearly 9.19 million bpd in 2015.

“Expectations are that the share of the gas in the Arab energy market will rise from 48.9 per cent in 2005 to 53.3 per cent in 2015 to overtake the oil share, which will decline from 47.4 per cent to 42.8 per cent,” Oapec said. “The other energy sources, including coal, wind and hydroelectricity, will remain almost unchanged, with their market share standing at 3.7-4 per cent.”

According to the report, the industrial sector in the region is the main consumer of energy, with a share of 35.2 per cent. The communication sector ranks second, with a consumption of 24.4 per cent in 2002.

”Consumption of oil, gas and other sources in the Arab world is influenced by economic growth, energy policies, consumption in previous years, expansion of some sectors and prices of energy. As a result, growth in consumption in some members is much higher than growth in other members.”

In a separate study last year, Oapec said Arab states need to invest at least $100 billion to expand their oil and gas sectors to face growing demand in the local and foreign markets.

It noted that the bulk of the expansions would take place in the Gulf, which controls more than 60 per cent of the world’s total recoverable oil reserves and 40 per cent of the global gas wealth.

The projects along with expansions in other producing countries will push up Opec’s sustainable output capacity from around 30 million bpd in 2000 to 38.4 million in 2010, to 44.8 million in 2010 and 60.2 million in 2020.

A breakdown showed the UAE’s capacity will climb from 2.5 million bpd in 2000 to three million bpd in 2005, to 3.7 million in 2010 and 5.1 million in 2020.

Saudi Arabia will lift capacity from 9.4 million bpd to 12.5 million then to 14.6 million and 22.1 million in the same period.

Technip, Chiyoda win $4 billion LNG contract

Source: ***Technip news release***, 26 September 2005

RasGas III has signed contracts for the engineering, procurement and construction of two of the world's largest LNG trains.

The onshore contract will be executed by a joint venture of Technip and Chiyoda. Each train is designed to produce 7.8 million tons per year of LNG, with Train 6 scheduled for start up in late 2008, and Train 7 approximately a year later. The offshore contract was awarded to J. Ray McDermott Middle East.

Technip's portion of the engineering work will be carried out by its engineering centre in Paris , with the support of the group's centre in Abu Dhabi .
The value of this contract is about $4 billion.

"Coming after the award last December of the Qatargas II contract, this new contract is further confirmation of the confidence that Qatar Petroleum and ExxonMobil have in Technip/Chiyoda capabilities," said Daniel Valot, Chairman and Chief Executive Officer of Technip.

The offshore facilities contract awarded to J. Ray involves the construction and installation of two wellhead platforms and two offshore pipelines capable of producing and transporting the required gas feed stock.

The new LNG trains with a capacity of 7.8 million tons a year each, as well as Qatargas II LNG Trains 4 and 5 with the same capacity, represent a major step towards Qatar becoming the world's largest supplier of LNG with expected total annual production of 77 million tons by 2010.

The project will be the largest to supply gas to the US . Delivery of LNG to the US is targeted to begin in 2008/2009 and will extend for over 25 years.
Qatar Petroleum has a 70 per cent equity interest in the project and ExxonMobil RasGas has 30 per cent.

Interventionless well completion technology improves Qatar field

Source: ***Halliburton news release***, 19 September 2005

Halliburton's Energy Services Group recently completed its first project in Qatar 's North Field using an interventionless production packer – the Hydrostatic-Set Permanent Production Packer.

Data from field trials and actual operator use indicate that the Hydrostatic-Set Packer, part of Halliburton's Diamond Series™ interventionless completion system solutions, reduces completion costs as a result of reduced rig time. In addition, the technology uses available hydrostatic pressure and minimizes wellbore intervention, which reduces the risk of damage to the well and increases safety for all personnel on the rig site.

"A fundamental value that permeates Halliburton design, manufacturing and operations is delivering highly reliable systems that extend the window of performance over time," said Jim Renfroe, senior vice president, Halliburton's Pr oduction Optimization Division.

"Fundamentally, reliability is in the details, so we place as much importance on the completion design interfaces as we do on simplifying operations. With this technology, we have an interventionless completion of the well within the parameters of safety and environmental sustainability."

Three significant facets of the project include the seven-inch tubing size, which improves field development economics as fewer well bores are required to produce the reservoir effectively; the interventionless completion of the well, which creates measurable efficiencies and enhances safety; and the reduction in rig time due to the elimination of trips required to complete the well.

"Minimizing operational expenditures while maximizing safety and environmental sustainability makes a significant difference in cost to operators in the long run," said Mark McCurley, vice president, Halliburton's Production Optimization Division. "As the need for downhole activity increases, associated risks go up. This technology is designed to minimize cost and risk, and significantly improve overall field development economics."

RasGas signs pact with BOC for helium sales, purchase

Source: ***The Peninsula***, 28 August 2005

RasGas Company Ltd, the operator of the Ras Laffan helium production, storage, loading and sales facilities, and BOC Group Inc (BOC) yesterday signed an agreement on the implementation procedures of joint helium Sales and Purchase Agreement (SPA).

The long-term SPA linking the selling party composed of Ras Laffan Liquefied Natural Gas Company Limited (RasGas), Ras Laffan Liquefied Natural Gas Company Limited (II) and Qatar Liquefied Gas Company (Qatargas) and the purchasing party represented by BOC was originally signed in March 2003.

The signing ceremony was held at Ras Laffan Industrial City (RLC) and was attended by senior officials from RasGas, Qatargas and BOC.

The new SPA Implementation Procedure agreement marks a major milestone towards supplying Qatar's liquefied helium to BOC over a period of 20 years expected to commence by September this year, said a news release issued by RasGas yesterday.

For BOC, the sale and purchase of 950,000 standard cubic feet of helium per day for a 20-year period would boost its helium business capacity by about 15 percent.

As for the transportation of helium, the SPA Implementation Procedure stipulates that RasGas would assume responsibility for delivering the helium at Ras Laffan Helium Plant while BOC would be entrusted with the task of land and sea transportation to the various target markets.

In a bid to meet the SPA supply requirements, the sellers involved in the SPA signed an Engineering, Procurement and Construction (EPC) contract in March 2003 for the construction of Qatar's first helium plant. The new facility is fitted with highly specialized technological equipment as the liquefaction process of helium is conducted at -269 degrees Celsius. The helium production unit is slated to produce an initial 660 million scf of helium per year.

As such, Qatar is poised to become a global leading producer of helium, thanks mainly to the steady expansion of LNG production in Ras Laffan. By 2010, Qatar is expected to become the second largest producer of helium capturing around 20 per cent share of world market.

For its part, BOC has already completed the construction works of a new helium container staging facility and set up an operations office in Dubai, UAE. The container staging facility will be commissioned in line with RasGas initial helium container delivery. BOC has awarded a three-year contract to Tristar Transport, an affiliate of PWC Logistics, to handle its logistics operations part of land and sea transportation movement between Qatar and UAE.

Japan's Marubeni wins Qatar concessions

Source: ***AFX News Limited***, 24 August 2005

Trading house Marubeni Corp has won concessions to explore or tap oil fields in Qatar together worth some 2 bln yen, the Nihon Keizai Shimbun reported, without citing sources.

The business daily reported that the company has agreed to acquire from Austrian oil company OMV AG the concessions for 7.5 pct of Block 12, a field that is already in production, and 7.5 pct of Block 13, a field that is still undeveloped, in the Persian Gulf. The remainder of the concessions for the two fields are held by US firm Anadarko Petroleum Corp.

Current daily output of oil at Block 12 stands at 15,000 bpd, which is expected to be raised to 25,000 bpd at the end of 2006, when Marubeni will receive about 1,900 bpd, the Nikkei said.

Marubeni and Anadarko will invest more than 20 bln yen from the second half of this year for prospecting work in Block 13, including the drilling of test wells, the newspaper said.

RasGas' WHP5 begins production

Source: ***The Peninsula***, 08 August 2005

In another landmark development slated to boost its production capacities, RasGas recently announced the commencement of gas production from its offshore Wellhead Platform 5 (WHP5) located at Ras Laffan's 'B' block, according to a press statement issued by the company yesterday.

WHP5 represents another major addition of 4.7 metric tonnes per annum (MTA) to the existing 11.55MTA production resource base of RasGas. WHP 5 is the culmination of years of relentless effort and diligence that has made Train 4 Liquefied Natural Gas (LNG) a reality.

As gas starts to flow from WHP5, RasGas offshore output becomes available for commissioning work at onshore LNG Train 4. In the meantime, WHP7 and 5 will jointly continue feeding LNG Train 3 while completion of train 4 draws near.

Commenting on the launch of production at WHP5, Operations Manager Hamad Al Muhannadi, said, "WHP5 adds strategic value to our production base at RasGas. It is the fruit of the dedication shown all along by our teams at the operations expansion and project departments who have managed to achieve this success with no recordable incidents or accidents."

Dolphin's Qatar project on track

Source: ***Gulf News***, 23 July 2005

The Dolphin Gas Project is on track to deliver gas next year as construction of two offshore production platforms in Qatar nears completion and another project is about to start in Abu Dhabi, a company spokesman said yesterday.

"The Dolphin Gas Project is on schedule with construction under way in all areas. Dolphin is currently completing erection of its two offshore gas production platforms in Qatar's North Field. It is drilling the associated gas wells to supply the project and is working on the foundations and initial construction of the gas processing plant at Qatar's Ras Laffan," the spokesman told Gulf News. "Construction of the landfall facilities at Al Taweelah in Abu Dhabi where the gas from Qatar will arrive, is about to begin."

The pipe lengths for the sea lines from the North Field to Ras Laffan and for the export pipeline from Ras Laffan to Taweelah in Abu Dhabi, comprise over 400,000 tonnes of steel delivered to Qatar since May 2004, with final deliveries in fall. They will now be coated prior to pipe-laying operations that will start towards year-end.

Dolphin's current contracted customers include the Abu Dhabi Water and Electricity Company, the Union Water and Electricity Company for the needs of Fujairah and other northern emirates and the Dubai Supply Authority.

"The initial contracted customers, together with probable customer Oman are expected collectively to use all the two billion standard cubic feet per day (scfpd) of natural gas that Dolphin will supply when commissioning is complete in 2007."

Dolphin has no plans to provide gas to any other customer. "The Qatar government has been negotiating with fellow GCC members Kuwait and Bahrain to supply gas by pipeline."

Also, Dolphin is not looking beyond the region although originally when the project was conceived, Pakistan and India were considered. "Dolphin will focus on completing and commissioning the Dolphin gas project, and managing gas supplies and facilities to the satisfaction of its customers," said the spokesman in response to whether Dolphin was still looking at the two big markets Asian markets.

While all major contracts have been awarded, some associated with pipeline construction and development within the UAE will be made later in the year, as well as a number of other minor awards.

The Ras Laffan Gas Processing Plant will be completed in late 2006. "When completed, it will receive raw gas from Dolphin's wells in the North Field through twin sea lines. It will then process the gas, extracting valuable by-products such as condensates, ethane and LPGs, and finally the refined gas will be transported through the main export pipeline to Abu Dhabi."

The EPC contract for the $1.6 billion Ras Laffan Gas Processing Plant was awarded to JGC Corporation of Japan and Rolls Royce won the gas processing plant turbines contract.

Al Jaber and partner win $360 m Qatargas contract

Source: ***Gulf News***, 27 July 2005

The consortium of Al Jaber Energy Services and Washington Group International has been awarded a $360 million (Dh1.32 billion) contract by Qatargas Operating Company Ltd.

The contract entails providing design, engineering, procurement, and construction services to establish a new sulphur-processing facility serving the natural gas industry in Qatar, said a statement issued by Al Jaber Group yesterday.

Qatargas, which is majority-own-ed by Qatar Petroleum, has awarded the work on behalf of several other oil and gas ventures in Qatar.

"We are delighted to lead the construction of one of the largest sulphur-handling facilities in the world by providing our expertise, equipment and resources," said Obaid Al Jaber, chairman of Al Jaber Group.

Work on the project, known as the Qatargas Common Sulphur Project, will commence immediately and is scheduled for completion in late 2008. The plant will be built at Ras Laffan Industrial City, and will process sulphur that is removed from natural gas before it is shipped to market.

It will have a capacity of up to 12,000 tonnes per day of sulphur.

12 gas-based petrochemical ventures under construction

Source: ***The Peninsula***, 06 July 2005

The Second Deputy Premier and Minister of Energy and Industry H E Abdullah bin Hamad Al Attiyah highlighted the significance of petrochemical ventures and associated industries, asserting that gas-based petrochemical industries are no less important than gas liquefaction and gas to liquids (GTL) industries.

Gas-based petrochemical industries, which use natural gas as a feed-stock, are rapidly expanding, Abdullah bin Hamad said. Under-construction ventures have so far numbered 12, excluding other future and planned ventures, he said. The total cost of existing or about to be completed petrochemical ventures, refineries and metallic industries is estimated at over $20bn, some $7.04bn of which have already been spent on expansion plans and some $13bn are expected to be spent on future ventures planned to be completed and commissioned by the end of year 2010, he added.

About under way expansions in petrochemical industries, the Minister noted that Qatar petrochemical company (Qapco), which is one of the world's largest petrochemical producers, is currently carrying out an expansion plan to raise its annual production of ethylene to some 730 thousand tonnes as from 2007.

After speaking about several other expansion plans, Abdullah bin Hamad noted that the more Qatar's output of natural gas is increased, the more associated ethane quantities are obtained. A giant venture was therefore decided to be set up in Ras Laffan at the cost of some $ 2.5bn in order to process associated ethane into synthetic ethylene and other synthetic by-products, such as high-intensity and low-intensity poly-ethylene.

Besides gigantic Qapco and its associated or inter-dependent companies, there is Qatar Fertilizers Company (Qafco), which is equally gigantic, are grouped into Qatar industries and are mainly set up to make optimal use of the huge quantities of natural gas to produce high value added products, especially fertilizers, the Minister said.

A fifth train is being planned to be set up at Qafco compound which already has four trains, with the last expansion known as Qafco IV bringing the total yearly output to some two million tonnes of ammonia and 2.8 million tonnes of urea. If completed as planned, Qafco V would go on stream in 2009, he added. Of the petrochemical-related ventures, he cited the condensates refinery venture in the industrial Ras Laffan city at a cost of some $2.2bn. The venture, which is designed to produce some 140,000 barrels per day in the initial stages of production may raise up refining output to some 800,000 barrels per day by the year 2010 provided that natural gas production was increased, he said.

Joint venture agreement for Qatar Industrial Gas Company

Source: ***Qatar Petroleum press release***, 05 July 2005

Qatar Petroleum, Qatar Nitrogen Company, and L'Air Liquide Middle East today signed in Doha a Joint Venture Agreement for the creation of a new joint venture company called Qatar Industrial Gases Company in the State of Qatar.

The official signature took place under the patronage of HE Abdullah Bin Hamad Al-Attiyah, Deputy Prime Minister and Minister of Energy and Industry.

HE Al-Attiyah commented that this agreement is fully aligned with the directive of HH the Emir, Sheikh Hamad Bin Khalifa Al-Thani in developing the industries in Qatar for the prospect of the country.

HE Al-Attiyah stated "we are pleased to have L'Air Liquide as a partner in Qatar and join us in this company, to contribute to the development of the industrial infrastructure both in Mesaieed and Ras Laffan, which will result in the growing development of the industrial infrastructures of this country."

"We are proud to partner with Qatar Petroleum and Qatar Nitrogen Company and thus contribute to the development of the industrial infrastructures of the State of Qatar by bringing L'Air Liquide's experience and leadership technology position," said Pierre Dufour, Executive Vice-President of L'Air Liquide and chairman of L'Air Liquide Middle East.

Qatar Petroleum and Qatar Nitrogen Company will hold 60% and Air Liquide with 40% in the Company sharing structure.

The newly created company will first set up new production facilities and pipelines to supply oxygen and nitrogen to the oil and gas, petrochemical and steel industries at Mesaieed Industrial City as soon as 2007. In parallel, Qatar Industrial Gases will develop a nitrogen production and distribution system in Ras Laffan Industrial City, which is becoming one of the most important LNG (Liquefied Natural Gas), GTL (Gas to Liquid) and petrochemicals sites in the world.

Qatar seals deal with GS and Daewoo

Source: ***Gulf News***, 21 June 2005

Qatar Petroleum yesterday signed a $668.7 million (Dh2.45 billion) contract for the construction of the new Laffan refinery with the consortium of GS Engineering and Construction Corp and Daewoo Engineering and Construction Co Ltd of Korea.

Abdullah Bin Hamad Al Attiyah, second deputy premier and minister of energy and industry and chairman of Qatar Petro-leumsigned the contract.

The contract covers the detailed engineering, procurement, supply, construction and commissioning of the refinery and associated storage and export facilities.

The refinery, to be located at Ras Laffan Industrial City, will process 146,000 bpd of North Field condensate to produce LPG, naphtha, kerosene and gas oil. The new refinery will be operated by Qatar Gas and is expected to be on stream by mid-2008.

The major units of the complex include a condensate splitter and LPG/naphtha and kerosene hydrotreaters to desulphurise the products, enabling the plant to meet the most stringent product quality specifications.

Dolphin Project to handle 3.2bcf/d gas in initial phase

Source: ***The Peninsula***, 30 May 2005

The initial phase of the Dolphin Gas Project, a strategic energy initiative designed to supply large quantities of natural gas from offshore Qatar to the UAE for 25 years starting in 2006, involves processing and transportation by pipeline of up to 3.2 billion cubic feet per day (bcf/d) of processed 'sweet' gas from Qatar's North Field, to customers in the UAE.

The project is the first venture of Dolphin Energy Limited, a development company established in Abu Dhabi to implement the Dolphin Gas Project, and to undertake other important energy-related developments such as the Al Ain-Fujairah Gas Pipeline.

The mandate of Dolphin Energy is to produce, supply and transport natural gas from a dedicated section of Qatar's North Field to customers in the UAE.

The linking pipeline will be over 370kms in length, and 48 inches in diameter. The costs of the complex upstream gas gathering and processing plant in Qatar's Ras Laffan and the overall investment in the Dolphin Gas Project makes it one of the largest energy-related ventures ever undertaken in the Middle East.

The shareholders of Dolphin Energy Limited, include Mudabala Development Company, fully owned by the Government of Abu Dhabi with 51 per cent stake, Total of France with 24.5 per cent and Occidental Petroleum of the USA with 24.5 per cent.

Although Abu Dhabi possesses the fourth-largest gas reserves in the world, a major portion of these reserves has already been allocated to essential projects. These include future supply of gas to power and water plants-as well as gas re-injection programs for the oilfields, to maintain reservoir pressure for optimum production.

Hence Abu Dhabi's - and potentially Oman's - requirement for a reliable, long-term source of imported natural gas.

Dolphin Energy entered the business of gas supply in January 2004, with the commissioning of its natural gas pipeline that connects Al Ain with the UAE East Coast Emirate of Fujairah. This 24-inch, 182-km pipeline supplies gas to the power and desalination plants in Fujairah of the Union Water and Electricity Company (UWEC).

Initially all the gas being supplied to UWEC comes from Oman and is delivered via a tie-in on the UAE-Oman border near Al Ain.

An average of 135 million cubic feet of gas per day is currently being supplied to Dolphin from Oman Oil Company, for between three and a half and five years. After 2006, when Dolphin's new export pipeline from Qatar is operating, Qatar natural gas will reach Fujeirah through existing land lines to Al Ain-and thereafter via the new Dolphin link.

Qatar will deliver gas to Dubai from 2007

Source: ***Gulf News***, 04 May 2005

Dolphin Energy Ltd (DEL) signed a long-term agreement to sell gas to the Dubai Supply Authority (Dusup) yesterday with deliveries to start from Qatar in 2007.

DEL chairman Shaikh Hamdan Bin Zayed Al Nahyan, who is UAE's Deputy Prime Minister and Minister of State for Foreign Affairs, signed the agreement with Shaikh Ahmad Bin Saeed Al Maktoum, Chairman of Dusup.

The agreement provides for the supply of up to 700 million standard cubic feet of gas per day (scf/d) of Dolphin natural gas from Qatar for 25 years.

"With this important agreement, Dolphin Energy confirms its commitment to meet Dusup's future requirements through a stable, clean and cost-effective supply of natural gas.

"Dusup will not only be an important customer as the strategic energy developer for Dubai, it will become a long-term partner. This agreement highlights Dolphin Energy's commitment to meet the future requirements of the UAE energy sector," said Shaikh Hamdan.

"We welcome the opportunity to work with Dolphin Energy in meeting the growing need for clean energy in Dubai. This contract with Dolphin will enable us to serve our market competitively and efficiently," said Shaikh Ahmad.

Details of pricing were not disclosed.

In October 2003, Dolphin signed long term gas sales agreements with two other major customers, Abu Dhabi Water and Electricity Company and Union Water and Electricity Company in Fujairah.

Qatar to produce 24b SCF of gas a day starting 2010

Source: ***FWN Financial News***, 18 May 2005

Qatar has brought forward by 10 years its plan to produce 24 billion standard cubic feet of gas a daystarting in 2010, a downstream executive for the country's state-owned oil company said Wednesday.

Speaking at an industry conference here, Ali Hassan Al-Sidiky, director of downstream ventures for Qatar Petroleum, said the country currently produces 10-11 billion SCF feet a day.

The tiny, gas-rich Middle-East country had originally targeted output of 24 billion SCF a day, starting in 2020.

Qatar is stepping up its production of gas because of increasing local consumption, a rise in exports to neighboring United Arab Emirates and an increase in liquefied natural gas, or LNG, processing.

Al-Sidiky also said that Qatar's recent decision to delay some gas-to-liquids, or GTL, projects is attributable to the need to manage increased production of gas. But, Al-Sidiky clarified that the LNG plants and GTL projects that are closest to completion wouldn't be postponed. He said the Oryx 1 project, operated by Sasol Ltd. (SSL), will start up early next year as scheduled.

The Pearl project, led by Royal Dutch/Shell Group (RD, SC), will enter production as planned in the second quarter of 2009.

Regarding the projects that Qatar has already said it would delay for three years, Al-Sidiky said: "We are not stopping them, just slowing down development."

The projects postponed include one operated by Marathon Oil Co. (MRL) and ConocoPhillips (COP) and another from SasolChevron, a joint-venture between Sasol and Chevron Texaco (CVX).

Al-Sidiky said the decision to postpone the projects was due to a 40%-50% rise in prices charged by services companies for Qatar's numerous gas projects.

GTL consists of the conversion of natural gas to liquid petroleum after being formed into a mixture of carbon monoxyde and hydrogen.

Qatar to build world's largest petrochemical plant

Source: ***Foreign Information Agency of the State of Qatar***, 17 May 2005

Qatar Petroleum (QP) and the US Exxon-Mobil announced on Monday May 16, 2005 they have signed principles of agreement to set up the world's largest petrochemicals plant.

The contract was co-signed by Qatar's Second deputy Premier, Minister of Energy & Industry H.E Abdullah bin Hamad Al-attiyah, who is also QP board chairman, and Exxon-Mobil's chief executive officer for petrochemicals Michael Dolan.

After singing the contract, that the US $ 2 billion project is planned to produce some 1.6 million tonnes of ethylene per annum. This quantity of ethylene would be processed to obtain some 420,000 tonnes of linear low-density polyethylene, 420,000 tonnes of low-density polyethylene and 420,000 tonnes of high-density polyethylene per annum, he explained.

These basic principles of agreement are being signed just one year after a memorandum of understanding was signed and upon the completion of the economic feasibility study for this gigantic project, H.E Abdullah bin Hamad Al-attiyah said.

A letter of intent (LOI) for the project would be signed next July and the ultimate signing of the final agreement would take place next year, while construction works, he added, are expected to be completed in 2010.

Earlier last month in Paris, a number of agreements were signed between Qatar Petroleum and several French companies to set up plants to produce ethylene and other petrochemical products.

The plant is expected to go on stream in early 2010, he noted, and production activities are to begin in the next year in the Industrial city of Ras Lafaan as agreed with the US company.

Qatar to spend $15b on LNG ships, says Al Attiyah

Source: ***Reuters***, 31 March 2005

Gas giant Qatar will spend $15 billion in the next five years to add 70 vessels to its fleet of tankers to export more liquefied natural gas (LNG), Oil Minister Abdullah Al Attiyah said yesterday.

The Middle East state, home to the world's third-largest gas reserves after Russia and Iran, aims to export 77 million tonnes of the super-cooled and compressed gas by 2012.

"Qatar is well committed and overbooked by 2012 in terms of LNG contracts," Al Attiyah told reporters in Seoul. "We will build more new LNG ships, about 70, between now and 2010 and the cost will be about $15 billion."

Al Attiyah, who visited shipyards in the southern city of Pusan at the start of the week, is on a nine-day tour of Japan and South Korea, both heavily dependent on oil and gas imports.

Al Attiyah met officials of Hyundai Heavy Industries Co, the world's top shipbuilder, and visited shipyards of second-ranked Daewoo Shipbuilding and Marine Engineering Co and Samsung Heavy Industries

Three shipbuilders in South Korea had already won orders to build a combined eight new LNG tankers from Qatar due for delivery by 2007 through earlier deals, he said.

"By 2010, we'll operate almost 90 ships including existing ones, the biggest fleet in the world coming from one port," he added.

Al Shaheen field offshore facilities inaugurated

Source: ***Qatar Petroleum press release***, 23 February 2005

His Excellency Abdullah Bin Hamad Al-Attiyah, Second Deputy Prime Minister, Minister of Energy and Industry, inaugurated the new Al Shaheen offshore facilities today.

The Al Shaheen offshore facilities inauguration ceremony was attended by Qatar Petroleum senior officials and Mr. Thomas Thune Andersen, Chief Executive Officer, Maersk Oil and Gas and partner in the Firm A.P. Møller.

The completion and inauguration of the new facilities reflect H.E. Abdullah Bin Hamad Al-Attiyah's overall strategy to boost Qatar's oil and gas industry under the wise leadership and guidance of His Highness the Emir Sheikh Hamad Bin Khalifa Al-Thani and the Heir Apparent Sheikh Tamim Bin Hamad Al-Thani.

This important milestone is one of the many tangible results of the excellent cooperation between Qatar Petroleum and Maersk Oil Qatar to enhance Qatar's oil and gas production and contribute significantly to the development of the country.

In 1992, the Government of the State of Qatar and Maersk Oil Qatar entered into an Exploration and Production Sharing Agreement covering the exploration and development of Block 5, offshore Qatar.

In April 2004, the agreement was modified to include the Extension Area North of Block 5.

Production from the Al Shaheen field located in Block 5 commenced in 1994. Since then Maersk Oil Qatar and Qatar Petroleum have completed a number of major development phases using Maersk Oil's state of the art technology including Maersk Oil's horizontal well technology with wells drilled up to 31,000 feet length. Fourteen world record horizontal wells have been drilled by Maersk Oil Qatar, the latest in May 2004.

Today, a total of 18 permanent platforms are in place at six production locations interconnected with pipelines and power cables. 131 production and water injection wells are in operation and 26 exploration and appraisal wells have been completed by Maersk Oil Qatar AS in Block 5 and the Block 5 Extension Area.

Technip joint venture gets first Yemen LNG deal

Source: ***Technip press release***, 12 September 2005

YEMGAS, a joint venture shared equally between Technip, JGC (Japan) and KBR (USA) - has signed a major lump sum turnkey contract with Yemen LNG Company Ltd (YLNG) for the country's first LNG plant. The value of the contract is over $2 billion.

The new plant will be located at Balhaf on the southern coast of Yemen, approximately 140 kilometres west of the port city of Al Mukalla and 380 kilometres east of Aden.

It will consist of two LNG trains using the APCI C3/MCR process and will be capable of delivering a total of 6.7 million tons per annum of LNG. The target for Train 1 start-up is end of 2008, with Train 2 coming on line approximately 5 months later.

Under the leadership of Technip, the joint venture team will undertake execution of the contract which includes engineering, procurement, construction, commissioning and start-up of the plant.

The project directorate will be located in Paris at Technip's offices, and the engineering centers of Technip (Paris) and M.W. Kellogg Ltd. (KBR-JGC subsidiary in London) will execute the project.

Technip has extensive experience in executing EPC projects in the Middle East and has ongoing activities with local oil companies in Yemen supported by its regional engineering center in Abu Dhabi. The Group is currently executing major LNG turnkey projects in the Middle East, West Africa and the United States.

Technip, JGC and KBR have previously worked together in joint venture for LNG projects. The shareholders of the YLNG Company are Total (42.90%), Yemen Gas Company (23.10%), Hunt Oil Company (18%) and two Korean companies, SK Corporation (10%) and Hyundai Corporation (6%).

Yemen LNG development launched

Source: ***Total S.A. press release***, 19 August 2005

The government of Yemen has approved the development plan for the Yemen LNG liquefied natural gas project. The shareholders in Yemen LNG, for which Total is the leader (42.9%), will build a liquefaction plant in the port of Balhaf on the southern coast of Yemen, around 200 kilometers from Mukalla. The construction contracts will be awarded in the coming days.

The plant will have two trains with a combined capacity of 6.7 million metric tons a year and will be supplied with gas from Block 18 located in the central Marib region, around 180 kilometers east of Sana'a. The gas will be transported to the plant by a 38-inch, 320-kilometer pipeline.

Yemen LNG has signed three long-term (20 year) sale and purchase agreements for the plant's output—one with Suez LNG Trading for 2.5 million metric tons a year, one with Kogas for 2 million metric tons a year and one with Total Gas & Power Ltd. for 2 million metric tons a year. The Yemen LNG liquefaction plant is scheduled for commissioning in late 2008.

"Yemen LNG is part of Total's strategy of growing its LNG production by an average of 10% a year to 2010. The Group already has interests in six liquefaction plants worldwide, including three in the Middle East. The new project will strengthen Total's position as a leading LNG operator and producer in the Middle East," says Christophe de Margerie, President, Exploration & Production at Total.

The Yemen LNG shareholders are the Yemeni government, represented by Yemen Gas Company (23.10%), Total (42.90%), Hunt Oil Company (18%) and South Korea's SK Corporation (10%) and Hyundai Corporation (6%). Under the agreements with Kogas, the utility will later acquire a 6% interest in Yemen LNG.

OMV discovers oil in Yemen

Source: ***OMV press release***, 18 August 2005

OMV has announced another oil discovery in Block S2 (Al Uqlah) in the Shabwa province of Yemen. The OMV operated Habban-1 well, drilled to a total depth of 3,020 metres, encountered a 622 meter oil column in fractured basement formation. It tested at a stable flow rate of 500 bbl/day. This is the third oil discovery in Block S2, following the "Al-Nilam-1" well in 2003 and "Kharwah-1". OMV is evaluating the commercial potential of the block.

Block S2 covers an area of 2,070 km² and is located in central western Yemen, close to Block 2 (Al Mabar) for which OMV signed a Production Sharing Agreement on 13th July 2005.

Helmut Langanger, OMV Executive Board member responsible for Exploration and Production stated: "Yemen is an excellent strategic fit within our core Middle East region. The Habban oil discovery, along with our previous discoveries in Block S2, provides a solid base upon which to further expand our activities in Yemen.

After drilling and testing a sidetrack well from the Al Nilam discovery, which will follow Habban-1 operations, we expect to have sufficient quality data to decide about the future development of Block S2."

OMV owns a balanced international E&P portfolio in 18 countries organized around five core regions, namely the Danube and Adriatic, Northern Africa, the British North Sea, the Middle East/Caspian and Australia/New Zealand. Due to the acquisition of 51% of Petrom, Romania´s largest oil company, OMV's daily production volume is approximately 345,000 boe/d, and the company's reserves approximately 1.4 bn boe.

PNG's Oil Search wins new permits in Yemen

Source: ***Xinhua Financial News***, 26 July 2005

Papua New Guinea-based Oil Search Ltd said it has continued its geographical diversification into the Middle East, securing three more exploration and development permits in Yemen.

The Australian-listed oil and gas exploration and production company said it was awarded two blocks in the recent 2005 international bid round in Yemen and is waiting on final ratification of a production sharing agreement over a third block.

The first two blocks were awarded to Oil Search on behalf of its partners Kufpec (Aden) Ltd, Voyager Energy Ltd and Adelphi Energy Ltd. Oil Search said it and partner, Turkey's Petoil, expects the third block's psa ratification towards the end of the year.

Oil Search chief executive Peter Botten said all three of the blocks were in highly prospective areas and had good access to existing infrastructure.

"Together with our existing blocks, Oil Search now has built a material acreage in Yemen with an operating presence in the country's two key oil producing basins," he said in a statement.

"We regard Yemen as highly prospective and are planning an active exploration program in the country over the next three years."

Oil Search started production from the Nabrajah field in Yemen earlier this month, giving it its first production outside Papua New Guinea.

South Korea to explore oil block in Yemen

Source: ***Gulf News***, 27 April 2005

South Korea will be the first East Asian country to be an operator in a Middle East oil project.

South Korea is the world's fourth biggest crude oil buyer. It relies on imports for all of its crude needs – therefore it is vulnerable to global oil price fluctuations. In a bid to counter this risk, Seoul has been encouraging local companies to get involved in oil projects abroad.

Energy minister Lee Hee-beom signed a production sharing agreement (PSA) on Tuesday in Seoul with his Yemeni counterpart Rasheed Barabaa for block 70 located in Shabwa province, the Ministry of Commerce, Industry and Energy said in a statement.

The contract gave the Korean consortium led by state-run Korea National Oil Corp. (KNOC) the operating rights of the block, which is estimated to hold oil reserves of between 50 million and 200 million barrels, it said.

The consortium planned to begin exploration at the block in the second half of this year, the ministry said.

South Korea is currently engaged in 56 upstream oil or gas projects in 24 countries including Peru, Vietnam and Egypt.

Vintage Petroleum finds oil in third Yemen well

Source: ***Vintage Petroleum press release***, 22 April 2005

Vintage Petroleum reports that the An Nagyah #15 well in the Republic of Yemen has tested light (43 degree API) oil from the sub-salt Upper Lam formation. The well is the third horizontal well drilled in the company's An Nagyah field.

The An Nagyah #15 well was drilled horizontally to a total measured depth of 6,493 feet (1,979 meters), which is equivalent to 3,468 feet (1,057 meters) of true vertical depth. Electric log analysis indicates a gross interval of 2,451 feet (747 meters) that is oil bearing in this well.

The interval was tested at a stabilized rate of 2,625 barrels per day of light oil, 2.3 million cubic feet per day of natural gas and 84 barrels of water per day flowing at 575 pounds per square inch tubing pressure on a 48/64 inch choke. An additional horizontal development well is planned to be drilled during the third quarter of 2005.

With testing completed at the An Nagyah #15 well, the drilling rig is moving 31 miles (50 km) to the southeast to drill the Wadi Markhah #1 prospect. This 6,562 foot (2,000 meter) vertical, exploratory well will be drilled to test Jurassic Lam and Alif formations.

All of the An Nagyah field production is being trucked to a nearby facility for processing and transportation to an export terminal until the planned pipeline is operational. The trucking capacity is approximately 7,500 barrels of oil per day (3,900 net).

An 18 mile (28 km) pipeline to the processing facility is under construction and scheduled to be operational late in the second quarter of 2005 with initial throughput anticipated at 10,000 barrels of oil per day (5,200 net). A central processing facility with an initial capacity of 10,000 to 12,000 gross (5,200 to 6,250 net) barrels of oil per day is scheduled to start up during the third quarter of 2005.

Yemen LNG signs three LNG sales agreements

Source: ***Total press release***, 16 February 2005

Total announces that the Yemen LNG Company has signed three Heads of Agreement for the sale of liquefied natural gas.

The first HOA, signed with Tractebel EGI (Suez), governs the purchase of 2.5 million tons of LNG per year while the second, signed with Total Gas & Power Ltd., is for the sale of 2 million tons per year. LNG from both sales is destined for the United States beginning in 2009 for a duration of 20 years. The third HOA, signed with Kogas, is for the purchase of between 1.3 and 2 million tons of LNG per year by Korea starting end 2008 and for a period of 20 years.

The Yemen LNG project, for which Total is the leader, calls for the construction of two liquefaction trains with a total capacity of 6.7 million tons of LNG per year. Located at the port of Balhaf on the southern coast of Yemen, the plant should enter into production by the end of 2008.

The feed gas for the plant will come from already developed fields situated in the Marib region, in central Yemen. It will be transported to the plant by a 320 kilometer pipeline.

Tenders for the construction of the plant, the pipeline as well as LNG tankers were launched early February by Yemen LNG.

The final investment decision is planned for mid-2005 following the tendering process.

“These agreements mark an important step in the development of the Yemen LNG project. The launch of this project will reinforce Total’s position as one of the leaders in LNG, a sector in which the Group has a stake in six LNG plants and four regazification terminals under development worldwide,” says Christophe de Margerie, President of Exploration and Production at Total.

The shareholders of the Yemen LNG Company are Yemen Gas Company (23.10%), Total (42.90%), Hunt Oil Company (18%) and two Korean companies, SK Corporation (10%) and Hyundai Corporation (6%).

India to explore frozen methane from under sea

Source: ***Khaleej Times***, 30 August 2005

India is set to drill two deep-sea wells to tap sources of methane gas, a rich source of energy that holds great promise for the future. Under a National Gas Hydrates Programme (NGHP), several Indian institutions are studying ways to tap these rich sources of gas found in the form of hydrates, or methane in frozen form, petroleum ministry officials said.

"We are planning to drill two wells exclusively for the coring gas hydrates for sample study," an official said. "The biggest challenge with gas hydrates is how to free the frozen gas, given the complex ecosystems associated with hydrates," the official told IANS.

The precise locations of the wells on the east and west coast are still being finalised and the timing of drilling will depend on the availability of rigs, the official added. A cubic metre of gas hydrate is estimated to have some 164 standard cubic meters of methane gas. India is estimated to have gas hydrate reserves of around 1,894 trillion cubic metres, considerably more than conventional gas reserves.

Seismic surveys and exploration activities in the Krishna-Godavari Basin, the Andaman offshore and Goa have revealed gas hydrate reserves, experts said. In fact, the presence of gas hydrates in some blocks of Reliance Industries and the Oil and Natural Gas Corporation (ONGC) in the Krishna-Godavari Basin are proving a hindrance, since care has to be taken not to disturb them, sources said.

Among the few countries working in this area of gas hydrates, India is also seeking membership to the International Ocean Development Programme that has experts from countries including Japan, the US and China. "We are in touch with the international body to see how the Indian gas hydrate programme can become part of it," said V.K. Sibal, head of the Directorate General of Hydrocarbons, the exploration regulatory body. The directorate will provide the $1-million fee required for India to become an associate member.

The NGHP is tying up with the Indian Institute of Technology at Kharagpur, West Bengal, for a breakthrough in technology even as 15 locations have been identified in the Krishna-Godavari basin where drilling for hydrates will be done in phases. "These locations have been identified in collaboration with the National Institute of Oceanography in Goa," an official said. Experts said no country so far has been able to unravel the best way to tap gas hydrates despite decades of efforts, adding that high cost was also factor.

India has worked with several countries on the technology, including Canada for the Mallik 2002 project in Mackenzie Delta.

The oil exploration regulator has also earmarked Rs150 million ($3.4 million) for research and development in gas hydrates and is helping ONGC to set up a dedicated storage facility at Panvel in Maharashtra for further research.

Indian Oil expansion targets sour crudes

Source: ***Gulf News***, 27 August 2005

Indian Oil Corp Ltd will build new facilities to raise the proportion of sour grades of crude oil it uses, the head of its refining operations, Jaspal Singh, told Reuters yesterday.

"All future expansion will be based on sour crudes," he said.

IOC, India's largest refiner, will build a new delayed coking unit at its 275,000-bpd Koyali refinery to raise the proportion of sour crudes to 58 per cent from 20 per cent, a $900 million project to be implemented in three years, Singh said.

"Currently 40 per cent of the crude oil we use in all our refineries is sour. By the time the Paradip refinery is built, it will rise to 73-74 per cent," he said.

For details of refinery expansions and secondary units being planned by IOC and other refiners. By the end of September, IOC will commission a hydro-treating unit at its Panipat refinery to help produce low-sulphur diesel.

India's oil firms could not upgrade their refineries in time to meet tougher fuel standards enforced since April and had to import diesel and petrol, but the new unit at Panipat will make IOC self sufficient, he said. IOC operates a 120,000-barrel-per-day (bpd) refinery at Panipat, 120 kilometres north of Delhi. Its capacity will be doubled by January and raised to 300,000 bpd in three years.

IOC will also build a refinery at Paradip on the east coast, Singh said.

Reliance finds gas in central India

Source: ***Reuters***, 09 August 2005

Top private-sector Indian explorer Reliance Industries Ltd. has found 3.76 trillion cubic feet of in-place gas reserves in two coal bed methane blocks in central India, the director general of hydrocarbons said.

"Reliance informed us about the find on July 26 and we have approved it after proper technical verification," V.K. Sibal told Reuters yesterday.

Sibal said the find, the size of which indicates total potential reserves, was in the Sohagpur East and Sohagpur West blocks, on the border of the central states of Madhya Pradesh and Chhattisgarh.

Reliance had drilled 10 test wells and 19 exploration wells in the two blocks, he said.

"Reliance now plans to drill 20 more pilot wells to establish commercial viability of these two blocks," Sibal said. A Reliance spokesman declined to comment on the find.

Reliance unveils big expansion plans

Source: ***Reuters***, 04 August 2005

India's biggest private-sector refiner, Reliance Industries Ltd, will spend $5.8 billion (Dh21.31 billion) to double capacity at its Jamnagar unit, making it the world's single-largest oil refinery, its chief said yesterday.

The capacity increase would be among the biggest refining expansions worldwide this decade.

The raising of Jamnagar's crude throughput to 1.2 million barrels per day (bpd), primarily for exports, would be complete by the second half of the fiscal year to March 2009, Chairman Mukesh Ambani told shareholders.

"Reliance Industries is implementing a two-fold strategy: strengthening the petroleum retailing business and enlarging the refining capacity," he said.

Reliance Industries also operates a network of 550 petroleum retail outlets across the country.

"A world-class petroleum refinery and retailing business, combined with sizeable oil and gas assets, enables Reliance to chart a course, a path to becoming a global hydrocarbon major while addressing India's energy security needs," Ambani said.

Ambani said the company would begin full-year gas production from the Krishna Godavari basin, off India's east coast, from the fiscal year to March 2010, after spending Rs176 billion in upstream oil and gas in the next few years.

"Reliance has one of the most aggressive exploration programmes in deep waters in the world. Exploration and production of oil and gas has the potential to be the most valuable business of Reliance Industries," he said.

Reliance will also invest Rs18 billion ($414 million) to build a new 280,000 tonne per year polypropylene plant, Ambani said. He said the company expected to make the new plant operational by March 2006, and would raise Reliance's polypropylene capacity to 1.43 million tonnes a year.

The Reliance plans follow expansion projects by India's largely state-owned oil sector, meant both to meet rising domestic demand and to maintain its share of the export market, a far more lucrative destination due to domestic price controls.

India first became a net oil exporter after Reliance started up Jamnagar at the end of the 1990s.

Reliance's expansion is rivalled only by Taiwanese Formosa Plastic Group's tentative plans to build a new 600,000 barrel-per-day (bpd) refinery near an existing plant, and a new $3.5-$5 billion facility in Kuwait, set for completion in 2010.

Refiners across the globe are seeking ways to capitalise on a two-year boom in profit margins, but many remain wary of overinvesting in the highly cyclical industry after a decade of mediocre returns stemming from overcapacity during the 1990s.

India awards 13 blocks to ONGC and Reliance

Source: ***Gulf News***, 26 July 2005

Oil and Natural Gas Corp Ltd and Reliance Industries Ltdwon most of the 18 exploration blocks awarded by the Indian government in the fifth round of the New Exploration and Licensing Policy (NELP-V).

The Indian cabinet approved awarding 18 energy blocks under NELP-V, Finance Minister Palaniappan Chidambaram said yesterday.

State-run ONGC, along with partners including British oil explorer Cairn Energy, got eight of the 20 blocks, which were first offered by the Indian government in December.

Private-sector oil exploration major Reliance, along with long time partner Canada's Niko Resources Ltd and British-owned Hardy Oil and Gas Exploration (India), stood a close second with five exploration blocks.

Niko Resources and fellow Canadian explorer Geoglobal Resources also won two onshore blocks separately.

State-run gas transporter GAIL (India) Ltd, in partnership with unlisted Gujarat State Petroleum Corp. and Geoglobal also won a block, as did Phoenix Overseas Ltd and Oil India Ltd. together with Hindustan Petroleum Corp. Ltd.

The 20 blocks offered cover an area of about 109,210 square km and comprise six deepwater blocks, two shallow water and 12 onshore blocks. The dozen onshore blocks are in nine states and include the western state of Maharashtra for the first time under the NELP.

India and Pakistan sign gas pipeline deal

Source: ***Gulf News***, 14 July 2005

Indian and Pakistani officials yesterday tentatively agreed to start constructing a $4 billion (Dh14.71 billion) pipeline late next year that would bring natural gas from Iran to India through Pakistan.

"The speed and the spirit with which we are going ahead, I understand work on the project can start in 2006," Pakistan's petroleum secretary Ahmad Waqar said after two days of negotiations.

The talks, which were held despite US objections to the deal, focused on financing the 2,775-kilometre pipeline, pricing and sharing the gas, and security, Waqar said.

He said both sides would meet again in late August, when they hope to adopt a "framework agreement" on the project.

"This is the first time we have held detailed discussions on the technical, financial and legal aspects of the project," said Sushil Chandra Tripathy, India's petroleum secretary.

Both sides have agreed to appoint international consultants to work out the details of project finances, Tripathy said. "I hope we can reach a financial closure by the end of 2006, or early 2007. After that it would take three, or three and half, years to get the pipeline ready," he added.

Cairn Energy plans early oil production from North India fields

Source: ***BBC Monitoring South Asia***, 08 July 2005

British firm Cairn Energy, which last year discov ered a huge oilfield in north India's Rajasthan, will begin early oil production from the fields in a years' time from now.

Cairn plans to produce up to 5,000 barrels of oil per day from two of the 12 discoveries made in the Barmer district of Rajasthan by mid-2006, company's Exploration Director Mike Watts said.

He said the company had in May submitted a development plan for Saraswati and Raageshwari discoveries, which lie in the centre and south of the Rajasthan block, to authorities and is anticipating approval by mid-September.

Cairn had also submitted a USD one billion investment plan to put to production the largest discoveries in the block - Mangala and Aishwariya - with a target of beginning production by end-2007.

Mangala is targeted to produce 100,000 to 110,000 barrels per day while Aishwariya may produce 5,000 to 15,000 barrels per day of oil.

Watts said Cairn would submit development plan for the Bhagyam discovery in August/September which would produce 15,000 to 30,000 barrels per day.

The peak production from the Rajasthan field, where Cairn estimates 1bn barrels of oil reserves, is expected at 15,000 barrels per day, he said.

The Rajasthan field would augment India's crude oil output which is stagnant at just around 33m tonnes as against the demand for 117m.

India and Iran sign $8-bn gas deal, set up group on pipeline

Source: ***India Express***, 14 June 2005

India finally inked the deal with Iran to import 5 mil lion tonnes per annum (tpa) of liquefied natural gas (LNG), starting 2009, over a period of 25 years. Valued at $18 billion, this is one of India's largest commercial agreements.

India also set up a special Joint Working Group with Iran to take the Iran-India pipeline talks forward. The group will have its first meeting in Delhi between June 23-35. Moreover, Iranian Oil Minister Bijan Namdar Zengeneh will go to Pakistan next week to take the dialogue forward.

''The discussion on the pipeline will be intensified,'' said Petroleum Minister Mani Shankar Aiyar. His counterpart Zengeneh added: ''It's a difficult task and it's going to take time to execute but in this new atmosphere, especially between India and Pakistan, the pipeline is not a dream — it's going to be a project on the ground.''

The right noises on the pipeline deflected some of the attention from the fact that India was unable to secure the import of an additional 2.5 million tpa of LNG. While negotiations are stuck on price, India hopes to finalise the deal after the heat and dust of the Iran elections later this week.

In all, five agreements were signed between the two countries. LNG supplies to India will be from Block 12 of South Pars field, and will be received at the Kochi and Dahej ports.

The buyers — Gail, IOC, BPCL — will pay $3.251 per million British thermal unit (FOB) as was agreed when the memorandum of understanding for the deal was signed in January 2005. This is higher than the $2.53 per unit fixed price for LNG imports from Qatar for five years up to 2008.

In return, Iran will give development rights in two oil-producing fields. So, ONGC Videsh Ltd will get a 10 per cent share in the development of Iran's biggest onshore oil field, Yadavaran (translating into 30,000 barrels per day of crude oil for India. And also 100 per cent development share in Jufeyr (another 30,000 barrels per day).

Another big agreement signed between India and Iran is the award of a block in North Pars to a joint venture between IOC and Petropars for the import of 9 million tpa of LNG. India had sought a block in South Pars, but they were all taken, so this is the first time that the North Pars has been offered to India for development.

Finally, both sides are also looking at cooperation in the petrochemicals field with Indian companies working on options for investment in Iran.

Aker Kvaerner to modify Indian offshore platforms

Source: ***Aker Kvaerner press release***, 24 May 2005

Larsen and Toubro has awarded Aker Kvaerner's engineering office in Mumbai a contract for modification of 59 offshore platforms under the Pipeline Replacement Project at the Bombay High offshore field. Work on the 110 thousand man-hour project will start immediately and will be completed within the next three years.

Aker Kvaerner Powergas India Pvt. Ltd, owned 49 percent by Aker Kvaerner, will provide design engineering services to Larsen & Toubro for the proposed platform modifications associated with the pipeline replacement project of Oil and Natural Gas Corporation Ltd (ONGC) at the Bombay High offshore field.

The scope of work includes pre-engineering survey, detail engineering associated with the modification of 59 platforms and interface management.

This is the third oil and gas engineering assignment received from Larsen & Toubro in the past 15 months. Aker Kvaerner Powergas' current work on the nine wellhead platforms for ONGC and the Bunduq Gas Injection facility in Abu Dhabi are nearing completion.

Dr. Rama Iyer, Executive Chairman of Aker Kvaerner Powergas India Pvt Ltd, says "The repeat order from Larsen & Toubro once again demonstrates the high level of customer satisfaction for the quality of our services and our commitment to meet a challenging completion schedule."

The formation of the project taskforce is in progress and is expected to increase the workforce by an additional 50 personnel in the coming weeks.

Aker Kvaerner Powergas India, who employs a staff of 1,150 employees, continues to maintain its position as the leading engineering and construction company in India.

Indian oil firms win in Libya bid

Source: ***BBC News***, 31 January 2005

Two Indian oil companies have won a contract to look for oil in Libya, the Press Trust of India reports.

State-owned Indian Oil Corp. and Oil India Ltd. have won a license to explore a 7,087 sq km (2,736 sq miles) block in the oil rich Sirte Basin.

The Indian companies will get 18.4% share of any future production in the block with the remainder going to Libya's national oil company.

It is the first time Libya has allowed foreign bids for oil exploration. If oil is found in the area Libya, which is a member of the Organisation of Petroleum Exporting Countries (Opec) will fund half of the exploration and development costs, PTI says.

Libya - which has Africa's largest oil reserves - is seeking massive foreign investment following the lifting of US sanctions against the country.

American companies have won most of the contracts on offer, with three US firms wining 11 of the 15 oil exploration and production sharing agreements.
Foreign bids

The two Indian companies recently forged an alliance to bid for oil and gas explorations in other countries. India's state-owned oil firms have won rights to explore for oil and gas in the Middle East, Africa and Russia.

Libya produces 1.6m barrels per day at present, but hopes to raise this to 2.1m bpd by the end of the decade.

The latest government licensing programme attracted more than 120 oil companies worldwide but only 63 pre-qualified for the bidding round.

Irans makes massive gas discovery on Kish Island

Source: ***BBC Monitoring Middle East***, 12 September 2005

According to an announcement by the Oil Exploration National Company of Iran, exploration work carried out so far in Kish Island point to the presence of a huge natural gas reservoir in that island, which has the bulk of its territory in the northern half of the Persian Gulf waters.

On the basis of a report by the Oil Exploration National Company of Iran, the exploration work in the island began in Azar last year [21 November to 21 December 2004], and it has now reached a massive oil reservoir at the depth of 4,100 metres under the surface.

According to this report, the Kangan, Nar and Dalan layers are the current boundaries of the field. Furthermore, the pressure at this natural gas reservoir is between 5 and 8 pounds [lb] per square inch. On the basis of information received, a further 300 metres needs to be excavated in order to reach the final depth of this gas well.

Furthermore, commenting on the new discovery of natural gas reserves in Kish Island, Engineer Hamid Burd, the manager of the special projects department at the Oil Exploration National Company of Iran, said: While in the past all the major oil and gas fields have always been situated in the southern half of the Persian Gulf waters, the discovery of the new field in the northern half of the Persian Gulf is a very interesting development.

He said that it was not possible at the moment to predict the total size and capacity of the new gas reservoir. Engineer Hamid Burd went on to say: In order to be able to offer such an estimate, three more wells need to be excavated, so as to be able to offer a reasonable estimate about the total length, width and depth of the new gas reserves, as well as its total gas reserves and the potential volume of its daily output.

9 refineries operating above capacity to meet domestic needs

Source: ***IRNA***, 01 August 2005

Nine refineries in Iran have been operating 30 per cent above nominal capacity over the past eight years to meet domestic needs for oil derivatives.

Director of the Refining Department at National Oil Derivatives Refining and Distribution Company Mohammad Zali told reporters here Saturday that gasoline production in Iranian refineries has risen to nine million liters a day over the past eight years of which four million liters were gained through establishment of Bandar Abbas refinery.

Gas oil production at Iranian refineries rose to 15 million liters a day during the period of which five million liters were obtained after completion of the first phase of the project for establishment of Bandar Abbas Refinery, said Zali. He added that projects worth dlrs 100-150 are under implementation at refineries, which once completed will raise gasoline production to seven to eight million liters a day by 2006.

On the project for transfer of Central Asian crude via Iran, Zali said two projects were implemented at refineries of Tehran and Tabriz with the help of Chinese companies for this purpose over the past years. He added that Tabriz refinery is now capable of fully refining all crude oil while Tehran refinery is able to use 30 percent of this kind of crude.

Darkhovein oil field in southern Iran to come on stream

Source: ***BBC Monitoring Middle East***, 22 July 2005

The head of the Darkhovein oil field development project's engineering phase said Wednesday that the first phase of the field will come on stream with a production of 50,000 barrels per day.

Bahram Kakuleki told reporters that the contract for the development phase was signed between the National Iranian Oil Company (NIOC) and Italian oil concern ENI in July.

"ENI has 60 per cent stake of the deal, with the Iranian firm NICO [Naft-Iran Intertrade Company] holding the remaining 40 per cent," he added.

He said that the development phase consists of two phases with production capacity of 160,000 barrels per day as the goal. "The project investments have been estimated to be 1.26 bn dollars," the official underlined.

"So far over 23 million barrels of oil has been extracted from the Darkhovein field," he added.

Also, Ali Akbar Vahidi-Ale-Aqa, deputy head of the Engineering and Development Oil Company which is the project lead contractor said the contract has the lowest costs among agreements signed in the oil sector.

The ceiling on rate of return on investments is set at 13.94 per cent for the first phase and 13.92 for the second phase, Vahidi-Ale- Aqa added. He said that over 59m dollars have been paid out to the contractor for the expense incurred. "Furthermore, the second phase is scheduled to be completed by December 2006 and has had 32.28 per cent progress."

The Darkhovein oil field is situated at 85 kms south of Ahvaz and 35 kms outside Iran's Persian Gulf ports of Abadan and Khorramshahr.

First Vice-President Mohammad-Reza Aref is to inaugurate on July 23rd, the first phase of the project. The project, financed out of foreign resources, will generate 500 jobs when fully operational.

The National Iranian Oil Company (NIOC) has no plans to adopt a new format of contracts for the development of Iran's oil fields instead of buybacks, it was reported here in May.

Iran grants Indian oil firms access to Persian Gulf block

Source: ***BBC Monitoring Middle East***, 13 June 2005

Iran agreed to give Indian oil firms a block in North Pars gas field in Persian Gulf for production of LNG [liquefied natural gas] and its export to India and other countries. State-run Indian Oil Corporation and Iran's Petropars had earlier proposed to develop one of the 20 blocks in the gigantic South Pars gas field.

Separately, ONGC [Oil and Natural Gas Corporation] Videsh Ltd (OVL), the overseas arm of Oil and Natural Gas Corp, had also evinced interest in taking over one of the blocks of the South Pars field for gas production, conversion into LNG and its export.

Iran, however, clubbed OVL and IOC's proposal and offered to give a block in the neighbouring North Pars gas field, which till now has not been explored.

"North Pars field can produce 3.6bn cubic feet of gas per day. One of the blocks in the field will be given to Indian oil firms," Iranian Oil Minister Bizhan Namdar-Zangeneh said. The minister said contracts for almost all the phases of the South Pars gas field have been finalized and so a block from North Pars field would be given to Indian firms.

IOC had earlier teamed up with Petropars for bringing to production one of the blocks to develop the 500 sq mile South Pars field, and produce 9m tones per annum of liquefied natural gas to export to India and other countries. The IOC-Petropars consortium had also submitted a 3bn dollar plan to National Iranian Oil Company for development of block and production of LNG.

Pakistan and Iran sign MOU for import of gas

Source: ***Kyodo News***, 07 June 2005

Pakistan and Iran signed a memorandum of under standing on Thursday for laying a gas pipeline which could be extended to India, officials said.

The MOU was signed by visiting Iranian Petroleum Minister Bijan Namdar Zangeneh and his Pakistani host Aman ullah Khan Jadoon after two days of extensive talks about the project which has been in the pipeline for more than a decade.

Officials said that under the MOU, Iran is expected to furnish details about the price of gas to be supplied at terminals in Pakistan and it is hoped the project will start supplying gas in three years.

Jadoon told reporters after the signing ceremony that a ministry official is scheduled to leave for India on July 11 to attend a meeting of the Pakistan-India steering committee on the gas pipeline project.

India has held separate talks with Pakistan and Iran about the feasibility of importing gas via Pakistan, and Jadoon said the bilateral talks could be extended to include India and to examine the various aspects of the proposed gas pipeline project.

“After many years, we have signed an MOU which is the first written document about export of gas from Iran to Pakistan,” Zangeneh said after the ceremony.

Iran signs contract to develop South Pars phases 17 & 18

Source: ***BBC Monitoring Middle East***, 13 June 2005

After several months of delay, the contract for development of South Pars phases 17 and 18, worth 2.049 billion dollars, was signed June 12th between the National Iranian Oil Company (NIOC) and members of the tender winner consortium.

The winner consortium included Petropars, Oil Industrial Engineering and Construction Company (OIEC), and Iran Offshore Engineering and Construction (IOEC) companies.

OIEC and Petropars have shares of 50 and 29 per cent in the contract respectively while IOEC has a share of 21 per cent.

The total worth of the contract has been put at 2,049,240,740 dollars with a liability ceiling of up to 100 per cent.

Addressing the ceremony, the Managing-Director of Pars Oil and Gas Company, Akbar Torkan, said five phases of South Pars gas field development have been inaugurated so far.

Petropars Managing-Director Gholam Reza Manuchehri also said the project was implemented during a 52-month period, adding gas production in Iran’s South Pars currently exceeds that of Qatar.

He said development of phases 17 and 18 will bring some two billion dollars annual income for the country.

The goals behind the development plan of South Pars phases 17 and 18 include a daily production of 50 million cubic meters of refined gas for the cross-country network and a daily production of 70 cu.ft of ethane gas for delivery to the National Petrochemical Company to be used as feedstock for the ethylene plant.

The project also aims at annual production of one million tons of liquefied gas as well as 27 million barrels of gas condensate for export and daily production of 400 tons sulphur as by-product of gas sweetening process.

The National Iranian Oil Company will finance the project and expenses will be returned through export of liquefied gas and gas condensates.

The two phases include drilling of two platforms with minimum equipment to control from the land each having 12 production wells. The wells, each with an average daily production of 100 million cu.ft, can be increased to 15.

Two 32-inch undersea pipelines each 105 km long to transfer produced liquids from platforms to the Asaluyeh refinery as well as a 4.5-inch pipeline for transferring chemicals used to control and freeze are among other installations of the project.

Thai, Chinese firms sign deals to develop Iran oil fields

Source: ***FWN Select***, 13 June 2005

The National Iranian Oil Co. (NIO.YY) has signed buyback contracts with Thai and Chinese companies on the exploration and development of the offshore Saveh and Kouh-Dasht oil blocks in northern and western parts of the country, an Iranian Oil Ministry official said Saturday at a press briefing.

The Thailand's PTT Exploration & Production company, or PTTEP, was put in charge of Saveh that covers an area 13,800 square kilometers south of Tehran in Central Province, said Mahmoud Mohaddess, director of NIOC's exploration.

He said the contract calls for the Thai company to spend a minimum of $14.5 million on seismological and well-drilling operations, a figure that could go up to $39 million if necessary.

The China National Petroleum Corp., or CNPC, will undertake the exploration and development of Kouh-Dasht in Lorestan Province, Mohaddess said. The block covers an area 8,240 square kilometers wide.

The Chinese company will have to spend a minimum of $18 million on the exploration and development of the block, which could rise to $51 million.

Mohaddess said the exploration and development period for the contracts is 10 years on which an another 15 years can be added for the return of the contract value and interest.

He said the contracts were signed last week and the contractors will undertake the jobs at their own risk should they fail to find a commercially viable field. The contracts on the two blocks are the first two of a total of 16 newly-defined oil blocks that were put on international tender in the Dutch city of Hague in the course of a two-day conference in January last year.

NIOC to develop Resalat, Reshadat oil fields

Source: ***Asia Pulse PTE Ltd***, 31 May 2005

National Iranian Oil Company (NIOC) has decided to develop Resalat and Reshadat oil fields through the buy-back scheme, it was reported on Sunday.

The Persian-language newspaper 'Eqtesad-e Pouya' quoted an NIOC director as saying the company has cancelled the tender to develop Resalat and Reshadat fields through the frameworks of engineering, procurement and construction (EPC) and will pursue the development of the fields through the buy-back scheme.

Abolqasem Hassani, the managing director of the National Iranian Offshore Oil Company, said the first EPC of Reshadat field had been defined for the construction of platform jackets, the second for the top-head structures of the field‘s platforms and the third for laying pipelines and installing power cables.

Hassani said the operations should have started in 2004 based on the basic planning for the development of the field.

Eqtesad-e Pouya report added that the development of Reshadat oil field can increase its crude production to as high as 85,000 barrels a day.

Also, once the facilities of Resalat oil field are rebuilt, the field can produce a daily 50,000 barrels of crude.

The platforms and facilities of Reshadat and Resalat oil fields were destroyed during the eight-year Iraqi imposed war by Iraq and the US.

Hassani stressed the US attacks had sustained the most damage to the platforms of the fields. Resalat and Reshadat were producing between 35,000 barrels to 40,000 barrels a day before their facilities were destroyed.

The International Court of Justice (ICJ) in a ruling in November 2003 announced that the US move in attacking Resalat and Reshadat oil platforms could not be justified.

Iran signs deal to export LNG to India

Source: ***Hayateno-e-eqtesadi Daily Newspaper***, 14 May 2005

Acting manager of the state-run National Iranian Oil Company Mehdi Hosseini says Iran has agreed to export liquefied natural gas (LNG) from Yadavaran Oil Field to India. In addition, Iran plans to acquire six liquefied natural gas carriers by 2010 to deliver gas to Asia.It agreed last year to sell China 250mn metric tons of LNG over a 30-year period. At least four phases of the 20-phase South Pars development will be devoted to LNG, producing the equivalent of some 100mn cu m of gas.

Iran's state-owned gas company will spend $15bn – or $3bn a year – through 2010 to lay new pipes and build gas compressor plants. The length of the gas pipeline grid will grow 50% to 30,000km.

Indian foreign minister has said his country will not be deterred by US opposition to a multi-billion dollar gas pipeline from Iran through Pakistan as it is imperative to meet the country's energy growing needs.

Against a backdrop of easing tensions between the nuclear-armed neighbors, Indian Oil Minister Mani Shankar Aiyer said in February he had won cabinet approval for resuming talks on the 2,600-kilometer (1,612 miles) overland pipeline. Aiyer also said he would visit Islamabad this month to discuss the logistics of the pipeline linking Iran's South Pars gas field to India via south-west Pakistan.

New Delhi would proceed with the project despite Washington's reservations made known by US Secretary of State Condoleezza Rice during a visit here in March. Rice offered talks on energy co-operation with India, which a State Department official later said would encompass civilian nuclear power as well.

Iran, the site of the world's second-largest natural-gas reserves, will double gas production over the next five years, shift its domestic economy to gas, and save oil for exports, a gas official said.

Gas will provide 72% of the nation's energy, up from 55% now, Azizollah Ramezani, the planning director at the National Iranian Gas Company (NIGC), told Bloomberg in an interview.

Iran's gas output should reach 700mn cu m a day in 2010, compared with 375mn cu m today, he said. "We've got plans to cover all the country's energy needs with natural gas,'' Ramezani said in an interview on the 15th floor of NIGC's headquarters in central Tehran. Out of these 700mn cu m of gas, 50mn will be for exports and "all the rest'' for domestic use, he said.

Switching to gas could help Iran export more crude oil, as it struggles to meet quotas set by the Organization of Petroleum Exporting Countries.

OMV makes first oil discovery in Iran

Source: ***OMV press release***, 14 January 2005

OMV has made its first oil discovery in Iran's western region of Zagros. OMV (IRAN) onshore Exploration GmbH, a wholly owned subsidiary of OMV, has completed its first exploration well. This encouraging well is the first drilled by OMV in the "Mehr" exploration block reaching a depth of 4,148 meters.

The "Mehr Block" with an area of 2.500 km² is located in the Khuzestan province. Subsequent testing of the reservoir yielded an average flow rate of 1,040 bbl/day of 22 deg API oil. In 2005 OMV plans to drill two more exploration wells on the same block in order to define the size of the oil field.

Helmut Langanger, OMV board member responsible for exploration and production, said: "This discovery provides the basis for further OMV exploration in this oil rich region. This is an encouraging find, underlining the excellent work of our people active in Iran and our use of leading edge exploration technology."

OMV, with 34% stake in the Mehr Block, acts as the operator of an international Joint Venture including Repsol YPF and Sipetrol (both 33%), and is looking forward to evaluating the commerciality of the field.

OMV owns a balanced international E&P portfolio in 18 countries organized around five core regions, namely the Danube and Adriatic, Northern Africa, the British North Sea, the Middle East and Australia/New Zealand. Due to the acquisition of 51% of Petrom, Romania's largest oil company, OMV's daily production volume is approximately 340,000 boe/d, and the company's reserves approximately 1.4 bn boe.