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Kingdom Awards Chinese Firm Gas Exploration Deal

Author:

Muhammad Al-Harbi, Arab News Staff

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DAMMAM, 28 January 2004 — Saudi Arabia yesterday awarded China Petroleum and Chemical Corporation (Sinopec) a contract for the exploration and production of natural gas in a 40,000 sq. km. area in the Rub Al-Khali or Empty Quarter. “The bids for the exploration and production of natural gas in area ‘B’ of the Rub Al-Khali were opened yesterday and Sinopec was the winner,” said a statement from Saudi Press Agency.

Minister of Petroleum and Mineral Resources Ali Al-Naimi signed the contract with Sinopec’s vice president but no details of terms or conditions were provided.

A new company, 80 percent owned by Sinopec and 20 percent by state-owned oil and gas giant Saudi Aramco, will be set up for the project, an Aramco official explained. A similar joint venture is being established with Russian firm Lukoil which on Monday won the bid to prospect and produce natural gas in an area totaling 30,000 sq. km. designated area ‘A’ by Saudi authorities north of the Empty Quarter.

The winning bid for the remaining area ‘C’, some 50,000 sq. km., will be announced today, the SPA quoted Al-Naimi as saying.

Lukoil hopes that it will be able to sign a final agreement with the Saudi authorities in March. The Russian company said the new joint venture with Saudi Aramco would be set up within a month. The area 'A' designated by the Saudi government in the Rub Al-Khali is rich in gas, Lukoil said, adding that its agreement with the Saudi government would last 40 years. Russian Ambassador to Riyadh Andrei Baklanov described Lukoil as one of the world's largest companies, adding that it accounted for nearly 20 percent of Russia's oil output. Last year it was able to increase its production by six percent. The ambassador said he expected Saudi Arabia and Russia to sign three new agreements this year in the areas of education, double taxation and investment promotion.

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