

Occidental wins Adnoc oilfield evaluation contract

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Occidental Petroleum has won a contract from the Abu Dhabi National Oil Company ([Adnoc](#)) to help evaluate the Hail and Ghasha oilfields, despite the American oil and [gas](#) company's uncertain commitment to the region.

Adnoc said in a statement via Wam, the state news agency, that it and Oxy would cooperate on a programme that would spend up to US\$500 million to run 3D seismic surveys, drilling appraisal wells and engineering studies to evaluate development prospects of the [fields by 2017](#).

It was not made clear how the expenditure will be split, but Saoud Mubarak Al Mehairbi, the Adnoc exploration manager was quoted in the statement as saying: "Oxy will provide manpower support in form of 'secondees' ... and will organise a number of training courses to provide human resources development opportunities."

Neither of the companies could be reached for further information on the prospective area, but previous geology evaluations have put the Hair Dalmah and Ghasha structures in the central offshore area, and associated them with natural gas rather than oil.

The agreement comes soon after Oxy's completion of its \$10 billion Al Hosn project to bring sour (high in hydrogen sulphide) gas from the Shah field in the south of Abu Dhabi. The first gas started to be delivered from the project early last month.

Although Oxy's share of production from Al Hosn will be a significant part of its output growth this year, Stephen Chazen, the Oxy chief executive, said recently that the company was open to selling at least some of its share in the project.

When asked by an investment analyst last month to evaluate Oxy's future with the project, he said: "We have already spent the money so there is not really much capital [spending required] going forward," apart from a small expansion next year."

He added: "Putting aside a [poor] [oil](#) price environment, it will probably generate about \$300m of free cash, maybe up to \$600m if there's a good run, per year. So if you multiply it out by the 25 years that remain, roughly, you get between \$7.5bn and \$12.5bn of cash generated over the 25-year period. For a company that pays a lot of dividends, having that sort of asset makes good sense to us. If, on the other hand, for a variety of reasons, somebody wanted to buy 20 per cent, 30 per cent of it, to free up cash for something that maybe works better, I guess we're open to that."

Oxy had a plan to sell 20 per cent of its Middle East assets for \$8bn to a consortium of government investors, which included Qatar and the UAE. But that was scuppered last year over a political dispute within the consortium.

There have been persistent rumours since that Oxy is near a deal to sell a number of its regional assets, which include a stake in the Dolphin gas

project that brings gas from Qatar to the UAE.

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