

**12.03.2004****Kingdom Signs Mega Gas Deals (Arab News)**

RIYADH, 8 March 2004 — Minister of Petroleum and Mineral Resources Ali Al-Naimi yesterday signed a landmark gas exploration contract, worth SR3 billion in the first phase, with international oil giants for upstream gas exploration and production in the northern Rub Al-Khali or Empty Quarter.

The companies are Russian, Chinese, Italian and Spanish, and cooperation in gas will help forge ties with these countries in other areas, according to Al-Naimi. "There is no question cooperation in the economic field has the secondary benefit of increasing total cooperation in many fields. We have strong relations with Russia. We have had excellent cooperation in managing the stability of the oil market," he said.

The signing ceremony for the contracts with Lukoil of Russia, China Petrochemical Corporation (Sinopec) and a consortium comprising ENI (Italy) and Repsol YPF of Spain took place at King Faisal Conference Hall.

The agreements were signed on behalf of their companies by Vagit Alekperov, president and CEO of Lukoil, Wang Jiming, vice president of Sinopec, Vittorio Mincatto, CEO of ENI, and Alfonso Cortina, chairman of Repsol YPF, and Abdullah S. Al-Jumaah, president of Saudi Aramco.

Under the agreement, which is of ten-year duration for the first phase, the companies will carry out exploration of non-associated gas in areas designated A, B and C. Lukoil will take over A with 30,000 sq. km, while Sinopec was awarded B with 40,000 sq. km. The ENI-Repsol consortium won C with nearly 52,000 sq. km.

Al-Naimi expressed hope the projects would be rewarding for all sides, stimulate economic development, and create job opportunities for Saudis. "As many as 35,000 job opportunities will arise once the projects move into the production phase at the end of the exploration phase," he said.

Exploration alone would need SR3 billion in investment from the four international partners. The Kingdom currently produces seven billion cubic feet of gas per day through its five gas plants at Hawiyah, Haradh, Shedgum, Berri and Uthmaniyah.

By 2025 the expected demand would surge to 14 billion cubic feet. "Our first priority is to satisfy the local demand before looking for export opportunities if additional capacity is available," Al-Naimi said.

Saudi Aramco will be a partner in the three ventures holding 20 percent of the stakes in each of the three projects. Russia's Lukoil has committed \$215 million for the first phase, while other companies did not disclose how much they would invest.

The contracts will run for a maximum of 40 years. Al-Naimi said: "Efforts are under way to provide the Chinese market with petroleum products through investment in joint venture refineries." Sinopec sources said the cost of geophysical exploration would work out to \$4,000 per sq. km.

Absent from the first upstream opening since oil and gas were nationalized 30 years ago are any Americans. ChevronTexaco unsuccessfully bid for one of the three blocks offered in a bidding process industry sources and analysts said was open and fair.

Super major ExxonMobil (XOM), the biggest foreign investor in Saudi Arabia with \$5 billion in refineries, walked away from an earlier incarnation of the current deals.

Asked about the exclusion of American firms from the contracts, the minister said they were "already present in the Kingdom and are among the biggest investors."

He said the contracts were awarded on the basis of competitive bids and the experience and expertise of the winning firms. There were no other criteria, he added.

Alekperov said Lukoil during the first five-year exploration period will drill a minimum of nine exploration wells and acquire 8,750 line km of 2D seismic.

He said investment in the Kingdom would be a priority within the framework of their international strategy.

Vittorio Mincatto, CEO of ENI, said he was impressed by Saudi Aramco's "first-class technical capabilities, their huge resources, their professionalism, and their highly qualified staff."

Alfonso of Repsol also paid tribute to Saudi Aramco's professionalism.

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