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Royal Dutch/Shell, Total Sign Gas Exploration Deal

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JEDDAH, 17 July 2003 — The Royal Dutch/Shell group of companies and Total yesterday signed an agreement with Saudi Arabia estimated to be worth \$2 billion to form a joint venture with Saudi Aramco for the exploration of gas in an area of 200,000 sq km in the southern part of the Rub Al-Khali.

This is the first success reported in long-stalled negotiations over a giant Saudi gas initiative.

Saudi Oil Minister Ali Al-Naimi and Jeroen van der Veer, a Shell vice chairman, agreed to the deal during a meeting in Riyadh that was also attended by Alain Lechevalier, a vice president of France's Total SA.

"This represents a vital step and a vigorous start to international investment in gas exploration and development in the Kingdom," the Saudi Press Agency quoted Naimi as saying.

The deal comes as a pleasant surprise to oil and security expert Nawaf Obaid. “This is a solid start to opening the world’s most important energy source, and is a step in the right direction,” he told Arab News.

Shell, as leader of the consortium, will retain a share of 40 percent in the new joint venture, with Saudi Aramco and Total having a 30 percent share each.

Van der Veer commented: “This agreement is an important breakthrough as it heralds the first time after the creation of Saudi Aramco that international oil companies have gained access to gas acreage in the Kingdom of Saudi Arabia, holder of the world’s largest reserves of oil and gas. Shell, on behalf of the consortium, is naturally proud to be part of this historic moment.”

The new Royal Dutch/Shell group agreement comes barely a month after Saudi negotiators terminated discussions on a \$15 billion gas project with a consortium led by Shell’s arch-rival ExxonMobil. Exxon and Saudi Arabia could not agree on financial terms.

Saudi Arabia is hosting a road show meeting on July 22 and 23 in London to showcase the other gas exploration opportunities on offer, for which a considerable number of petroleum companies from Europe, Asia and North America have been invited

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The selection of these companies is based on their experience in the field of exploration and production of natural gas as well as financial position allowing them to support a venture of that magnitude.

“The ministry will offer through a specific timetable other promising areas to international oil firms on clear competitive and transparent basis” that fulfills the Kingdom’s interests in natural gas exploration and production”, Al-Naimi said.

The original NGI concept was for integrated packages of upstream, midstream and downstream projects, but the London meeting will focus on gas exploration only.

Current gas production in the Kingdom is around six billion cubic feet daily but is due to be around 10 billion cubic feet per day by 2010.



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