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Kuwait to tender offshore exploration contracts



Offshore platforms serving the Khafji field. (Kuwait Gulf Oil Co.)

Verity Ratcliffe /
London



KUWAIT OIL CO. (KOC) will tender contracts to carry out offshore exploration drilling at six locations in 2018, according to sources close to the company.

KOC may hope its offshore exploration programme will complement ongoing onshore activity to help support its long-term domestic gas needs and oil exports.

The exploration programme has been delayed several times. KOC Chief Executive Jamal Abdulaziz Jaafar told at a conference in Kuwait City in April 2016 that the programme would take place in March 2017.

“KOC intended to launch the exploration [programme] in 2016, but the low oil price environment caused it to be delayed,” said Justin Dargin, a Middle East energy expert at the University of Oxford.

Three specialist drilling companies have been invited to bid for the contracts – Schlumberger, Baker Hughes and Halliburton. Kuwait has approached the companies to tap into their exploration experience. “It’s logical that Kuwait would ask the major companies to participate. These companies have a great deal to do with offshore,” a source at KOC told *Interfax Natural Gas Daily*.

“Kuwait does not have significant experience with offshore field development, therefore it

required international expertise to move ahead,” said Dargin. “In particular, Kuwait desired the technological and technical expertise that these companies have.”

Many more companies will be involved at a later stage through subcontracts, according to KOC.

KOC has been able to launch the tender without going through Kuwait’s Central Tenders Committee, which typically manages tendering for Kuwaiti projects. A law passed in 2016 allows certain contracts, including those for oil and gas rigs and platforms, to bypass the committee.

The new law was intended to expedite the tender process. “Under the former Tenders Law, there were often significant delays due to the obstacles of appointing an agent and registering agencies that would allow a foreign entity to tender for projects,” said Dargin.

“Many in the Kuwaiti government felt that oil projects are time sensitive and the granting of the licensing rounds should be expedited [...] In short, the new Tenders Law allows foreign investors to bid upon projects directly without the requirement of having a local agent,” he added.

Cost reduction

Although Kuwait had intended to carry out its exploration programme earlier, the initial delay has helped to reduce costs.

In 2014, KOC expected the exploration programme to cost \$1.0-1.5 billion, but rig costs have fallen since then because of reduced demand as a consequence of low global oil prices. The cost of Kuwait’s offshore exploration programme is therefore likely to be lower than initially anticipated.

Lower equipment costs have spurred Kuwait’s onshore oil and gas programme throughout the downturn. The number of operational rigs in Kuwait averaged 30 per month in 2013. By 2015, the average was 47 and in 2017 the number rose to 54, according to data from Baker Hughes.



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Oil refineries in Kuwait. (Ken Doerr/Flickr)

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KOC opened bidding for several packages in connection with the Jurassic gas project in September, including the construction of a central processing facility, pipelaying and other works. The Jurassic gas project aims to increase production from the North Jurassic Gas Facility from 5 million cubic metres per day (MMcm/d) to 17 MMcm/d. The work is estimated to cost KWD 1.1 billion (\$3.6 billion).

Kuwait's exploration programme is part of its overall strategy to increase oil production by 700,000 barrels per day over the next few years. It is also keen to secure gas supplies, which it is

Further reading

MIDDLE EAST E&P

Kuwait's KOC launches tenders for Jurassic gas project

The wheels are starting to turn again for Kuwait's Jurassic non-associated gas project thanks to a flurry of construction tenders.

MIDDLE EAST E&P

Kuwait banks on Jurassic gas bonanza

Kuwait's non-associated gas production is rising, which will reduce the country's reliance on imported LNG and associated gas output.

currently short of, therefore forcing it to burn oil to produce power. Kuwait has been importing LNG since 2009 and its land-based terminal at Al-Zour is scheduled to start up in 2021.

KOC parent company Kuwait Petroleum Corp. and Shell announced at the end of December that they had struck a 15-year LNG supply deal starting in 2020. Shell has supplied Kuwait with LNG since 2010. Kuwait is also negotiating with Iraq for the supply of piped gas to act as payment-in-kind for reparations in connection to the invasion of 1990. ■

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Energy front-month futures, 5 January

	Close	% change
Brent Crude, \$/bbl	68.07	0.34
WTI Crude, \$/bbl	62.01	0.62
Henry Hub, \$/MMBtu	2.88	-4.26
NBP, p/th	54.24	-0.82
TTE, €/MWh	19.20	-0.57
Gaspool, €/MWh	18.91	-0.75
NCG, €/MWh	19.51	-0.31
CSX Coal, \$/t	65.05	-0.15
Newcastle Coal, \$/t	104.95	1.11
South China Coal, \$/t	84.75	1.38

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