

# BP signs new deal

**BP** was one of eight major oil companies to sign an historic deal allowing international oil companies to take part in upstream investment in Saudi Arabia for the first time in more than 25 years.

The deal signed in Jeddah on 3 June comprises three major exploration and production concessions named Core Venture One to Three respectively. **BP** will form part of a consortium with ExxonMobil, Shell and Phillips to take on the largest of these projects, Core Venture One. Out of an estimated \$25 billion which could be invested in the three Core Venture projects, approximately \$15 billion could be spent on Core Venture One of which **BP**'s share is expected to be almost \$4 billion. ExxonMobil will lead and operate the consortium with a 35 per cent interest in the venture while **BP** and Shell both hold 25 per cent and Phillips holds 15 per cent. This project involves the finding and developing gas reserves in an area of more than 100,000 square kilometres in North Rub al-Khali (Blocks 69-79) in the east of the Kingdom, an area almost the size of the United Arab Emirates. The site lies south of Ghawar, the largest oil field in the world.

The project also involves processing and transportation of gas and the planned development of two large petrochemical plants at Jubail on the Gulf coast and Yanbu on the Red Sea coast. It is intended that the dry gas will be used at two 2,000 megawatt power stations and water desalination complexes to be developed by the consortium.

The Core Venture projects form part of the Saudi natural gas initiative launched by HE Crown Prince Abdullah, in 1998. His invitation to US companies to get involved in Saudi Arabia was soon followed up by a similar invitation to European companies. Foreign companies had been allowed no part in upstream investment since the nationalisation of Aramco over 25 years ago.

Lord Browne, **BP** Chief Executive was in Jeddah for the signing of the historic deal. "For **BP**, this is a new and exciting venture," he explained. "We have never had a significant presence in the Kingdom before. So we consider we have secured a tremendous prize and look forward to working with all concerned to make this a very successful project."

The consortium members were picked by the Saudi Government during a competitive process that included questionnaires and presentations. Though

the final project structure has yet to be confirmed, it is expected that all four companies will share interests in the entire chain of development, from well-head to end-user.

According to Andrew Barton, **BP**'s Chief Representative in Saudi Arabia, the deal will significantly boost **BP**'s standing in the Kingdom. "ExxonMobil and Shell already have significant assets within the Kingdom whereas **BP** has only relatively small joint venture businesses in lubes, solar and aviation fuel. With this in mind I think to end up with a 25 per cent stake in this massive project is an excellent result for **BP**. It is a fully integrated project and involves the upstream, gas and power and chemicals stream working together as a team."

Though the initial invitation to participate came in September 1988, Andrew admits that recent rapid progress has been remarkable and illustrates the commitment of the Saudi government to the projects. "The Saudi Government set up the Supreme Petroleum Council in January 2000 and delegated a negotiating team to progress the gas initiative with the international oil companies. A fast timetable was set for deciding what should be included in the initiative and which companies should participate. By May of this year, decisions had been made on both these issues and preparatory agreements prepared for signature by the oil companies. "Core Venture Two will also be headed by ExxonMobil and involves exploration in the northern Red Sea and the development of the Midyan and Barqan gas fields. Shell will lead Core Venture Three, which involves gas exploration in the south of Rub al Khali and the development of the Kidan gasfield.

Lord Browne said: "We are delighted to be involved in one of the largest integrated gas development projects in the world. And this may only be a start if we are successful in finding gas in substantial quantities."

This is a statement that Andrew Barton fully agrees with; "It is a very demand driven project," he added. "The Kingdom needs to grow its energy infrastructure to stimulate their economy and we can help them do that."

"The Saudi Arabian Government have also said that this is the first of a number of opportunities to help grow the Saudi economy that **BP** could participate in so other projects may follow."



**Andrew Barton**  
BP's Chief Representative in KSA

**Below: Lord Browne signing the new agreement**

