

SPECIAL REPORT
Potential of
Renewables



UNCONVENTIONAL GAS
Keys to Unlocking Shale Gas



SPECIAL REPORT
Cold War over
the Arctic

Oil & Gas review

Sep-Oct 2011

An
**Oman
Economic
Review**
Presentation



DELIVERING ON ALL COUNTS

**Petrogas has ambitious
plans to grow its
E&P business**

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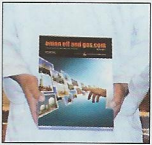
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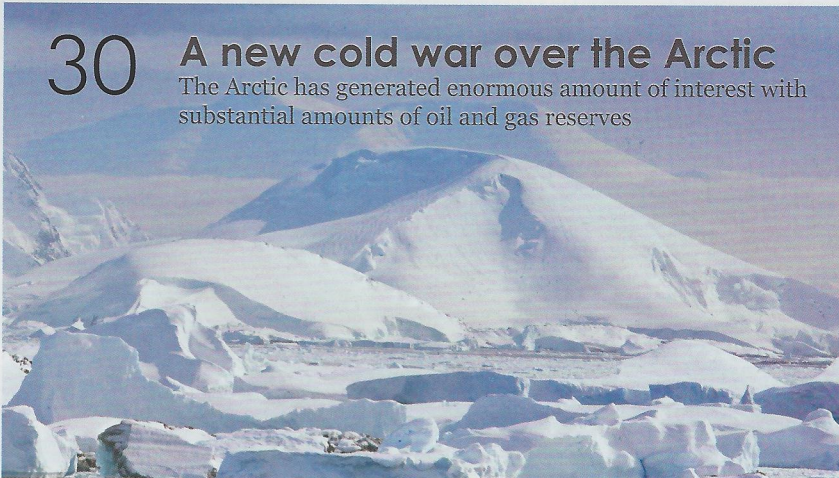
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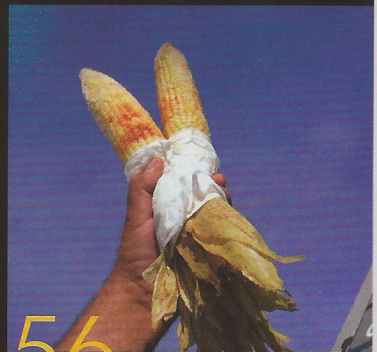
BP Oman plans to invest \$15 bn in block 61 to tap natural gas potential



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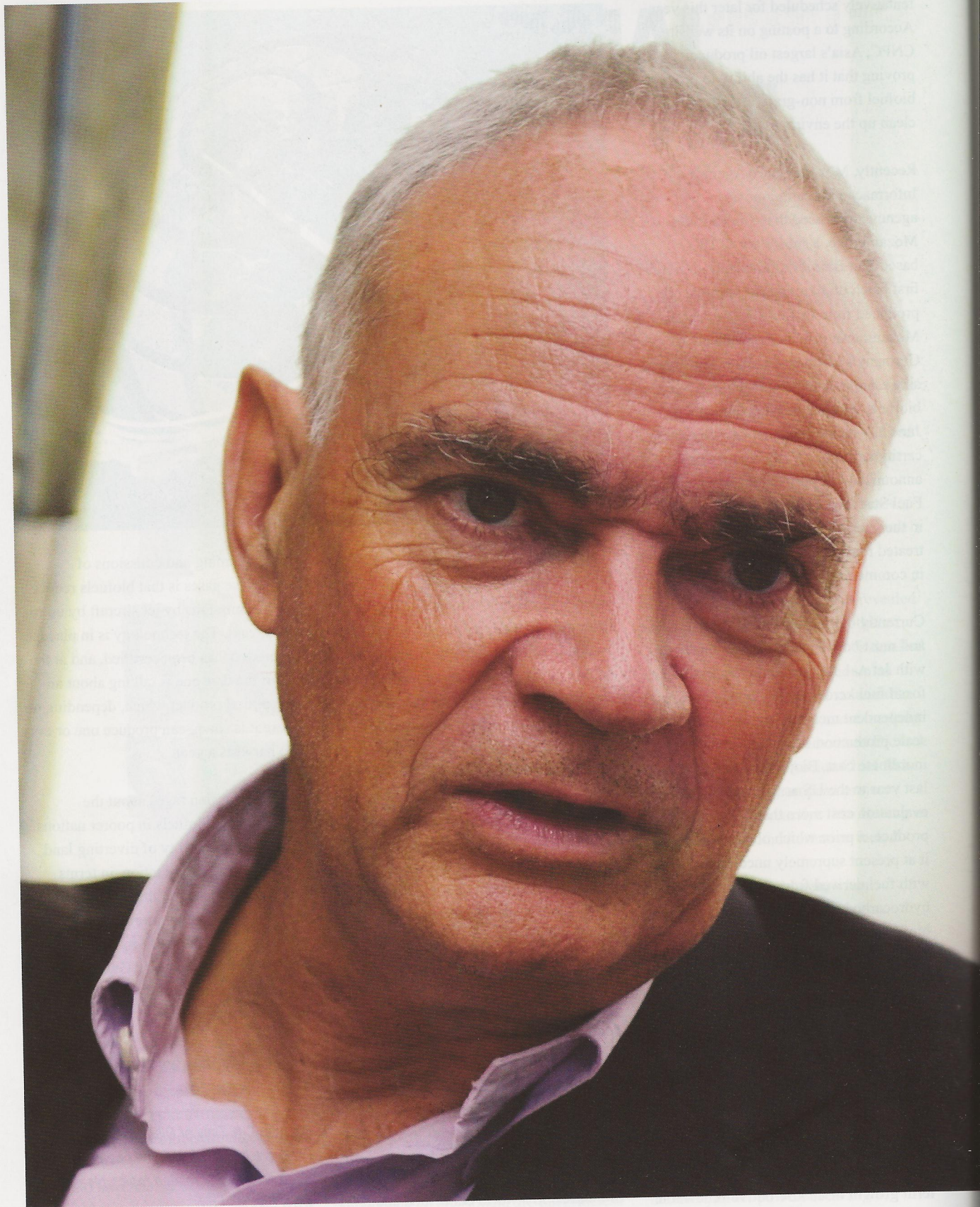
Economic chaos saw crude prices dropping sharply in August, with no signs of recovery



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The potential of renewables

BP believes that renewables – specifically Biofuels – have an important role to play in any future energy mix



PETROGAS E&P: AN IMPRESSIVE ACHIEVEMENT, BUT THE BEST IS YET TO COME

Petrogas E&P has an enviable track record when it comes to maximising value from mature, undeveloped and underdeveloped fields. Jean Denis Bouvier, Chief Executive Officer of Petrogas E&P, speaks to Sunil Fernandes on Petrogas' success stories, focus areas, technology, people, future plans and more

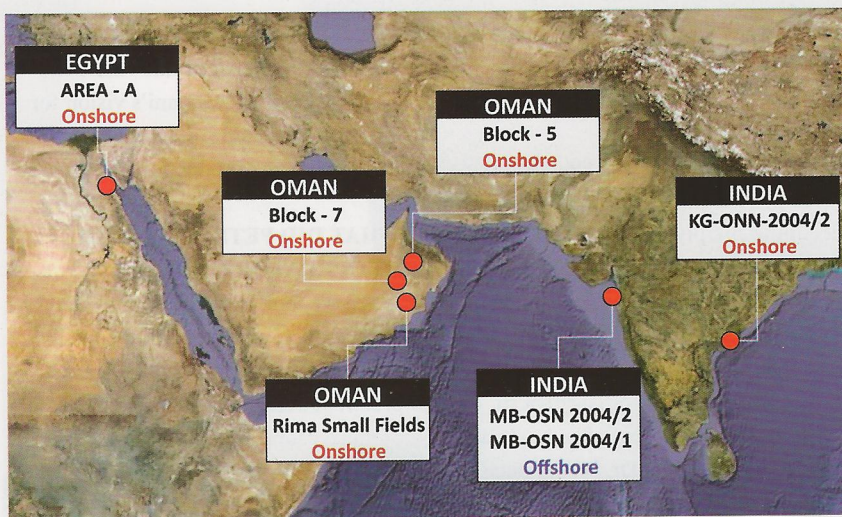
PETROGAS HAS COME A LONG WAY SINCE IT ACQUIRED BLOCK 7 IN 1999

We acquired Block 7 in 1999 at a time when production from this asset was declining sharply and the price of crude oil was a mere \$10 per barrel. Block 7 was operated by a major international oil company and had become naturally too small to warrant its focus in terms of manpower and governance, or to carry the overheads associated with an IOC. Our Chairman, Dr. Mohammed Al Barwani who is a reservoir engineer by background, always wanted to venture into Exploration and Production and this was the opportunity to fulfill his ambition. Today, Petrogas produces over 50,000 barrels of oil per day (bopd) with activities in Oman, Egypt and India. And we have a pipeline of organic growth opportunities which will add material reserves, production and revenue growth in the next five years. We are very active on the new venture front and there is no doubt that several assets will be

added in future. All of this vindicates Dr. Mohamed Al Barwani's vision for Petrogas to become an international exploration and production player.

WHAT DID PETROGAS ACHIEVE AS OPERATOR OF BLOCK 7 ?

When we took over Block 7, the field was producing around 2,500 bopd. For the next few years we increased production to 3,000 bopd and have since produced some nine million barrels of oil from the concession adding two producing fields and drilling several exploration, appraisal and development wells. You should realise that this Block is relatively remote at the edge of the empty quarter and production is from some of the deepest oil zones in Oman. This means that the cost of new wells is correspondingly high. Most of the wells and the facilities are also 20 to 30 years old and need loving care and attention to keep them going. Petrogas is now focusing on cost control and operational efficiency in order to squeeze the last



technically recoverable barrels from these fields. There is unfortunately not universal appreciation for the work that has been done because the profits generated are modest, but Petrogas is enormously proud of its achievements at Sahmah and the work we are doing sets the scene for oil and gas activities in Oman in the decades to come when many other fields will be approaching the end of their productive lives.

WHAT ARE THE OTHER ASSETS THAT YOU SUBSEQUENTLY ADDED TO PETROGAS' PORTFOLIO ?

After acquiring Block 7, Petrogas had an opportunity to bid for Block 5 where the previous partners found it difficult to invest in secondary recovery. We won the bid and invited China National Petroleum Corporation (CNPC) to become a 50 per cent partner. We

created an operating company called Daleel Petroleum and this company is jointly managing the block on behalf of shareholders.

I UNDERSTAND YOU HAVE BEEN ABLE TO CONSIDERABLY INCREASE PRODUCTION FROM BLOCK 5

You are correct. When Daleel Petroleum took over Block 5 operations, it was producing 5,000 bopd. Today, production exceeds 32,000 bopd, and I believe that the best from Daleel Petroleum is yet to come. Year-on-year, we have added reserves on account of excellent water injection and artificial lift performance, successful appraisal and new satellite discoveries. With more than 100 million barrels of remaining reserves reaching a production level of 50,000 bopd within the next few years is feasible.

YOU ALSO BEGAN TO LOOK AT OPPORTUNITIES GLOBALLY

In 2006, realising that we probably



could not secure growth from operating in Oman only, we ventured into India and acquired 20 per cent equity in 3 Exploration blocks offered by the Government of India under its National Exploration Policy VI. In addition to finding commercial oil and gas, there were other considerations underpinning this venture, namely acquiring the experience and credentials as an Offshore Operator and accessing the talent pool of highly qualified Indian E&P engineers and geoscientists.

While the jury is still out on the first objective as the first three of the nine commitment wells have come in dry, Petrogas has operated its first two offshore wells without incident and with all geological objectives conclusively tested, giving us offshore operator credentials. This is particularly important for our future growth as we are now qualified to pursue offshore assets opening up a wider portfolio of

international opportunities. And we have also been extremely fortunate with our recruitment effort as several national recruits have become, in the meantime, major contributors to Petrogas' success.

WHAT ABOUT PETROGAS' EGYPT OPERATIONS ?

In 2007, we acquired a 30 per cent interest in a service contract, operated by Kuwait Energy Egypt, to redevelop several old fields and carry out exploration in Area A, onshore Gulf of Suez. Production was at the time 2,500 bopd, but a year or so later through a combination of astute workovers in existing fields and fast track development of an exploration discovery, production had risen to 7,000 bopd.

This success combined with our offshore track record in India has definitely put Petrogas on the map as an international exploration and production company.

THE SERVICE AGREEMENT WITH PDO FOR THE DEVELOPMENT OF THE RIMA SMALL FIELDS IN OMAN HAS BEEN YET ANOTHER SUCCESS STORY

Absolutely, as it turned out it has been an unmitigated success. In 2008, Petrogas was awarded this service agreement for the redevelopment of nine small producing fields and nine unconnected accumulations located in South Oman. Oman Oil Company is our partner with a 25 per cent interest. When we took over operations, the Rima cluster of fields was producing 2,200 bopd. After assembling and studying the subsurface data and contracting all the required services, Petrogas Rima began drilling late in 2008. Over a period of two years more than 50 new wells have been drilled raising production to over 13,000 bopd. Three unconnected accumulations have also been brought on-stream producing oil that had been stranded for two decades. What is even more exciting

is that the new well results have generated over a hundred further well locations which should allow still higher levels of production. We believe that production in excess of 20,000 bopd may be achievable in the next couple of years.

HOW DO YOU EXPLAIN THAT PETROGAS HAS DONE SO WELL IN THESE PROJECTS ?

The E&P lifecycle often commences with large IOCs or NOCs undertaking costly high risk exploration and, upon success, investing in building infrastructure to develop the fields. Eventually production declines and new discoveries become smaller, rendering further activities immaterial for them as they need large discoveries or Enhanced Oil Recovery projects to replace their reserves. Such large discoveries or EOR projects require significant investment and technology that only large IOCs and NOCs possess and

which increasingly command their full attention to the detriment of chasing conventional tail-end production, thus creating opportunities for smaller independent companies.

That is where Petrogas comes in with less process and more focus on squeezing out the last remaining barrels from these "mature" fields and undeveloped resources. We will continue to produce material quantities of conventional cheap oil in the near future, wherever we are given a chance, while creating employment as well as developing and retaining in the region we operate competence, experience and technology specific to late-life assets.

GOING FORWARD WHAT ARE YOUR PLANS IN OMAN ?

We continue to look for exploration opportunities as and when they are offered by the Ministry of Oil and Gas. Given

the success of Petrogas Rima, we hope that PDO and The Ministry will find encouragement to offer more service agreements of this type in the future. Petrogas will be a bidder if we think the assets offer opportunities for value creation.

WHERE WOULD THE NEXT LEG OF GROWTH IN PRODUCTION COME FROM ?

With a production target of 50,000 bopd for Block 5 and 20,000 bopd from PDO Rima cluster of small fields and possibly 10,000 bopd from Egypt, our gross production from current assets could reach 80,000 bopd within the next few years. However, for further growth, we will need to add production either through exploration success or by the acquisition of reserves and production.

DO YOU HAVE ANY PARTICULAR COUNTRIES IN MIND ?

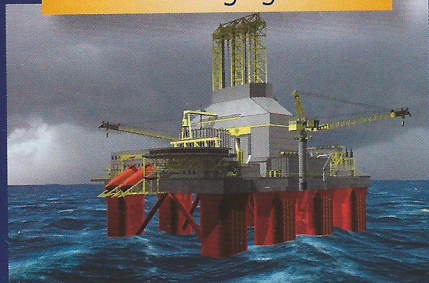
Yes, Petrogas is focusing its search for



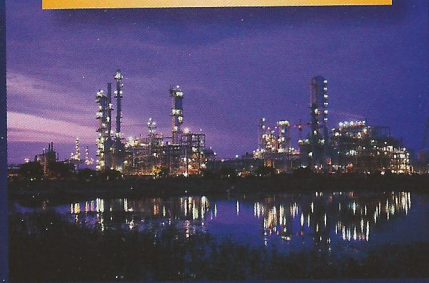
JOTUN

Protective Coatings

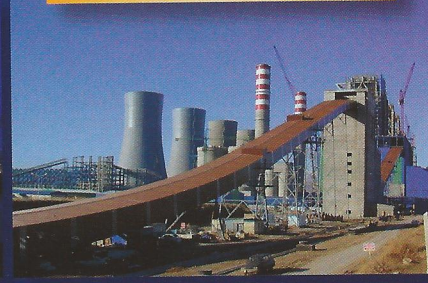
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new assets in North Africa, the Middle East, the Indian subcontinent and Asia building on the presence of MB Holding sister companies active in these regions.

Geographical focus, building on local expertise to identify assets, carrying out technical due diligence and appropriate project economics are pre-requisite steps for successful acquisitions. Since the beginning of the year, Petrogas has established a New Venture group, whose specific scope of work is to implement this process in a systematic manner to maximise the chances of adding new 'jewels' to the Petrogas portfolio.

PETROGAS IN NUMBERS (MID 2011)

Production Gross	54,000 bopd
Production Working Interest	28,000 bopd
Reserves (2010)	Approx. 100 MM bbls
Expenditure (2010)	USD 170 MM
Staff	+/- 400

ARE YOU SATISFIED WITH YOUR OWN HSE PRACTICES ?

Since the inception of Petrogas we have focused year on year on improving our HSE record. I could not say that I am happy with where we are, as long as we still have incidents. We are certainly taking steps towards goal zero and will continue to work hard until we get there.

COULD YOU ELABORATE ON PETROGAS HUMAN RESOURCES DEVELOPMENT AND OMANISATION ?

Omanisation across the board for all Petrogas affiliates and subsidiaries is at

some 80 per cent, with Petrogas LLC (Block 7) and Petrogas Rima at around 90 per cent. We are very proud to have recruited and developed a good number of fresh Omani graduates in geosciences, petroleum engineering, engineering, HSE and HR, and all have shined in their roles. Yet our Omanisation effort is not externally driven but because up to say 90 per cent, with an appropriate development and training program in place, Omanisation serves the business best. For example our accounting department is 100 per cent Omanised, though I often hear skeptics completely arguing against this possibility. Yet, I would like to state once more that as an International company Petrogas will always need and benefit from an element of diversity in its workforce to develop creative and innovative processes and solutions.

HAVEN'T HIGH OIL PRICES AIDED A COMPANY LIKE YOURS ?

I am very aware that Petrogas has benefited from the oil price increase since its inception. It has benefited all companies in the petroleum sector,

E&P upstream and oil & gas service companies, and yet a number have failed. What I can say is Petrogas business model focused on acquiring and producing reserves with an appropriate level of Fairway Exploration, with all financial commitments covered by production cash flows and modest financing combined with superior investment and expenditure discipline has served us well.

ARE YOU HAPPY WITH OIL PRICES IN THE RANGE OF USD 80-100 PER BARREL OF OIL ?

As CEO of an exploration and production company, it makes one's life much easier than if it was much lower. Yet, the main question is: Is this price range appropriate for the global economy ? The Petroleum industry has grown to be highly adaptable as we had to live through many "boom and bust" cycles. But volatility is inefficient and costly to manage. What we need is

HUMAN RESOURCES: SETTING A BENCHMARK

Petrogas has an unparalleled record when it comes to human resources development, which is why the company has an annual labour turnover that is low. Unlimited growth opportunities, excellent skills development, superior mentoring and training, have all facilitated the growth of human resources at the company.

Petrogas sees its employees as the largest enablers of its success.

It is a source of pride and a key success factor at Petrogas to have achieved a work environment basically devoid of politics ensuring that its employees sincerely contribute to both the success of the company and, by inference, to

their own success as professionals and individuals. The company lives by its motto, "Grow with us", which is why employees of Petrogas have grown with the company as professionals and individuals.

Thanks to Petrogas' continuous growth, employees have been given the opportunity to take on more and more responsibilities, which has forced them to constantly acquire new skills and competence while gaining in experience and material benefits. This has given them and their families the opportunity to adopt higher standards of living, but, most importantly, they can now afford good education for their children who, in turn, will contribute to raising the standards of Oman's human resource capability.

stability around a price range that can support the highs and lows of the global

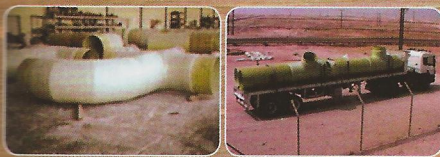
economy and allow for investments in sustainable energy resources.

COMPOSITE PIPES INDUSTRY LLC

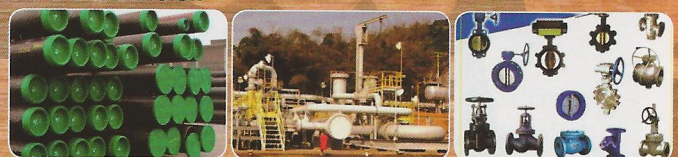


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