
J Ray McDermott bags USD 1.2 billion Aramco contract

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MEED reported that UAE based J Ray McDermott has won a construction contract for the platforms and pipelines package at Saudi Aramco's Karan gas development after the contractor reduced its original bid by more than USD 100 million.

A source said that the company won the contract for about USD 1.2 billion after being approached by the client for a lower bid. It said that "They submitted the initial bid last year and then came back with a lower offer after the client initiated a discount." It also said that the initial bid was made during peak prices seen in 2008 before oil and commodity prices tumbled. An exact figure for the original bid is not known, but the reduction is believed to have been in excess of USD 100 million.

J Ray McDermott declines to comment on the contract, but industry sources in the kingdom said that a formal announcement is expected by February 29th.

The scope of the project covers two flare structures and bridges, three natural gas processing platforms, up to 10 well head platforms and a 36 inch export pipeline measuring 110 kilometers. Last year, Aramco decided to increase capacity at the field by more than 50% as it aims to keep pace with soaring domestic demand.

The offshore field, which is understood to contain more than 9 trillion cubic feet of gas, was originally slated to produce 1 billion cubic feet a day but this figure has been increased to 1.8 billion cubic feet per day. Aramco has recently targeted cost cuts on a number of projects, including a USD 2 billion reduction on the overall Karan development, originally valued at USD 10 billion plus and a reduction of USD 1.2 billion on the company's joint venture refinery with France's Total at Jubail, from an original estimate of around USD 10 billion.

(Sourced from MEED)

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