
Sinopec drills 7th Saudi gas well

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Reuters reported that Sinopec Group is sinking a 7th exploration well in Saudi Arabia to hunt for natural gas after the previous 6 found no flows of commercial value, partly due to low gas prices.

The executive said that Sinopec will complete drilling of the last well by about October but with costs far exceeding an original projection of USD 300 million. Under a pact sealed in early 2004 with state run Saudi Aramco, Sinopec agreed to drill seven wells over a contract period of 10 years.

The official who is close to Sinopec's overseas operations said that "We are drilling the last well now. One of the previous ones barely struck any gas. The rest found a small amount of flow but with no commercial value, as the agreed gas prices were too low."

He said that "All the foreign firms accepted that price. But you need to strike a high yield discovery to make it economically viable."

Firms including Royal Dutch/Shell, French Total, Spain's Repsol, Italy's Eni and Russia's Lukoil were drawn to hunt for natural gas in the vast Empty Quarter in 2003 and 2004 in the world's largest oil producer, where domestic gas demand is surging.

Sinopec Group, parent of Asia's largest refiner Sinopec Corporation formed a JV with Aramco, Sino Saudi Gas in early 2004 to explore a 38,000 square kilometers block in the South Ghawar region in the eastern part of Saudi Arabia.

Sinopec owns 80% of the venture and Aramco 20%.

(Sourced from Reuters)

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