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1. Country Brief: About Kuwait

The state of Kuwait is located in the Middle East, in the Northern part of the Arab Peninsula. It is bordered in the East by the Arabian Gulf, in the South and South-West by the Kingdom of Saudi Arabia, and in the North and North-West by Iraq. Kuwait has several islands, the biggest of which is Bobyar, and the smallest is Failaka, which is distinguished with its ancient monuments, and is relatively inhabited.

Since ancient ages, Kuwait was never void of inhabitants. Buried monuments revealed from time to time provide us with material proves of the same. The name "Kuwait" was known when Mohamed Bin Uraier (Emir of Bani Khaled Tribe) ordered one of his assistants to build a "Kuot" (an edifice) before about three hundred and fifty years, to use it as a store for weapons, ammunition and provisions whenever he wishes to invade the tribes of Iraq or stay in the area of Kuwait. When bin Uraier saw the building was smaller than he wanted, he reprimanded his assistant saying: (I told you to build a "Kuot" (edifice) and not a "Kuwait" (small edifice)". There from came the name.

The first to rule Kuwait form Al-Sabah Family, who are basically "Otoob", dating back in origin to "Enza" troop, originally situated in "Najd", is Sabah Bin Jaber or Sabah the First, who took over the rule in the middle of the eighteenth century.

The common feature among immigrants to Kuwait is their longing for freedom. They established their new society based on this concept, which indeed rooted freedom as a concept, and even made it one of the Kuwaiti characteristics.

Kuwait has a rough desert weather, which is not valid for agriculture, except for some little scattered oasis. Therefore, Kuwaitis aimed at the sea for living, where their ships sailed, and where they themselves dived for pearls till they became of its major traders. They traveled with their ships brimful of dates, rice, vegetables, grains, wood, dresses, and utensils, to East Africa, where they used to sell their staff and come back with different items. Ports of Basra, Aden, India, and East Coasts of Africa had known the Kuwaiti ships, which were considered as their window to the external world.

Due to its distinguished location, Kuwait formed a point of commercial exchange among countries, where goods used to be received from Iraq and Syria, and be re-exported to countries of the East, and East African Coasts.

Oil was firstly discovered in 1938, and the first shipment was exported in 1946. Oil discovery was not the first brick in Kuwait economy. However, it came to complete and assist the long course of Kuwaiti people since their country was associated before about two hundred years, i.e. the flow of petrol did not change in the Kuwaiti style of life but as much as required by the natural graduation of change of time.

The sea shaped the past of Kuwait, and oil is shaping its present, but above that past and this present there was one master, who managed to subdue the waves of the see in the past, and the power of the oil in the present, free as ever been and as will always be, lightening the future with hope; it is the Kuwaiti national himself.

Map



Fig 1. Map of Kuwait

Society & Culture

Head of the State: His Highness Sheikh Jaber Al-Ahmed Al-Sabah

Ruling System: The regime is Emiri Democratic, where Kuwait is a state of sovereignty and has its own institution, under the presidency of His Highness the Emir of the country. Laws of the State of Kuwait are legislated by the State Council known as “National Assembly” composed of fifty members elected via democratic elections by the Kuwaiti people every four years.

Religion: Islam is the official religion of the State. However, Christian nationals and expatriates enjoy full freedom of practicing their religious rites.

Official Language: Arabic is the official language. English is widely spoken among most inhabitants. There are also few minorities speaking Indian, French and German.

Weekend: Friday and Saturday for government institutions.

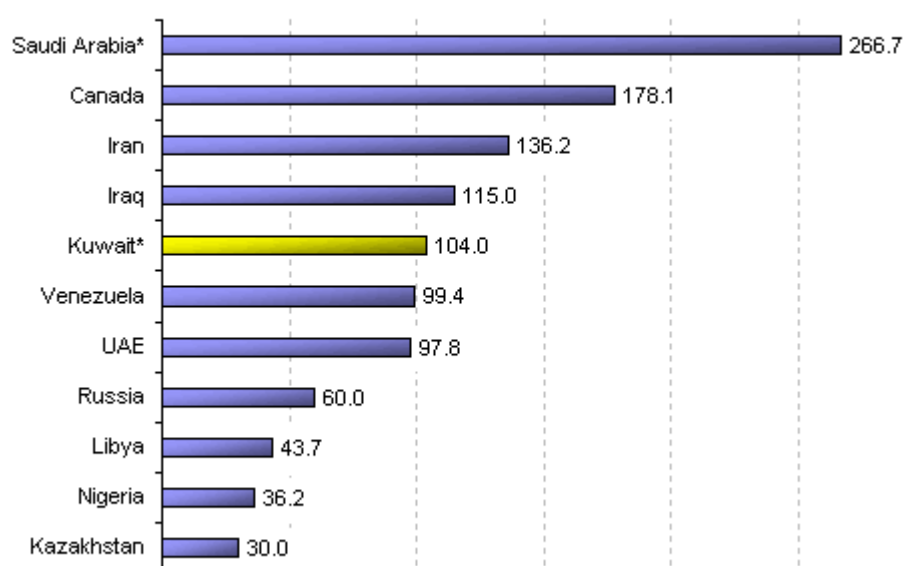
2. Oil & Gas Industry Brief

Kuwait is OPEC's fourth largest crude oil producer.

According to Oil and Gas Journal, Kuwait's territorial boundaries contain an estimated 101.5 billion barrels (bbl) of proven oil reserves, roughly 8 percent of the world total. The Neutral Zone (a.k.a. Divided Zone), which Kuwait shares 50-50 with Saudi Arabia, holds an additional 5 billion bbl of reserves, bringing Kuwait's total oil reserves to 104 billion bbl.

Kuwait holds a modest amount of natural gas reserves but hopes to significantly increase its use of domestic and imported natural gas in electricity generation and other sectors to free up additional oil for export. According to Oil and Gas Journal, in January 2009 Kuwait's estimated natural gas reserves stood at nearly 63 trillion cubic feet (Tcf). Kuwait produces a relatively modest volume of dry natural gas, an estimated 441 billion cf (Bcf) in 2006, the vast majority of which is "associated gas" (i.e., found and produced in conjunction with oil).

Top Proven World Oil Reserves, January 1, 2009



Source: Oil & Gas Journal, Jan. 1, 2009

Billion Barrels

*Including Share of Neutral Zone

Neutral Zone

The Neutral Zone (NZ) was established in 1922 to settle a territorial dispute between Kuwait and Saudi Arabia. The NZ encompasses a 6,200 square-mile area and contains an estimated 5 billion bbl of oil and 1 trillion cubic feet (Tcf) of natural gas. A Joint Operations Committee, with representatives from both Kuwait and Saudi Arabia, manages the resources in the NZ. Kuwait is represented by the Wafra Joint Operations Group, and Saudi Arabia is represented by Chevron. Oil production capacity in the NZ is currently about 600,000 barrels per day, all of which is divided equally between Saudi Arabia and Kuwait.

Onshore production in the NZ centers on Wafra. On stream since 1954, Wafra is the largest of the NZ's onshore fields with approximately 3.4 billion in proven and probable reserves. Wafra has related production facilities and gathering centers with South Umm Gudair and South Fuwaris. Onshore production in the NZ has a capacity of around 274,000 bbl/d.

The production capacity of offshore fields in the NZ is 300,000 bbl/d, with almost 90 percent coming from Khafji. Offshore production is about four times as expensive in the NZ as in the rest of Kuwait. Khafji, an extension of Saudi Arabia's Safaniyah (the world's largest offshore field), Hout, also an extension of Safaniyah, and Dorra, an extension of Iran's Arash, are the largest fields. Dorra is not currently under production pending resolution of boundary demarcation negotiations between Kuwait and Iran.

Kuwait holds equity interests in oil production in 14 countries through the Kuwait Foreign Petroleum Exploration Company (KUFPEC), established in 1981. KUFPEC is active in Australia, Indonesia, and

Tunisia, among others. According to KUFPEC, the company aims to increase its production capacity to 100,000 bbl/d oil equivalent by 2010, up from around 60,300 bbl/d oil equivalent in 2007.

Production

In 2008, Kuwait produced approximately 2.7 million barrels per day (bbl/d) of oil, which includes about 300,000 bbl/d of production from the Neutral Zone. Of 2008 production, 2.57 million bbl/d was crude and 170,000 bbl/d was non-crude liquids. Overall, around two-thirds of Kuwaiti oil production comes from the southeast of the country.

Most of Kuwait's major producing fields are over sixty years old, and therefore field maturity is becoming a concern. In 2005, KOC, citing field exhaustion, lowered its production plateau estimates for the Greater Burgan area from 2 million bbl/d to 1.7 million bbl/d over a 20-30 year period. This issue places added significance on development of other Kuwaiti reserves going forward.

Developments

Kuwait plans to increase oil production capacity from its current 2.6 million bbl/d to 4 million bbl/d by 2020, largely via Project Kuwait. Progress towards achieving this goal, however, remains caught in the disagreement between Parliament and the ruling family on how best to proceed.

Kuwait's constitution - and longtime policy - bars foreign investment in the country's natural resources, except as provided for by law. In order to allow IOC involvement, "incentivized buy-back contract" (IBBC) arrangements, which do not involve production sharing, concessions, or the "booking" of reserves by foreign companies, have been created. The structure of the IBBC agreements allows the Kuwaiti government to retain full ownership of oil reserves, control over oil production levels, and strategic management of the ventures. Foreign firms are to be paid a "per barrel" fee, along with allowances for capital recovery and incentive fees for increasing reserves, in their role as service provider/contractor. In May 2007, the Kuwaiti ruling family conceded the responsibility to approve each related IBBC for Project Kuwait to Parliament.

In 2008, PK was projected to cost \$8.5 billion. PK aims to increase the country's oil production capacity from four northern oil fields – Raudhatain, Sabriya, Ratqa, and Abdali - to 3.5 million bbl/d by 2015, and then 4 million bbl/d by 2020 with the help of international oil companies (IOC).

Heavy oil is a major component of Kuwait's increased production capacity plans. Estimated heavy oil reserves of approximately 13 billion bbl are located primarily in the north of Kuwait.

KOC also plans to drill for oil in South East Kuwait and West Kuwait. In South East Kuwait, which holds the vast Burgan field, production is to increase by 200,000 b/d to a total of 1.7 million bbl/d; KOC hopes to maintain capacity in West Kuwait at 500,000 b/d.

Clean Fuels Project

The Clean Fuels Project (CFP) is the umbrella under which Kuwait's existing refineries will be upgraded. With a 2008 price tag of \$18 billion, the CFP is split into three packages. In Package 1, Mina Abdullah's distillation capacity will be increased to 420,000 bbl/d. Package 2 will consist of revamping Mina Abdullah's utilities both on and offsite. Package 3 will restore and repair necessary elements of Mina Al-Ahmadi.

Oil Fields

Most of Kuwait's oil reserves are located south of Kuwait City. The 70-billion bbl Greater Burgan area, which comprises the Burgan, Magwa and Ahmadi fields, is widely considered the world's second largest oil field, surpassed only by Saudi Arabia's Ghawar field. Producing oil since the 1950's, Greater Burgan generally produces lighter crudes with API's in the 28°-36° range, and has a production capacity of 1.6 million bbl/d. The South Magwa field (discovered in 1984) is estimated to hold at least 25 billion bbl of light crude.

Other fields surrounding the Greater Burgan area include Umm Gudair, Minagish, and Abdaliya. Umm Gudair and Minagish produce heavier crude oil, with gravities in the 22°-26° API range, and have a combined production capacity of 200,000 bbl per day. In January 2003, water injection began at Minagish to offset declines in production.

Northern Kuwait holds the majority of Kuwait's larger fields after Greater Burgan. Kuwait's second largest field, Raudhatain, was discovered in 1955 by KOC, and has 9.55 billion bbl of proven and probable recoverable oil. Raudhatain has the capacity to produce 450,000 bbl of oil per day.

Major Refineries

The main three refineries in Kuwait are: Mina Al-Ahmadi (466,000), Mina Abdullah (270,000) and Shuaiba (200,000).

Sector Organisation

The Supreme Petroleum Council oversees Kuwait's oil sector and sets oil policy. The Kuwait Petroleum Council (KPC) manages domestic and foreign oil investments. KOC, nationalized in 1979, is KPC's upstream arm in Kuwait. The Kuwait Gulf Oil Company (KGOC), set up in 2002, oversees the bulk of Kuwait's interests in the Neutral Zone. Most Kuwaiti crude oil is sold on term contracts, with the price of Kuwaiti crude oil tied to Saudi Arabian Medium (for western customers) and a monthly average of Dubai and Oman crudes (for Asian buyers).

Source: Chamber of Commerce and Industry Kuwait, Kuwait Ministry of Information, EIA Country Brief (as of 2009)