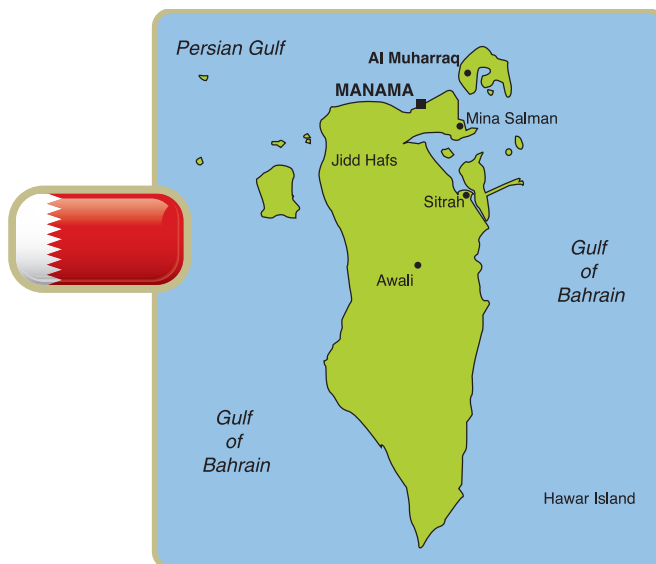


Kingdom of Bahrain



Research
Profile

7.02



Bahrain

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1. BAHRAIN IN GLOBAL OIL BALANCE OIL SECTOR OVERVIEW

Petroleum and natural gas dominate the economy and provide about 60% of the budgeted revenues. Bahrain was the first Persian Gulf state to discover crude oil. However because of limited reserves, Bahrain has worked to diversify its economy over the past decade. Bahrain has tried to stabilize its oil production and reserves are expected to last 10 to 15 years.

Despite the projections by experts that the country's oil reserves would deplete by the end of 1990's; Bahrain has been successful in extending a degree of oil. It still produces around 35,000 barrels per day from its Awali field. Bahrain's main source of petroleum now comes from its shared production with Saudi Arabia from the Abu Saafa oilfield which provides Bahrain with a further 150,000 barrels per day.

2. BAHRAIN OIL AND GAS RESOURCE ENDOWMENTS

Oil production in Bahrain has been stagnant over the last six years, averaging about 50,000-67,000 bpd, while consumption has increased by almost 46% since 2002. The Bahrain Petroleum Company (BAPCO) has announced a development program for drilling 700 additional wells between 2007 and 2015, which is expected to boost Awali field's production by about 12,000 bpd.

Bulk of the country's domestic energy requirements from power plants, enhanced oil recovery (EOR) projects, and heavy industry are being met through natural gas. At the current rate of consumption, Bahrain's proven natural gas reserves are likely to run out in a decade. On the other hand, gas consumption is expected to double by then, leaving no alternative but to address the shortfall through imports.

Bahrain is adopting a multi-pronged approach to counter this situation, which includes increasing production, encouraging international companies, and finalizing import contracts. The Qatar North Field is expected to commence supply of 5 bcm per annum by the end of 2009. Until now, Bahrain had allowed international oil companies (IOCs) to drill wells up to a maximum 4,877 meters, but the new tenders allow drilling to 6,096 meters. From an import standpoint, Bahrain has signed a framework deal to import 10.3 bcm of gas from Iran's South Pars field, with 2015 as a possible start date.

2.1.1 Production, Consumption Reserves for Oil and Gas

	2004	2005	2006	2007	2008
Crude Oil (1000 bbl/d)	76,337	68,096	66,908	67,262	66,864
Bahrain Oilfield	13,647	13,348	13,085	12,552	12,027
	Abu Saafa Oilfield	62,690	54,748	53,823	54,710
Production of Refined Oil (1000 bbl/d)	92669	97716	96217	97903	96368
Petrochemicals (1000 MT)	1287	1338	1482	1373	1545
Gas (McF)	428,375	470,413	487,932	507,671	538,233
Electricity	8,267	8,904	9,753	10,689	11,657

Table 1: Bahrain Oil & Gas Figures

3. UPCOMING PROJECTS IN OIL AND GAS IN BAHRAIN

The budget total of proposed Oil & Gas projects and Pipeline projects in the state of Bahrain is estimated to be around \$4.8 billion. The estimated value of construction projects awarded in the Qatar's oil & gas and the pipeline sector for the year 2005 - 2010 is about \$5 billion.

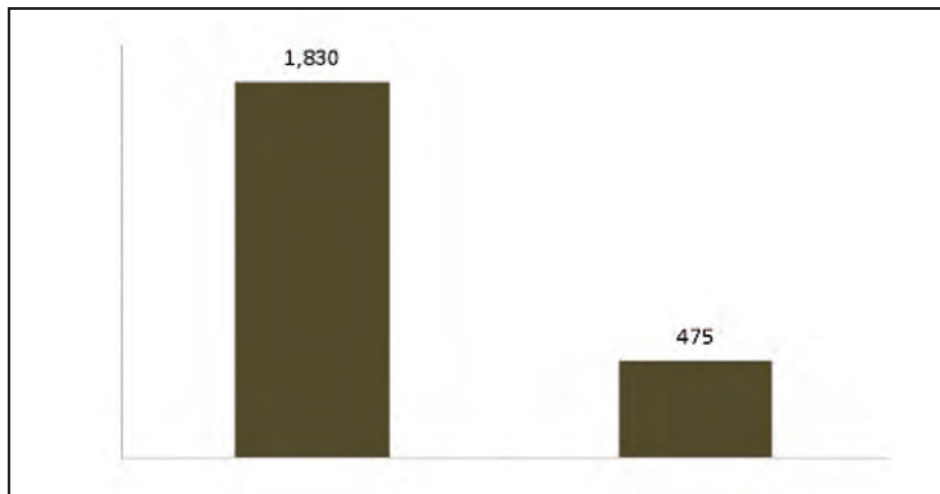


Figure 1: Construction Projects Awarded For Oil and Gas Projects in Bahrain
Source: Ventures Middle East GCC & MENA Projects Database (www.ventures-uk.com)

Unlike other Gulf States, Bahrain exports refined petroleum products rather than crude oil. Bahrain's domestic oil pipeline network is rather limited, focused primarily on delivering crude oil from the Awali field to the refinery at Sitra. Since domestic production is much lower than the country's refining capacity, Bahrain imports about 225,000 bbl/d of Arab Light crude oil from Saudi Arabia via a sub-sea pipeline linking the two countries. Bahrain Petroleum Company (Bapco) refines this crude oil and exports much of it via tanker. Most of Bahrain's exports go to India and other Asian markets. Joint Bahrain- Saudi Arabian crude oil production from the offshore Abu Saafa field is sold from the Ras Tanura terminal in Saudi Arabia, the world's largest export terminal.

3.2 EXPANSION PROJECTS FOR OIL & GAS IN BAHRAIN

Bahrain is undergoing several upstream and downstream expansion projects in order to capitalize on economic growth and potential oil demand. Some of the major ongoing/proposed projects in the energy sector include the following:

Oil & Gas Projects in Bahrain:

- Offshore Field Development
- Redevelopment of Awali Onshore Oil Field
- Lube Base Oil Project
- LNG Import Terminal
- Khuff Gas Production and Distribution Expansion
- Redevelopment of the Refinery in Bahrain
- Upgrade of Banagas LPG Process & Storage Units

3.3 PRICES

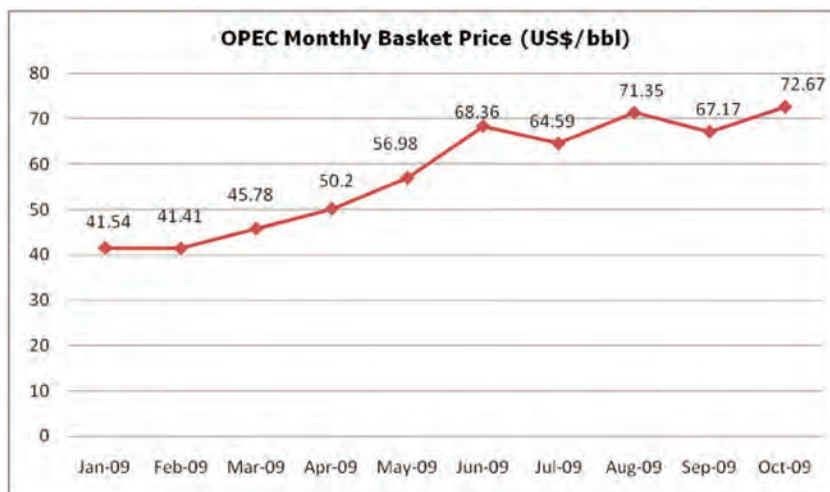


Figure 2: OPEC Monthly Basket Prices (US\$/bbl)

Source: OPEC

The recent surge (Q2 & Q3 2009) in crude prices could allow Gulf crude producers to escape their first fiscal deficit in nearly seven years despite a sharp increase in public spending because of the global economic turmoil, according to industry experts.

Oil prices have shot up to nearly double their January 2009 level of about \$40 a barrel and the rapid improvement has prompted several institutions to revise their forecasts about average prices for 2009.

From around \$50-55 a barrel, the International Institute of Finance (IIF), the Riyadh-based Jadwa Investment and other establishments are now projecting an average price of more than \$60, at least \$10 above the crude price assumed by most Gulf Cooperation Council (GCC) members in their 2009 state budgets.

4. COMPETITIVE OVERVIEW

NOGA is the organization responsible for all petroleum and gas related issues in Bahrain, with a mission of the authority is to maintain and develop the kingdom's oil and gas resources while optimizing their utilization in pursuit of generating the highest return there from.

NOGA is entrusted with several tasks, such as including proposing and implementing the general policy on oil & gas affairs including determination of the appropriate pricing of products; overseeing the companies and corporations operating in the oil & gas industry as well as developing the associated industries and conducting studies & researches on the Kingdom of Bahrain's oil & gas resources and on techniques that will ensure prolonged life of the reserve and determining the appropriate pricing policies.

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4.1 BAHRAIN PETROLEUM COMPANY (BAPCO)

Bahrain's petroleum sector is dominated by state-owned BAPCO, which is entrusted with the exploration and prospecting for oil, drilling, production, refining, distribution of petroleum products and natural gas, sales and exports of crude oil and refined products

The company owns a 250,000 barrel-a-day refinery, storage facilities for more than 14 million barrels, a marketing terminal, and a marine terminal for its petroleum products. It has a total production capacity of 260,000 barrels of refined products per day and 270,800 barrels of oil per day

BAPCO's prime customers for crude oil and refined products are based in the Middle East, India, the Far East, South East Asia and Africa, and 95 percent of refined products are exported

4.2 OTHERS

Bahrain National Gas Company (BANAGAS): - BANAGAS; established in 1977; the company's principal activities include liquefaction and sale of hydrocarbon gases in the form of propane, butane and naphtha. It operates LPG facilities to recover associated gas produced with crude oil. The resulting liquefied propane and butane are transferred to refrigerated storage for ship loading at the Sitra wharf, while the naphtha is sent to Bahrain Petroleum Company for export. Residue gas is used as fuel for the company's own furnaces and gas turbines, and the rest is supplied to Aluminum Bahrain for use at their power stations. This residue gas - 245 million standard cubic feet per day - represents 25% of Bahrain's daily fuel gas consumption.

Occidental Petroleum Corporation: - Occidental Petroleum Corporation (NYSE: OXY) is an international oil and gas exploration and production company and a s a major chemical manufacturer. In h1 2009; the company signed a development production sharing agreement (DPSA) with Mubadala Development Company; Abu Dhabi to double the Bahrain's oil and gas production in 5 years

5. FUTURE OUTLOOK OF QATAR BAHRAIN OIL AND GAS SECTOR

The country urgently needs to acquire additional energy resources to sustain its industrial expansion. Industry experts believe that the domestic production decline can be reversed with the help of foreign investment. The Kingdom hopes to see output doubled from the onshore Awali oilfield as a result of the application of new technology which will allow the exploitation of hitherto non viable reserves.

Bahrain has signed a deal with U.S. energy firm Occidental in 2009 to overhaul its Awali onshore oilfield. The contract gave Occidental a share of production if it manages to boost output from the field above a target figure. Occidental will use enhanced oil recovery techniques to boost crude output from the 35,000 bpd field. Bahrain targets doubling oil output and also raising gas production at Awali field which was discovered in 1932. In 2008, Bahrain awarded a tender for offshore exploration to Oxy and Thailand's PTT Exploration and Production.

A wider energy quest by Bahrain is also under way through cooperation with countries like Qatar and Iran, particularly with regard to gas supplies. In addition, the oil ministry has formed a company in 2008 designed to consolidate the Kingdom's interests in Bahrain Petroleum Company, Gulf Petrochemical Industries, Bahrain National Gas Company and in other energy companies with state shares.

The streamlining is also designed to establish a greater international presence by creating an investment portfolio in specific overseas oil and gas markets. As a result the Holding Company for Oil and Gas has been authorized to establish new enterprises to participate in projects, both within Bahrain and outside. The move will open up a new era in making Bahrain's oil and gas sectors attractive to outside investors.

6. CODE OF ETHICS

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