



شركة التنمية النفطية (ش.م.ك.)
Oil Development Company (K.S.C.)
A Subsidiary of Kuwait Petroleum Corporation

Clippings from local newspaper May 13, 2006

Kuwait Times Page 3 No. 12516

Al-Shall Report

Kuwait must resolve the issue of oil reserves before 'N-oilfields project'

KUWAIT CITY, May 12: Apparently the Northern oilfields Project does not hold the same priority as it has received earlier from the government.

The reason might be attributed to the oil sector that has more important issue to address regarding Kuwait's oil reserves, says the Al-Shall Weekly Economic Report published by Al-Shall Consultants headed by Jassem Al-Saadoun.

Although it has been some time, the government has not responded to that issue. Moreover, the Council of Ministers does not have an answer until the time this report is prepared. Since the issue of Northern Oilfields Project in essence relates to increasing oil production, it is definite that it will lead to opening the oil reserves file. This is an issue that the oil sector has to address before the project is invited or avoid referral to it until it is resolved, provided that it answers the parliamentary question regarding oil reserves.

Late last month Kuwaiti MPs presented a proposal for a draft bill regarding the preservation of oil resources. The proposal simply restricts the oil production to a rate not exceeding the average annual production of oil for the fiscal 2004/2005 and 2005/2006 of the oil reserves volume of 99 billion barrels with effect from the first fiscal year following the endorsement of the law. This would therefore mean that Kuwait's oil production might drop sharply if the fixed oil reserves were much less than the figures announced i.e. if Kuwait is being deceived about the size of its oil reserves.

The draft bill brings about this possibility. The media has mentioned the accuracy of the figures announced its Kuwait's oil reserves. It specifically referred to an internal Kuwait Oil Company report released and labeled "Top Secret" in 2001 that talked about a major crime – if it is truth. The report refers to fixed oil reserves of approximately 24.205 billion barrels equal to 25 percent of the announced oil reserves and similar potential reserves.

These figures conflict significantly with the oil sector production expansion strategy or at least require a major review of such strategy. Presumably if we approve of this draft bill, it would definitely introduce a material change to the structure of the general finances of Kuwait as well as a much lesser volume for the public sector. The oil revenues, when production is reduced will, cover no more than a quarter of the current public expenditures.

Thus Kuwait will require a forcible or aggressive diversion towards adopting serious economic and financial reform policies if it does not have the announced oil reserves it claims, although it may need in all cases. Yet, those responsible for such misleading attitude or lied about oil reserves should not be tolerated. The situation requires completely different and comprehensive management approach involving the National Assembly of Kuwait. It would be necessary to admit that the time of grants and donations has ended and we have to stand up for our national undertakings responsibly. Nonetheless, we continue to have high hopes that the news about oil reserves are nothing but journalist speculations and that Kuwait's oil sector will soon announce some soothing and comforting updates.