

The inspiring front cover visual of migratory birds passing over the safe heavens of Kuwait on their non-stop flight and incredible journey between continents, succinctly symbolizes KUFPEC's forward-looking and progressive approach of steady expansion and robust growth that provide a well targeted, coordinated and coherent response to the economic, environmental and social challenges in the coming decades.





H. H. Sheikh  
Sabah Al-Ahmad Al-Jaber Al-Sabah  
Amir of The State of Kuwait



H. H. Sheikh  
Nawaf Al-Ahmad Al-Jaber Al-Sabah  
Crown Prince of The State of Kuwait



H. H. Sheikh  
Jaber Mubarak Al Hamad Al-Sabah  
The Prime Minister of The State of Kuwait



KUFPEC Mission, Vision, and Values are shared with KPC upstream sector and aligned with KPC strategic direction reflecting our aggressive ambition in the business.

#### KPC Upstream Mission

To explore, develop and produce hydrocarbons within the State of Kuwait, the divided zone and Internationally and so to be a secure and reliable supplier to our customers, promote the care and development of our people and deliver on our commitment to our stakeholders in a compliant, profitable, safe and environmentally responsible manner.

#### KPC Upstream Vision

To achieve a leading global position in upstream oil and gas as an integrated, value-driven enterprise, by:

- Maximizing the strategic value from oil
- Realizing the potential of gas
- Growing reserves for a sustainable future
- Being an employer of choice
- Realizing value from technology
- Strengthening our commitment to HSSE
- Striving for excellence in performance
- Contributing to the Enterprise and State

#### Values

Excellence, Flexibility, Partnership, Motivation, Commitment to HSSE and Society, One Identity and Integrity.

#### KUFPEC Strategic Targets:

- Achieve crude oil and gas Production/Reserves targets of:
  - 80 mboepd net production target by 2010 supported by a net reserve base of 350 mmboe,
  - 130 mboepd net production target by year 2015 supported by a net reserve base of 430 mmboe,
  - 200 mboepd net production target by year 2020 supported by a net reserve base of 650 mmboe and maintain it through 2030
- Preference for investments which facilitate technology and capability transfer between domestic and international upstream businesses
- Achieve and maintain optimal ratio of oil & gas in international upstream portfolio
- Become operator of international upstream assets:
  - 5% of daily production under operatorship by 2015
  - 10% of daily production by 2020
  - 15% of daily production by 2025
  - 20% of daily production by 2030

# BOARD OF DIRECTORS



Mr. Nizar M. Al-Adsani  
Chairman and Managing Director



Mr. Ali D. Al-Shammari  
Deputy Chairman & Deputy Managing  
Director - Operations East



Mrs. Khawla H. Al-Jassem  
Board Member



Mr. Mohammed R. Jasem  
Board Member





Mr. Ahmad M. Al-Rasheed  
Board Member



Mr. Khalid A. Al-Sumaiti  
Board Member



Mr. Sanad H. Al-Sanad  
Board Member

# MANAGEMENT



Mr. Nizar M. Al-Adsani  
Chairman and Managing Director



Mr. Ali D. Al-Shammari  
Deputy Chairman & Deputy  
Managing Director - Operations East



Mr. A. Naser Y. Al-Fulaij  
Deputy Managing Director -  
Operations West



Mr. Khaled A. Al-Qaoud  
Deputy Managing Director -  
Finance & Admin





Mrs. Ghada Al-Amer  
Manager, Corporate Planning



Mr. Ahmed Al-Awadhi  
Manager, Special Task Upstream



Mr. Maged Azab  
Acting Manager, Africa Region



Mr. Mohammad Al-Maraghi  
Acting Manager, Far East &  
Australia Region



Mr. Mezyad Al-Mutairi  
Manager, Public Relations &  
Services



Mr. Tareq Ebrahim  
Manager, South East Asia Region



Mr. Abdulrahman Al-Bedaiwi  
Manager, Management Support



Mr. Dawood AbdulJaleel  
Manager, Finance



Mr. Humoud Al-Baloul  
Manager, Human Resources



Mr. Waleed Al-Ben Ali  
Manager, Commercial



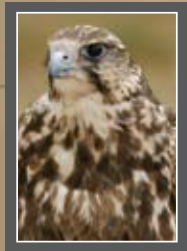
Mr. Syed Bokhari  
Manager, Middle East Region



Mr. Gavin Daniel  
Manager, Legal Affairs



# MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR



On behalf of my fellow Board Members and in my capacity as Chairman of the Board and Managing Director, It gives me great pride and immense pleasure to present the 31st annual report of Kuwait Foreign Petroleum Exploration Company (KUFPEC) together with the consolidated financial statements for the calendar year ended 31st December 2012. Several significant milestones were reached during the year..

In 2012, KUFPEC succeeded in 5 acquisitions that included 2 producing, 1 development and 2 exploration blocks. KUFPEC was also appointed Operator in two exploration blocks: 75% of Jati Block in onshore Pakistan and 100% of WA-427-P in offshore Australia. KUFPEC farmed into a 35% interest in the Alma/Galia oil field re-development project in the UK North Sea. In Australia, a 30% participation interest at the new offshore exploration

permit WA-481-P, covering 17,500 square kilometers, was granted to KUFPEC. KUFPEC also acquired Apache's 65% interest in WA-427-P upon their relinquishment. Agreement was also reached for KUFPEC to acquire 26.84% of the Galoc oil field in the Philippines during 2012.

Galoc Field and other assets were purchased with an effective date of 1 January 2012 resulting in an increase of KUFPEC net production of 4,400 boepd and 2P reserves of 9.4 mmboe. The acquisition agreement was negotiated in 2012 for approval in early 2013.

Despite the operational challenges and market competition in 2012, KUFPEC's net profit was US\$ 201 million as of 31st December 2012 compared to US\$ 273 million in 2011. Total revenues for 2012 exceeded US\$ 1.3 billion which is about the same as 2011. KUFPEC maintained a net production rate of about 75,765 boepd - a

5% increase in the previous year's level. KUFPEC added an additional 18.7 mmboe in



reserves from the 2 production/development acquisitions and achieved reserves replacement ratio of 258%.

KUFPEC increased its financial capabilities by obtaining both the preliminary approval of the Supreme Petroleum Council (SPC) to increase KUFPEC's investment capital from K.D 200 million to K.D 1.2 billion and approval of the General Assembly



for a US\$ 750 million corporate loan, in addition to using KPC's bridge loan facility during 2012.

During 2012, KUFPEC participated in 13 exploration wells resulting in 7 discoveries in Pakistan, Australia, Indonesia and Vietnam. KUFPEC also participated in 45 development wells drilled in 2012. For example in Pakistan, a preliminary estimate of new gas reserves of about net 10 mmboe were added from drilling the Kadanwari-27 and Badhra North - 1 wells.

In Australia, the Fletcher-Finucane Oil Project achieved formal joint venture investment sanction for a new field development plan for production to start in mid-2013. KUFPEC entered into an arrangement to increase its stake in Fletcher field from 44.54% to 50% and

environment (HSSE) events were successfully implemented. KUFPEC held the Traffic Accident Campaign event on the 18th of October 2012. KUFPEC employees completed 90% of their HSSE training classes for defensive driving and first aid. A risk assessment has also been successfully completed for two area offices in Jakarta and Egypt.

In 2012, KUFPEC reaffirmed its environmental and sustainable development goals through launching the fully sponsored "Birds of Kuwait" book in a ceremonial event during 2012. The hard cover book covers 400 pages with more than 350 local and migratory birds in Kuwait. Our purpose behind the sponsorship of the book is to provide awareness to society of the conservation activities

continuous guidance, oversight and support, which have undoubtedly helped the company to keep momentum toward achieving its strategic goals. I avail myself of this opportunity to assert our commitment towards shouldering the tasks entrusted upon KUFPEC and maintain our track record of success.

We pray to almighty God that the future will prove to be a period for progress and prosperity under the prudent leadership of H.H. The Amir of Kuwait, H.H. The crown Prince, H.H. The Prime Minister and the wise government of our beloved country.



Finucane field from 33.4% to 37.5% with the purchase of the Tap Oil interest. KUFPEC also renewed four exploration permits WA-335-P, WA-356-P, TP/8 and EP 358, renewed one production license WA-8-L, and received three retention licenses WA-41-R, WA-45-R and WA-46-R.

During a year of extensive operational activity, several health, safety, security and

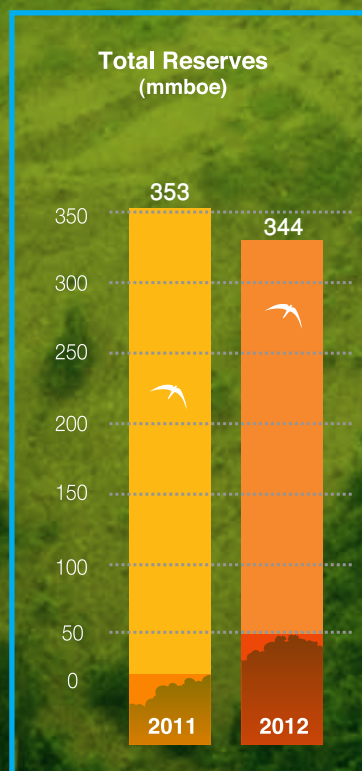
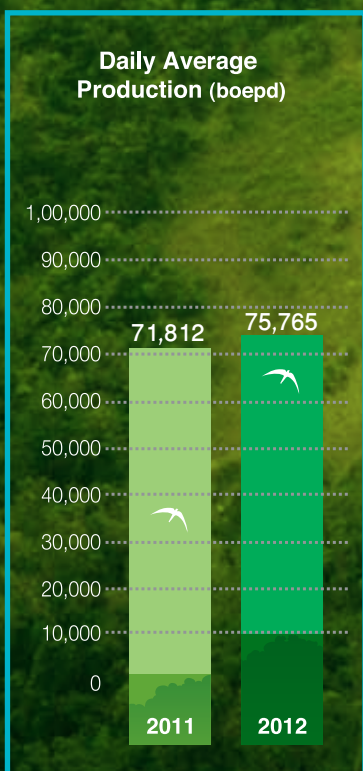
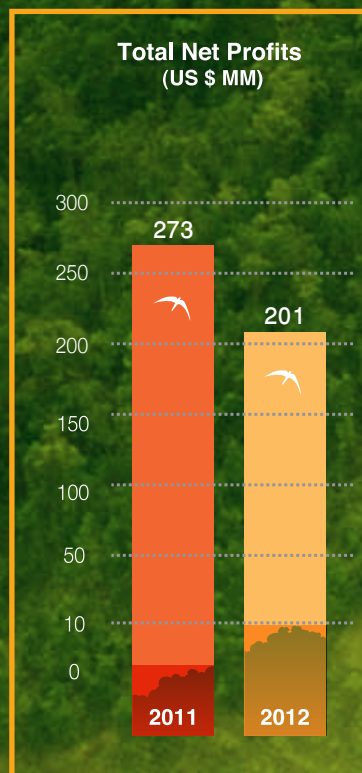
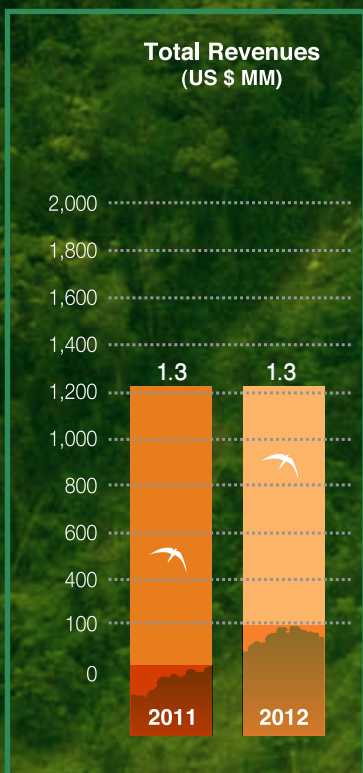
during the year supported by employees.

I, along with my fellow board members, would like to express our thanks and appreciation for the commitment and zeal in achieving our corporate financial goals. Above all, my most sincere thanks and appreciation are due to our Minister of Oil-Chairman of KPC, KPC Chief Executive Officer and KPC Board for their

Nizar M. Al-Adsani  
Chairman and Managing Director



# FINANCIAL & OPERATING HIGHLIGHTS





KUFPEC is currently active in 14 countries, with operations grouped within four core areas spanning 3 continents, managed by five Regional Offices in Egypt, Tunisia, Indonesia, Australia and Pakistan.

KUFPEC continues deepening the diversity of its workforce, recruit most talented people from the various communities in which it runs its business.



## COUNTRIES OF ACTIVITY

### **Middle East Region**

Pakistan - Yemen

### **South East Asia Region**

Indonesia - Malaysia - Vietnam

### **Africa Region**

Egypt - Tunisia - South Sudan -  
Mauritania - Congo -  
UK North Sea

### **Far East & Australia Region:**

Australia - China - Philippines



## ON ACTIVITIES

### THE MIDDLE EAST REGION

The Middle East Region witnessed remarkable operational progress during 2012. KUFPEC, Pakistan signed Jati Exploration Licence as operator for a period of initially three years with 75% working interest, resulting an increase in the prospective resources of ~270 BCF (Prospects A&C Only).

In Yemen, the production in Jannah block has been restored on July 2012 and hence lifting Force Majeure status which was declared on the 5th of Oct 2011. The Marib pipeline was breached during the month of November, which caused a disruption of production and Force Majeure was declared on 20th November.

On the other hand, the field production capacity of the East Shabwa block has declined due to natural depletion of the field. The JVP are planning an extensive infill and step-out drilling campaign in 2013 to try to offset this decline.

In Pakistan, Government finally approved the new gas price for Qadirpur gas field which increases the field revenue. One more Extended Reached Well was drilled to drain the gas from northern culmination which is underneath the Indus flood plain. Two Pirkoh compressors were refurbished / installed and now first gas is expected by mid-January 2013. Two development wells were drilled at Zamzama to maintain the plateau production. Badhra D&P Lease for Area A was signed & granted by the Government in September 2012. Badhra B North-1, an exploratory well in Badhra Area B was drilled & tested +55 MMscfpd from the additional sand (C sands) within Mughalkot formation, resulting an additional reserves of 100 BCF. However, subsequently in April 2013 DGPC has re-classified Badhra B North- 1 well as Appraisal Well of already discovery made in Area A. Deepening of existing Badhra South-1 is planned in Q1 2013 to test the deeper targets of Lower Goru & Chiltan. In Kadanwari, two additional wells were drilled in south eastern part of the Field, these wells are producing about 70 MMscfpd from the F sand unit of Lower Goru Formation. Currently the Kadanwari & the Bhit facilities are processing on its full capacity. The seismic data interpretation is completed in the Sukhpur Exploration Licence, planning to spud first exploratory well by end January 2013. Infill seismic acquisition in progress to firm up additional leads in the Sukhpur block. Government approved to develop the Zarghun South field under the Tight Gas scenario.

#### PAKISTAN

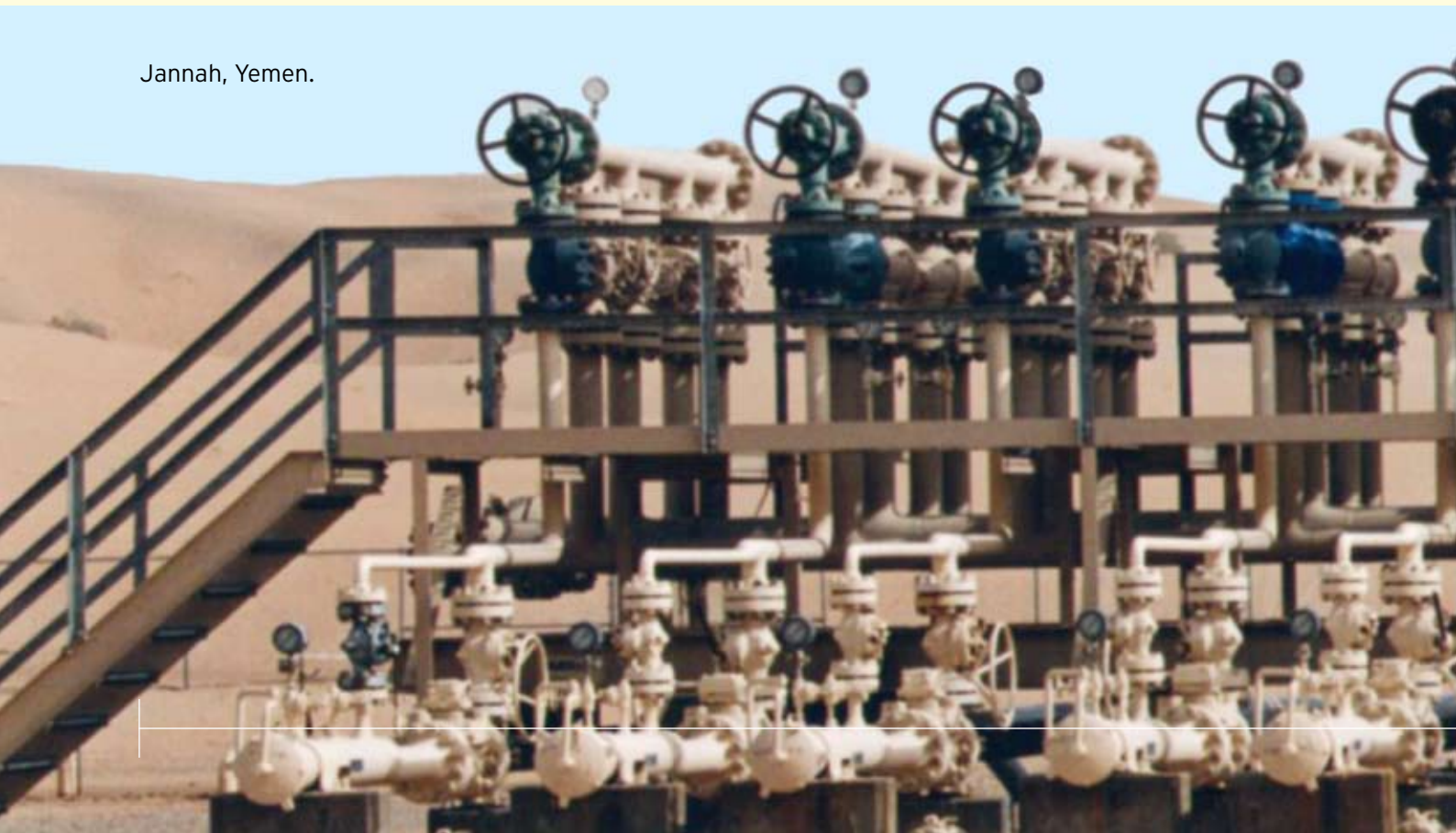
##### **Jati Exploration Licence** (KUFPEC: 75%)

Jati Block was granted to KUFPEC on 12th October 2012 with minimum work program of 500 line kms 2D seismic acquisition plus two exploratory wells (minimum financial commitment US\$ 21 MM gross). Planning to reprocess vintage seismic data in Q1 and new seismic acquisition in Q4 2013.

##### **Bhit&Badhra fields** (KUFPEC: 34 %)

These gas fields are located in the Kirthar fold belt of the Lower Indus basin. During 2012, the average field

Jannah, Yemen.





gross production was 56,950 boepd (KUFPEC net of 19,363 boepd) and produced as forecasted. Bhit 13 was completed & commissioned to sustain the production. Bhit-15, drilling continued and will be commissioned by February 2013. Currently all the wells are producing under WHC. The Bhit plant is running on its full capacity.

The Badhra Development and Production Lease (D&PL) for Area A was signed by the Government, and an application was submitted to extend the Exploration License for Area B which will be expiring in January 2013. An exploratory well, Badhra B North-1 was successfully tested ~55 MMscfpd from the additional sand bodies (C sand) of the Mughalkot Formation, resulting an additional reserves of ~100 BCF. However, subsequently in April 2013 DGPC has re-classified Badhra B North- 1 well as Appraisal Well of already discovery made in Area-A. Planning to deepened Badhra South-1 for the deeper targets of Lower Goru and Chiltan in Q1, 2013, estimated recoverable resources are ~216 BCF.

#### **Qadirpur Field** (KUFPEC: 13.25%)

Gas production from the Qadirpur field averaged 77,704 boepd (KUFPEC net 10,296 boepd) during 2012. Government finally approved the new gas price for Qadirpur gas field effective from 11 Dec 2012, which increases the field revenue. Two Pirkoh compressors were refurbished / installed and now first gas is expected by mid-January 2013. Three development wells were drilled during 2012 and four more are planned during 2013 to maintain the production. Continued to produce Permeate (low BTU) gas and supplied to Engro & Liberty Power Plants.

The Development and Production Lease was extended for five years in the initial term up-to 2017, additional five years extension is available under PCA.

One more Extended Reached Well was drilled to drain the gas from northern culmination which is underneath the Indus flood plain. Acquired addition 2D seismic, processing / reprocessing continued during 2012.



#### *Eurasian Curlew*

Very common winter visitor, common passage migrant and summer visitor. Up to 1500 recorded in Kuwait Bay in early April 1990. It's population has declined in recent years; threatened by development of roosting sites, mudflat degradation and human disturbance.



## ON ACTIVITIES

## THE MIDDLE EAST REGION

**Kadanwari** (KUFPEC: 15.789%)

Production from the Kadanwari gas field averaged 16,048 boepd (KUFPEC net 2,534 boepd) as compared to 12,462 boepd during 2012. About 25% of production increased as a result of additional development drilling in the south western part of the field where three wells are producing a cumulative of about ~70MMscfpd from the F sand (unconventional reservoir). Currently the Kadanwari plant is running on its full capacity. Four additional development wells are planned to be drilled during 2013. A Kadanwari rejuvenation project started in 2011 to explore the tight reservoirs. Three wells were selected to perform Multi-Frac jobs in the tight reservoirs. In 2012, Kadanwari 3 was sidetracked to B sand of Lower Goru and conducted six complementary multi-frac jobs. Kadanwari-1 was successfully sidetracked. Five multi-frac jobs are planned during 2013 to fully evaluate B sand potential.

**Zamzama Field** (KUFPEC: 9.375%)

Gas production from the Zamzama field averaged 57,617 boepd during 2012 (KUFPEC net 5,402 boepd). The field produced as forecasted. Two additional development wells were drilled during 2012 to maintain the plateau production. Well intervention job was conducted at Zamzama East-1, well started flowing with 10 MMscfpd quickly dropped down to 2 MMscfpd. Currently well is shut-in waiting to perforate & test Khadro Formation as planned.

**Zarghun South** (KUFPEC: 3.75%)

Government accepted to develop the field under Tight gas scenario and approved Supplemental Development plan. Operator issued LOI's for main components of the plant.

**Sukhpur EL** (KUFPEC: 25%)

The block is located just east of Badhra, Processing of newly acquired and reprocessing of vintage seismic data completed. Planning to spud first exploratory well by end January 2013. Additional seismic acquisition in progress to firm up additional leads in the area.

## YEMEN

**East Shabwa Block-10** (KUFPEC: 14.2857%)

The East Shabwa average production during 2012 was 60,786 bopd (KUFPEC net 3,701 bopd). Force Majeure have been declared following two general production shut-down, one in February as a result of Petromasila Block 14 export facilities personnel strike, and the other was in September due to a sabotage of Petromasila Block 14 export pipeline. The average field production decreased by 17.6% compared to 2011. The production drop is due to a sharp unpredicted decline after water breakthrough in some basement wells.

The Joint Venture Partners approved the 4th development phase in the basement. Eleven (11) wells in total will be drilled to accelerate the production and reduce the decline rate.





As result of the unrest situation in Yemen, the CDM project has been put on hold due to the fact that none of the UN inspector can enter the block to verify the project unless the ongoing security situation is resolved. Negotiation continued with Govt for the lease extension, expiring in 2015.

**Jannah Block 5** (KUFPEC: 20%)

Oil production from Jannah, Yemen block 5, averaged 11,796 bopd (KUFPEC net 896 bopd). The production has been restored in July lifting the Force Majeure on the 5th of October 2011 (last year). Unfortunately, Marib pipeline was breached again in November 2012, which caused a disruption of production. Force Majeure was declared for the second time on November, 20th. This FM lasted till December 31st 2012.

Drilling activities were not resumed during 2012. No contractor were willing to enter Yemen as the unrest situation degraded the security situation in the country.

**Al Barqa Block 7** (KUFPEC: 20.25%)

For security reasons, no major activities were performed in the block during the year. The Republic of Yemen has granted to JV Partners the 3rd extension of the first exploration period until 7th June 2013. The 2013 WP&B contains a plan to reprocess the existing 3D seismic using advanced processing techniques, acquire new 2D seismic, and to firm up the 4th commitment well possibly in end of 2013 or early 2014 depending upon the security situation.

**Quzah Block 74** (KUFPEC: 21.25%)

Block 74 was provisionally awarded in July 2005 and was ratified by parliament on 8th March 2008. This onshore exploration permit covers an area of 1,309 sq km. In 2010, 276 km of 2D seismic was recorded and processing was completed by end January 2011. Based on poor prospective, JV Partners decided to relinquish the block.

The block has expired without full fulfill of commitments and JV Partners decided not to renew it. The Government of Yemen withdrawn the (LC) letter of credit. US\$ 2.3 MM (Net to KUFPEC) of the remaining work commitment (three exploratory wells) was paid.



*European Bee-Eater*

Abundant passage migrant; rare winter visitor. Prefers wetlands and agricultural land where it hunts insects in flight. Huge flocks, sometimes with over 1000 birds, pass over Kuwait. Noticeable due to their penetrating calls. Hundreds are senselessly killed each year by local shooters.



Jannah, Yemen.

## ON ACTIVITIES

### AFRICA REGION

During 2012, the Africa Region continued its efforts to implement the exploration and development programs of the assigned projects. The United Kingdom North Sea Alma & Galia Project was assigned to the Africa Region. The declaration of commerciality of Banda Field in Mauritania.

The net average production achieved within the Africa Region during 2012 was 4,559 boepd as compared to the net average production of 3,789 boepd achieved during 2011. The increase is attributed to the enhancement of the production of the existing fields Chinguetti and SLK and the putting of the previously drilled Ras Kanayes wells on production regardless the difficulties faced in NB and the delay in executing the drilling program in Geisum.

During 2012 decisions were made to relinquish blocks that are not fitting or contributing to the company's strategic goals as in Egypt (Tinah and West Sitra Projects) and Tiof oil field on Zone B (Mauritania).

### EGYPT

#### *Western Desert, Onshore*

##### **West Sitra** (KUFPEC: 25%)

Production was ceased from WS development lease in May 2012. KUFPEC fulfilled its commitment and the block relinquished in November 2012

##### **Ras Kanayes** (KUFPC: 36.36%)

3D seismic acquisition and processing is completed. Continue tie in the recent discoveries (RK-8, RK-9 and Duke wells) which led to increase in the net oil production from the field compared to 2011. The average production in 2012 is 1157boepd

Tunisia-Sidi El-Kilani.





### **Nile Delta, Offshore**

#### **North Bardawil (KUFPEC: 40%)**

Production was going on from Zaraf well in 2012, average net production 424 boepd

#### **Tinah (KUFPEC: 40%)**

The Tinah Block, entered its third and final Exploration Period which expired in June 2012 and the block relinquished

### **Gulf of Suez, Offshore**

#### **Geisum & Tawila West (KUFPEC 40%)**

Net production during 2012 averaged 1,201 bopd. The workover program continued to stem production decline. The JVPs continued their efforts to enhance the field production by drilling exploration and development wells.

### **SOUTH SUDAN**

#### **Block B (KUFPEC 27.5%)**

KUFPEC has been a co-venture in Sudan for more than two decades. JVP continued negotiation with the Government of South Sudan to formalize the consortium and resume operation.



#### *Mallard*

Uncommon passage migrant, scarce winter visitor and rare summer visitor. Up to 150 observed at North Doha Reserve in early December 2007. This widespread species is the ancestor of the domestic duck.



## ON ACTIVITIES

## AFRICA REGION

## TUNISIA

**Sidi El Kilani***(KUFPEC: 22.5%)*

Net production for 2012 from the Sidi El-Kilani Field averaged 170 bopd with enhanced performance of the wells. KUFPEC efforts were continued in 2012 toward optimizing the field development strategy.

## MAURITANIA

**C-10 Exploration Block** *(KUFPEC: 12.36%)*

The C-10 exploration block was granted on 30th November 2011 for a Phase 1 three years exploration period ending 2014 with work commitment of 2 exploration wells. The G&G work was continued during 2012 to select drillable locations.

**Zone A** *(KUFPEC 13.084%)*, **Zone B** *(KUFPEC 11.630%)*, and the **Chinguetti EEA (10.234%)**

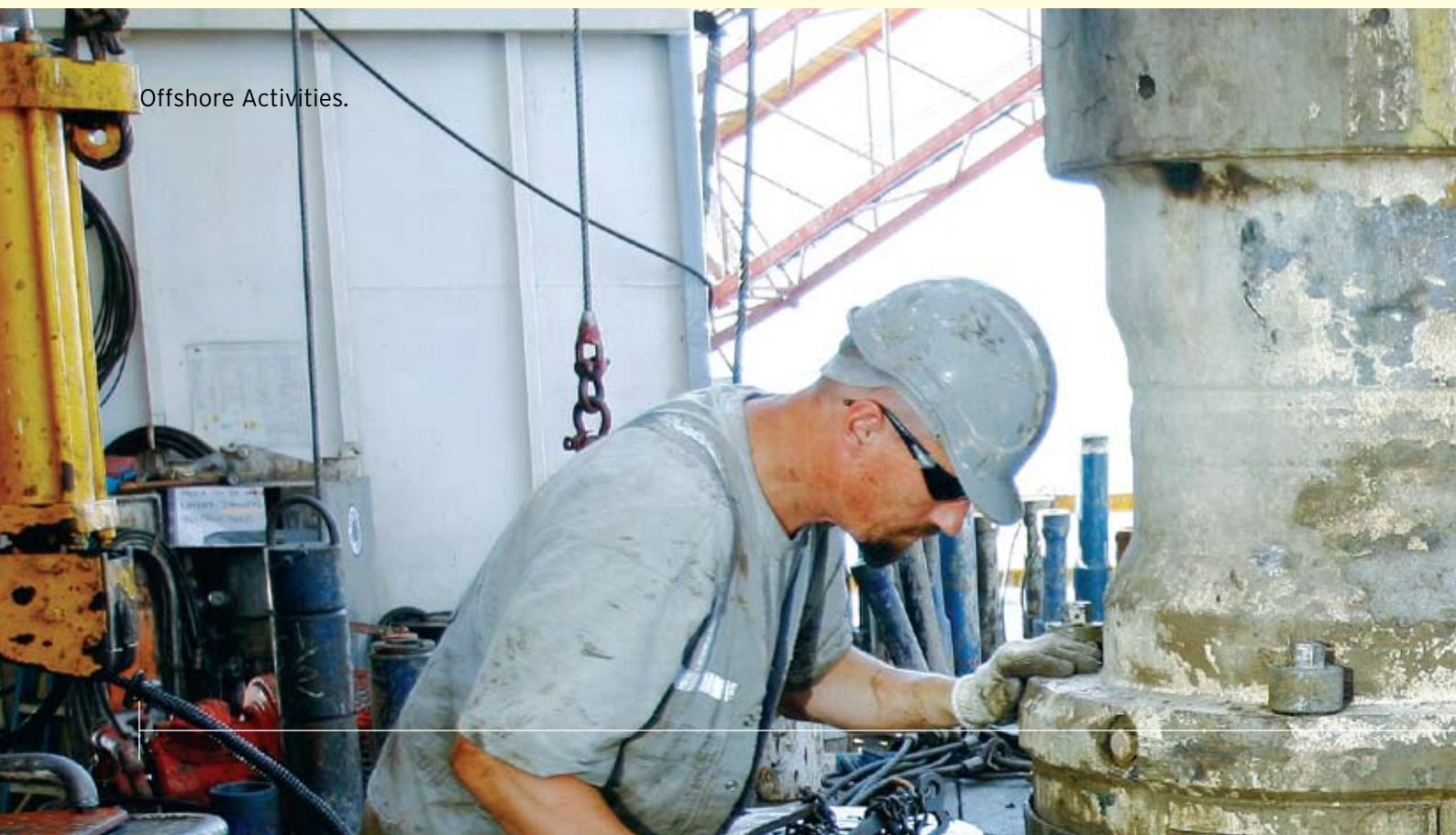
The existing discoveries were retained as separate exploitation areas pending future development.

For zone A, KUFPEC Board approved the submission of a Declaration of Commerciality application for grant of an Exclusive Exploitation Authorisation and the submission of a Field Development Plan for the Banda Gas Discovery.

For zone B, the JVP decided to drop Tiof oil Field in November 2012, while evaluation of TEVET Field is ongoing

Chinguetti, net oil production in 2012 from the Chinguetti Oil Field averaged 535 bopd. The Joint Venture continued its efforts during 2012 to optimize the field production and prolong the field life.

Offshore Activities.





## CONGO

### Marine Block IX (KUFPEC: 46.15%)

The block expired on 4th October 2012 and the Government granted the JVP an extension until the end of December 2012 to complete the evaluations regarding entering the following phase. During the year a Gradiometry survey was acquired

## United Kingdom

### Alma & Galia (KUFPEC: 35%)

KUFPEC and EnQuest entered into an agreement in late May 2012 by which EnQuest farmed out a 35% interest in EnQuest's Alma and Galia oil field developments in the UK North Sea to KUFPEC. First production is anticipated in the fourth quarter of 2013, with an estimated peak gross production reaching above 20,000 Boepd. Alma/Galia is estimated to add a net 10 MMBoe 2P reserves to KUFPEC as of 1. January 2012. The development drilling program along with the facilities construction were ongoing during 2012 and will be continued into 2013 year.



### *Ruddy Shelduck*

Rare winter visitor and uncommon passage migrant. In Kuwait small numbers of this species are recorded mostly along Kuwait Bay. A goose-like duck that is quite terrestrial in its behavior and may exhibit dispersive or nomadic movements.



## ON ACTIVITIES

### SOUTH EAST ASIA REGION

The South East Asia Region continues to be a growth area for KUFPEC and 2012 witnessed further increased activity with the drilling of sixteen development wells (eleven oil, four gas and one water disposal). KUFPEC's net share of production from the region during 2012 was 15,573 boepd.

An active exploration program was undertaken with the drilling of eight wells of which five were in Indonesia and three were in Vietnam. A successful exploration program delivered four discoveries of which three were in Indonesia : Natuna Block A PSC well WL-5x (gas), Seram PSC well Lofin-1 (gas/oil) and Pangkah PSC well Ronggolawe (gas/oil). One gas discovery was made in Vietnam Block 51 PSC well 51-TC-1X.

### INDONESIA

#### **BUTON PSC** (KUFPEC : 30%)

The Buton PSC covers an area of 3,047 km<sup>2</sup> that extends both onshore and offshore Buton Island located in southeast Sulawesi. The block was awarded in 2007. Gravity, magnetic and seismic surveys were acquired in 2008/2009. During 2012 all remaining commitments were fulfilled with the drilling of one exploration well (Benteng-1) which had sub-commercial oil shows. The block is expected to be relinquished in 2013 due to low remaining prospectively.

#### **NATUNASEA BLOCK 'A' PSC** (KUFPEC : 33.33%)

This PSC is located in the Indonesian Natuna Sea and has been supplying gas to Singapore from the Anoa field since 2001 and Gajah Baru field since 2011. Three developments projects: Phase 4 compression, Naga gas field and Pelikan gas field were sanctioned and fabrication works commenced. Anoa infill drilling program continued in 2012 with three gas wells completed and put on production. Two exploration wells were drilled during 2012, which fulfilled all remaining exploration commitments. One well discovered





commercial gas in a new play fairway for which additional Lama exploration drilling is planned in 2013 and 2014. KUFPEC's net share of production from the PSC during 2012 was 9,501 boepd.

**PANGKAH PSC** (KUFPEC : 25%)

The Pangkah PSC is located offshore eastern Java and contains the Ujung Pangkah oil, gas and condensate field. Field development continued during 2012 with drilling of eight wells (six oil, one gas and one water disposal) from Wellhead Platform B (WHP-B). One exploration well was drilled and being tested at year-end. KUFPEC's net share of production from the PSC during 2012 was 4,232 boepd.

**SERAM PSC** (KUFPEC : 30%)

The Seram PSC is located at the eastern end of Seram Island near West Papua where oil has been produced since 2002 from the Oseil Field and Nief Utara-A Field, and the most recently Os-Selatan field that was officially put on stream in Q3-2012. During 2012, one successful deep exploration well was drilled, Lofin-1, which tested gas and oil. This discovery will be under evaluation during 2013. Drilling activities will continue during 2013 to further develop and appraise Seram, especially the additional hydrocarbon culmination proved by Oseil-16 well which was drilled at the end of 2011. KUFPEC's net share of production from the PSC during 2012 was 691 boepd.



*Indian Roller*

Scarce disperser in autumn, winter and spring. A tropical Asian specialty that nest as far north as Iraq. Dispersing birds arrive in Kuwait in small numbers and may be found in open habitats, including farms and city parks.



Indonesia.

## ON ACTIVITIES

## SOUTH EAST ASIA REGION

## MALAYSIA

**SB-312 PSC** (KUFPEC : 40%)

This PSC is located offshore Sabah, Malaysia, adjacent to SB302. Following the successful Menggatal-1 gas discovery drilled in 2011, a five year Gas Holding Agreement was obtained, commencing from 30 April 2012. Also, a three-year exploration extension was granted with effect from 30 April 2012, to evaluate remaining prospects. The minimum work program for the 3-year extension consists of drilling one exploration well and acquiring 250 km<sup>2</sup> of 3D seismic.

**SB-302 PSC 7T-11 Development Area** (KUFPEC : 40%)

The PSC is located offshore Sabah. In July 2011 the Gas Holding Agreement (GHA) period was extended to Sept 2014 and expanded to include both the Belud East and Belud South fields. A Field Development Plan was submitted in December 2011 and approval is pending negotiation of a Gas Sales Agreement.

**PM-304 PSC** (KUFPEC : 25%)

The PSC is located offshore, east of the Malaysian Peninsular and includes the Cendor oil field. The Cendor field came online in 2006. During 2012, a new gas lift system for Cendor Phase I was commissioned and put online in February, adding 1000-1500 bopd. West Desaru development was sanctioned and facility fabrications and installation is underway with start-up expected in Q1, 2013. Cendor Phase II development continues with fabrication of WHP & infield pipelines, & FPSO conversion. Two WHP and infield pipelines were installed in 2012 while the FPSO is expected to be commissioned in Q3, 2013. A Cendor Phase II Early Production System (EPS) that included three new development wells was introduced to bring first oil from Cendor Phase II forward from mid-2013 to December 2012. KUFPEC's net share of production from the PSC during 2012 was 1,149 boepd.





## VIETNAM

### **Block 19 & 20 PSCs** (KUFPEC : 40% in each)

The two PSCs are located in the NamConSon Basin, offshore Vietnam in the South China Sea and cover an area of 9,200 km<sup>2</sup>. Two exploration wells 19-TN-1X and 20-MG-1X were drilled in Q3 2012. Both wells were P&A without hydrocarbon shows. Work program commitments have been fulfilled and both PSC's are planned to be relinquished during 2013 due to low remaining prospectively.

### **Block 51 PSC** (KUFPEC : 35%)

The PSC located in the Malay Basin, offshore South Vietnam covers an area of 3,566 km<sup>2</sup>. Exploration well 51-TC-1X discovered gas in Q4 2012 with high CO<sub>2</sub> concentration; post well analysis is under way. During 2012, 622 km<sup>2</sup> of 3D seismic data was acquired to evaluate additional prospects in the Block.



### *White-Throated Kingfisher*

Uncommon winter visitor, scarce resident; breeds in Kuwait. One of our most exotic-looking native birds, and our largest kingfisher. Although it lives in wetlands, it is often found on agricultural land also. Sadly, being a large noticeable bird it is often shot by hunters.



Production Facility - Seram Island,  
Eastern Indonesia.

## ON ACTIVITIES

## FAR EAST ASIA REGION

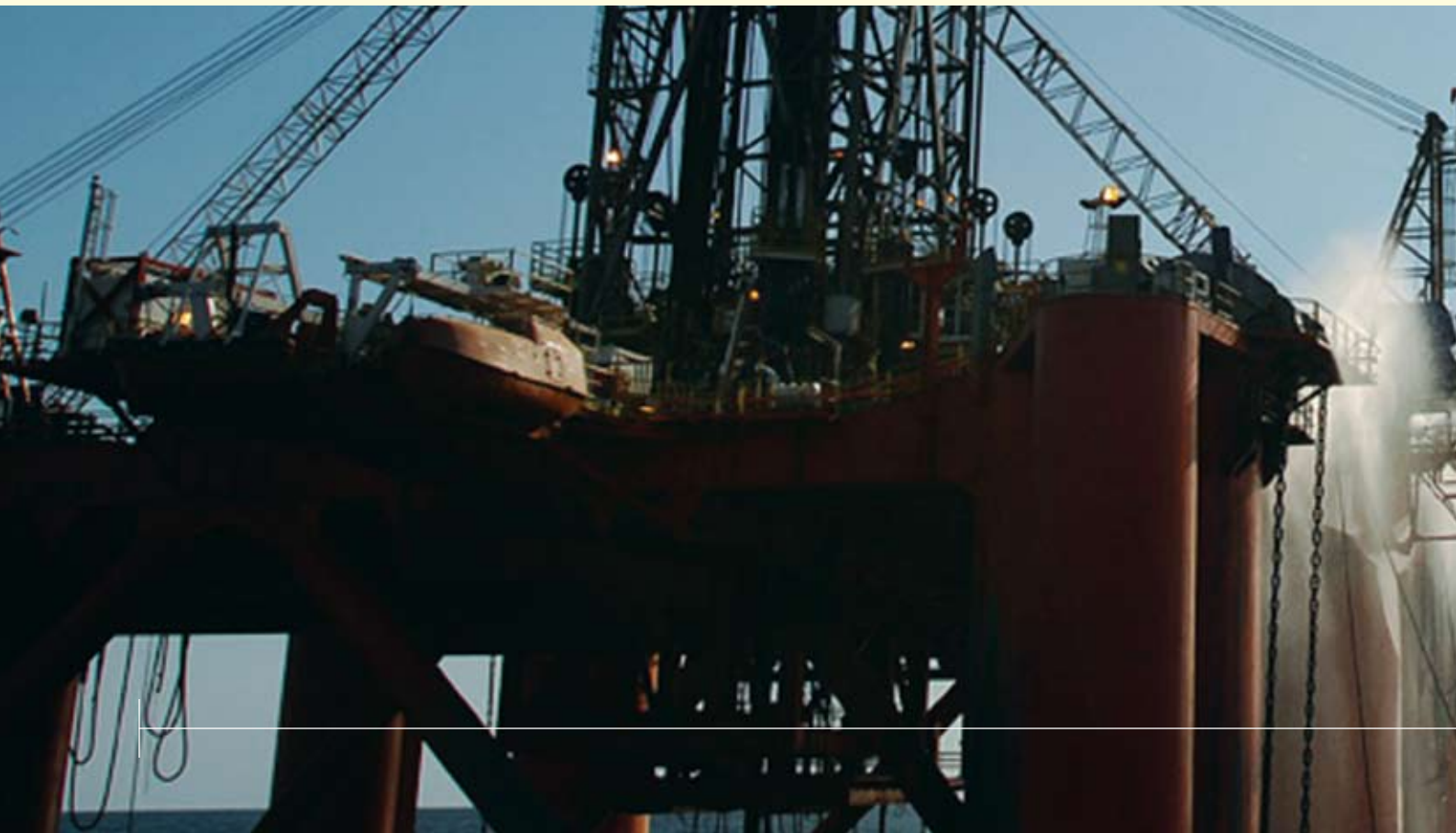
The Far East and Australia Region has continued to progress future oil and gas development projects while managing the declining production in existing fields within the Region. Overall production within FEAR declined to 8,312 boepd in 2012 from an average of 10,227 boepd in 2011 due to normal field depletion and unplanned production shut-in. In 2012, the primary development activity is in the Fletcher and Finucane Fields where two development wells were completed and suspended, with expected oil production tie-in by early July 2013. In the Julimar Development Project, two successful gas appraisal wells were drilled and top holes drillings of four development wells commenced in third quarter 2012.

The FEAR highlights of 2012 included commencement of operatorship in WA-427-P exploration permit (100% working interest), and purchase of Tap Oil equity from Santos in WA-191-P permit, oil development projects in Fletcher (KUFPEC 50%), Finucane (KUFPEC 37.5%) and execution progress in the Balnaves oil development project (KUFPEC 35%), and gas development project in the Julimar Development Area (KUFPEC 35%). The Wheatstone LNG development project (KUFPEC 7%) continues to progress with the fabrication and construction of onshore and offshore facilities. Fletcher and Finucane Fields' oil development will be via a tie-back to Mutineer/Exeter (KUFPEC 33.4%) FPSO with estimated production of 6,700 bopd net KUFPEC, expected to commence in second quarter 2013. Balnaves oil production is expected to commence in the first quarter 2014 with initial oil production of 10,500 bopd net KUFPEC via a stand-alone FPSO. Julimar gas will be produced via Wheatstone LNG facilities in 2016 with net production of 16,300 boepd net KUFPEC. KUFPEC relinquished two exploration permits in 2012, VIC/P59 (KUFPEC 35%) in Australia and SC60 (KUFPEC 30%) in the Philippines.

**Australia****WA-49-L (KUFPEC 35%)**

The Production License WA-49-L contains Balnaves Oil Development Project and Julimar Gas Development Project. This Production License was carved out from the original WA-356-P Exploration Permit in the third quarter of 2011 for the economic life of Balnaves and Julimar Fields. As a result, WA-356-P permit (KUFPEC 35%) reduces its size from 967 km<sup>2</sup> to 403 km<sup>2</sup> and a new 5-year Exploration Term was granted by the Government, effective from 1 March 2012.

Following The Final Investment Decision (FID) approvals for the Julimar gas Development Project (KUFPEC 35%) and Wheatstone LNG project (KUFPEC 7%), and the Balnaves oil development (KUFPEC 35%) in 2011, the procurement, fabrication and construction of onshore and offshore facilities continue to progress in 2012. Top holes drillings of four development wells commenced in 2012 and will continue into





2013. Two appraisal wells (Balnaves Deep-2 and Balnaves Deep-3) were successfully drilled, and appraised the deep gas reservoirs in the Julimar Development Area.

A new 3D seismic survey which was proposed by the Operator in 2012 to improve the resolution of the multiple gas and oil reservoirs in the Julimar Development Area and Balnaves Field has been deferred to 2013.

#### **Wheatstone LNG** (KUFPEC 7%)

The onshore site construction and the fabrication of the LNG plant, domestic gas facilities and offshore facilities are progressing according to the schedule. The onshore site is located in Ashburton North, near Onslow in Western Australia.

#### **WA-191-P** (KUFPEC 37.5%)

The FID for Fletcher and Finucane Fields was taken in January 2012 after Santos (Operator) agreed to purchase Tap Oil's working interest in both fields, and the exploration area in WA-191-P. Following the purchase, Santos agreed to sell KUFPEC 4.1% additional equity to KUFPEC in WA-191-P and the Fletcher and Finucane fields. Following the execution of Agreements, KUFPEC working interest in the Fletcher Field increased from 44.54% to 50%, and increased from 33.4% to 37.5% in the Finucane Field and WA-191-P exploration area.

The procurement and fabrication of offshore facilities were progressing throughout 2012. Drilling commenced on three development wells in the third quarter 2012 and will continue into first quarter of 2013. Oil production of 6,700 bopd net KUFPEC is anticipated to commence in second quarter 2013. The Fletcher and Finucane Fields' oil production will be via a subsea completion and an 18 kilometer pipeline, tie-back to the Mutineer FPSO. The oil is of the same high quality as Mutineer and Exeter Fields and the oil production from Fletcher and Finucane Fields will extend the economic life of both fields.



#### *Eastern Cinereous Bunting*

Scare passage migrant. A little-known species maintaining small populations with a restricted Western Asian global distribution. This Middle Eastern specialty is frequently seen in Kuwait in both spring & autumn. Often observed at water holes and ponds in desert oases.

Australia-Mutineer Exeter.



## ON ACTIVITIES

## THE FAR EAST ASIA REGION

The Production License for Fletcher and Finucane Fields is expected to be granted by the Government in 2013. As a consequence, the size of WA-191-P Exploration Permit will be reduced accordingly.

**Harriet Joint Venture** (KUFPEC 19.28%)

Net production in Harriet JV declined to 2,487 boepd in 2012 from 3,121 boepd in 2011 due to normal field depletion, unexpected shutdown of Burrup fertilizer plant, and scheduled shut-in for regular maintenance and drilling of Bambra-10H development well. The Bambra-10H development well was drilled in 2012 but the objective interval was not reached due to technical problems faced during drilling operations. In the third quarter, Apache (Operator) commenced the abandonment program of the Sinbad platform where four wells were abandoned during this period. At the end of December, Apache initiated the abandonment of Campbell platform where five wells will be permanently abandoned. Seismic interpretation of the 2011 reprocessed 3D seismic was carried out in 2012 to firm up two exploration prospects, budgeted to be drilled in 2013. Renewal of production permits TL/5 and TL/6 and exploration permits TP/8 and EP358, and conversion of TR/2 Retention Lease into TL/10 Production Lease were granted by the Government in 2012.

**Mutineer-Exeter Field** (KUFPEC 33.4%)

During 2012, net production from Mutineer-Exeter Field declined to 1,651 bopd from 1,733 bopd during 2011. The production decrease mainly attributed to normal field depletion and an earlier than expected FPSO dry docking. The production was shut-in in early December instead of January 2013 for FPSO refurbishment in preparation for production tie-back of Fletcher and Finucane Fields in second quarter 2013. The Fletcher and Finucane Fields' oil production tie-back to the Mutineer FPSO will extend the economic life of the Mutineer and Exeter Fields.

**WA-427-P** (KUFPEC 100%)

At the end of the 3-year obligatory term, Apache elected to exit from the permit and KUFPEC officially became the Operator with 100% working interest on 3 October 2012. The seismic interpretation and geological study will be carried out in 2013 to prioritize prospects and leads, and to firm up drilling location for 2014 exploration drilling commitment. The block is located adjacent to the Production License WA-49-L which contains Julimar gas development and Balnaves oil development projects.

**WA-481-P** (KUFPEC 30%)

Murphy Oil (Operator), KUFPEC and Samsung successfully bid for this block and the Government officially awarded the block for a 5-year exploration term on 20 August 2012. The work programs for the first year

Processing Plant - Hainan Island, China.





are re-processing of the existing 2D seismic, and acquisitions of new 2D and 3D seismic. The block lies in the prolific Perth Basin with the size of 17,476 km<sup>2</sup> and located in the water depth ranging from 2 meters to 2,580 meters.

#### Other Permits

Other permits include exploration blocks WA-356-P (KUFPEC 35%), WA-335-P (KUFPEC 18.9%), production license WA-8-L (KUFPEC 42.63%), and retention leases WA-41-R (KUFPEC 33.33%), WA-45-R (KUFPEC 20%), WA-46-R (KUFPEC 20%), where the work programs were limited to studies and general administration in 2012.

#### China

##### 13-1 Yacheng Field (KUFPEC 14.7%)

Yacheng Field produced 5,557 boepd net KUFPEC during 2012, compared to 5,349 boepd during 2011. Two CNOOC discoveries from the Y13-4 and Y13-6 wells in the adjacent block were successfully tied into Yacheng Field's offshore production facilities in the second quarter of 2012. The production tie-in improves gas deliverability and result in gas handling fees for the Yacheng Field.

#### Philippines

##### SC14C Galoc Field (KUFPEC 26.84%)

Interest was purchased, subject to approval of the Philippine government, as part of a larger asset deal effective 1 January 2012. Production in 2012 net to KUFPEC was about 950 bopd. Plan to drill two infill horizontal wells in 2013 and a near-field exploration well.



#### *Glossy Ibis*

Uncommon passage migrant and rare winter visitor. Usually seen in small numbers in Kuwait's wetlands, but sometimes in migratory flocks; maximum of 80 in late August 2007.



# OUR PEOPLE

We at KUFPEC believe that our human resources are the foundation upon which our success has been built. The talent, commitment and team effort of our employees are crucial to our business performance today, and to our capacity to evolve and grow in the future.

We have always been fully committed to investing in our talented and experienced employee base through attracting and retaining the best possible Kuwaiti Nationals, and offer them the best training and opportunities for personal growth and development across the spectrum of professional disciplines.

This year, the company successfully completed the attachment for 25 KUFPEC employees with operators, JV's partners, area offices and reputable business firms to enhance their knowledge and technical expertise as part of ongoing career development plans.





As of December 31, 2012, we had 214 active employees (115 Kuwaitis, 99 non-Kuwaitis) compared to 212 at 31st December 2011. The level of Kuwaitization increased from 65.5% in 2011 to 66.86% by year end. Further expansion of the national workforce is planned for 2013 to meet KUFPEC's growth and expansion targets.



### *Greater Flamingo*

Very common winter visitor and disperser in all seasons. An irregular breeder on Bubiyan. Largest flocks at Sulaibikhat and Jahara Bays with up to 3000 recorded in early February 2008.



KUFPEC - Australia.

# CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2012



## Index

## Page

Independent Auditor's Report	31
Consolidated Statement of Financial Position	32
Consolidated Statement of Income	33
Consolidated Statement of Comprehensive Income	34
Consolidated Statement of Changes In Equity	35
Consolidated Statement of Cash Flows	36
Notes To The Consolidated Financial Statements	37-71