

GENERAL INSTRUCTION MANUALISSUING ORG. FINANCIAL ANALYSIS & PERFORMANCE ADVISORY
DEPARTMENT

ISSUE DATE 06/01/2010 REPLACES 12/01/2002

SUBJECT DEVELOPMENT DRILLING PROGRAM AND BUDGET

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CONTENT

This General Instruction accomplishes the following: presents the objectives and scope of the Development Drilling Program and Budget, cites responsibilities for preparing, reviewing, approving and publishing information; describes Accountability Reports; and lists related General Instructions.

The text includes:

1. Objectives
2. Scope
3. Development Drilling Program
4. Development Drilling Budget
5. Review & Approval Process and Publication
6. Budget Revisions
7. Accountability Reporting
8. Related Instructions

1.0 OBJECTIVES

The primary objectives of the Development Drilling Program and Budget are to meet oil and gas production requirements and to delineate reserves and reservoir properties in new and existing oil and gas fields.

The Company uses the Development Drilling Program and Budget to: identify and determine the costs and benefits of future Development investment requirements; plan for Development Drilling expenditures during the five-year Business Plan period; establish a Development Drilling Budget for each fiscal year and provide input to Corporate cash flow planning.

2.0 SCOPE

The Development Drilling Program and Development Drilling Budget include costs for drilling wells onshore and offshore for oil and gas production, water supply, water injection and other pressure maintenance, as well as field delineation and evaluation. They do not include purchase of capital equipment used in the program, such as drilling rigs, offshore platforms, support facilities, flowlines and associated equipment, etc. These are funded by other Budget Items in the Capital Program and Budget.

3.0 DEVELOPMENT DRILLING PROGRAM

The Development Drilling Program is a five-year program consisting of proposed plans and expenditure required to meet future Company production requirements.

4.0 DEVELOPMENT DRILLING BUDGET

The Development Drilling Budget is the first year of the Development Drilling Program. It is permanently established as BI-60. It is submitted to the Board of Directors annually for approval.

SAUDI ARABIAN OIL COMPANY (Saudi Aramco)

GENERAL INSTRUCTION MANUAL

GI NUMBER 20.101 Approved

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5.0 REVIEW & APPROVAL PROCESS AND PUBLICATION

The Exploration & Producing Business Line is responsible for preparing and updating the Development Drilling Program. The Program is reviewed by the Executive Advisory Committee and Management Committee during the annual Business Plan cycle. The Program is continually updated and reviewed with the first year of the Program proposed as the annual Development Drilling Budget. The Development Drilling Budget is then approved by the Board of Directors at their fall meeting.

The Development Drilling Program is included in the Business Plan published by the Long Range Planning Department. The Development Drilling Budget is included as a component of the Capital Budgets Book published by Capital Programs, Forecast and Analysis Division (CPF&AD).

6.0 BUDGET REVISIONS

Revisions to the approved budget are made when Expenditure Requests for supplemental funds, partial cancellations or scope changes are endorsed by the Management Committee and approved by the Board of Directors, the Executive Committee of the Board of Directors, or the President & Chief Executive Officer.

Cost overruns up to certain limits as documented, and subject to the conditions also established, in the Management Guide may be approved by the Senior Vice President – Exploration & Producing.

7.0 ACCOUNTABILITY REPORTING

Using accounting records, CPF&AD issues the following two reports that present Development Drilling Budget and expenditure status:

AR-197 Programs and Budgets Status Report

AR-190-2 Capital and Non-Capital Expenditures

On a monthly basis, CPF&AD also prepares the "Capital" section of the Management Information System (MIS) report for Management Committee review. Both accounting records and Exploration & Producing input serve as source data. The MIS report shows the current month and year-to-date expenditure status and selected drilling and seismic activity information for the current year Development Drilling Budget.

On a quarterly basis, CPF&AD prepares for Corporate Management the Capital Budgets Accountability that specifically addresses Development Drilling expenditures and activity.

8.0 RELATED INSTRUCTIONS

20.500 Expenditure Requests

Approved by:
Manager – Financial Analysis & Performance Advisory Department

* CHANGE

** ADDITION

NEW INSTRUCTION ☐

COMPLETE REVISION ☐