

GENERAL INSTRUCTION MANUALISSUING ORG. FINANCIAL ANALYSIS & PERFORMANCE ADVISORY
DEPARTMENT

ISSUE DATE 06/1/2010 REPLACES 12/01/2002

SUBJECT EXPLORATION PROGRAM AND BUDGET

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CONTENT

This General Instruction accomplishes the following: presents the objectives and scope of the Exploration 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. Exploration Program
4. Exploration Budget
5. Review & Approval Process and Publication
6. Budget Revisions
7. Accountability Reporting
8. Related Instructions

1.0 OBJECTIVES

The primary objectives of the Exploration Program and Budget are to discover new oil and gas reserves and to provide support for development of existing oil and gas reservoirs in order to meet future production requirements.

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

2.0 SCOPE

The Exploration Program and Budget include costs for exploratory drilling, exploration seismic surveys, geological and geophysical studies, and staff support costs. They do not include purchase of capital equipment used in the program, such as drilling rigs, well pipes, support facilities, computers, rig replacement parts, etc. These are funded by Budget Items in the Capital Program and Budget.

The Exploration Program and Budget includes a double-budgeting anomaly. Saudi Aramco labor costs, materials, and invoice costs are budgeted in both the Net Direct Expenditure Budget and the Exploration Budget. This is done for compliance with accounting standards as well as control purposes. The result is that these costs are reported twice. However, only one set of costs flow through to the financial statements.

3.0 EXPLORATION PROGRAM

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

SAUDI ARABIAN OIL COMPANY (Saudi Aramco)

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4.0 EXPLORATION BUDGET

The Exploration Budget is the first year of the Exploration Program. It is permanently established as BI-33. It is submitted to the Board of Directors annually for approval.

5.0 REVIEW & APPROVAL PROCESS AND PUBLICATION

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

The Exploration Program is included in the Business Plan published by the Long Range Planning Department. The Exploration 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 President & Chief Executive Officer and approved by the Board of Directors or Executive Committee of the Board of Directors.

Cost overruns up to certain limit 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 Exploration 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 Exploration Budget.

On a quarterly basis, CPF&AD presents to Corporate Management the Capital Budgets Accountability that specifically addresses Exploration expenditures and activity.

8.0 RELATED INSTRUCTIONS

20.500 Expenditure Requests

* CHANGE

** ADDITION

NEW INSTRUCTION ☐

COMPLETE REVISION ☐

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Approved By:

Manager, Financial Analysis & Performance Advisory Department

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