



Egypt's Rigs

A REFLECTION FOR ACCELERATING
HYDROCARBON ACTIVITIES

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Key Takeaways

Rigs Growth Rate in 2023*

↑ 18%

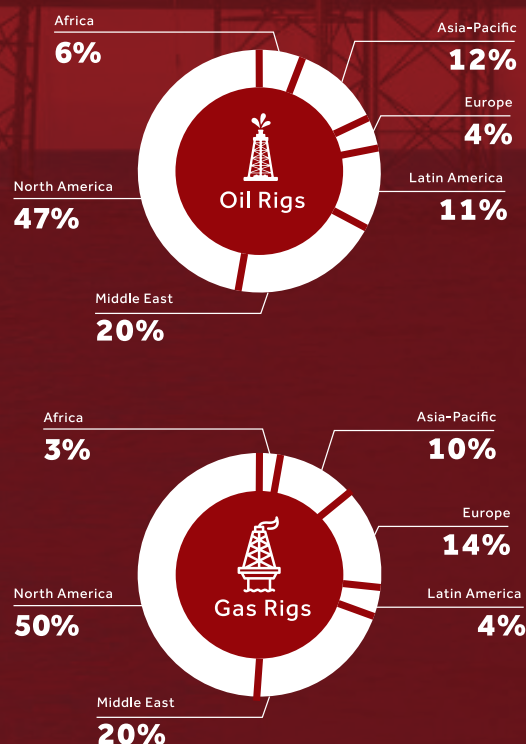
*Compared to 2019

Western Desert's Rigs Average Share*

62%

*Over (2019-2023)

Average Share* of the Global Rig Count Per Type



*Over (2019-2023)

Egypt has emerged as a key player in the regional energy landscape due to its vast hydrocarbon reserves and strategic location. The country witnessed several discoveries and new drilled wells which further attracted attention to its onshore and offshore hydrocarbon resource potential.

Accordingly, there has been an increase in rigs demand over the past years.

This report tackles the trend of per-area rigs count over the last five years, and the distribution of rigs in each producing area, focusing on

the western desert as the largest area for rigs utilization. Additionally, it highlights Egypt's efforts to localize the rigs industry to accelerate its drilling plans. From the global perspective, the report sheds light on the worldwide rigs count per region.

TOTAL RIGS PER AREA

Between 2019 and 2023, rigs utilization has shown a declining trend in the first three years and then it starts to incline again. Egypt's rig demand had fallen in 2019 and 2020 due to the COVID-19 pandemic, which caused a decline in oil prices and a stagnation in oil demand triggered by the slowdown of global business activity.

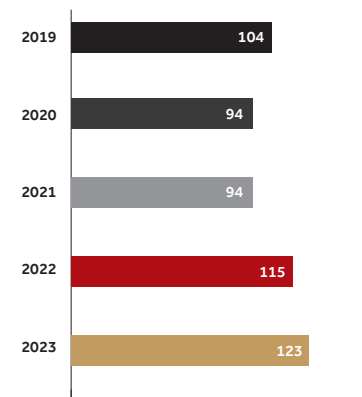
From 2020 to 2023, rig utilization has rebounded in the producing areas. The rise in the drilled exploration wells and the recent gas discoveries, like Nargis offshore concession, has

spurred rig demand. This was represented in annual growth rates of 22% growth in 2022 and 7% in 2023, according to the Egyptian General Petroleum Corporation (EGPC).

It is worth mentioning that there is a significant connection between the demand of rigs, oil demand, and oil prices. As the oil prices increase, the rig count increases. Over the past five years, Brent oil prices have shown around 43% growth, according to the Investing website.



Average Rigs

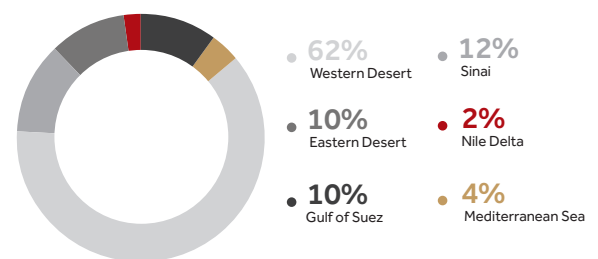


RIGS DISTRIBUTION PER AREA

Drilling rigs are dispersed throughout various producing regions including the Gulf of Suez, the Mediterranean Sea, the Western Desert, Sinai, the Eastern Desert, and the Nile Delta. In order to implement oil and gas exploration and production activities.



Areas' Rigs Average Share over (2019-2023)



Western Desert Leads in Drilling Rig Activity

The Western Desert region has consistently held the largest share in the rig count, using 65 rigs on average over the past five years. This dominance can be attributed to its lion's share in crude oil production in

Egypt. During the mentioned period, it contributed to an average production of about 98.7 million barrels (mmbbl), representing 55% of Egypt's total crude oil production, according to the EGPC.

The region has numerous crude oil-producing fields. Some of the largest and most known are Meleiha, South Ghazalat, Badr El Din, Ptah, and Berenice.

Moving to the number of oil discoveries, the region saw a record number of discoveries in the past decade, particularly in FY 2022/23, with 54 new findings accounting for 91.5% of all discovered crude oil wells.

Moreover, the Western Desert is an attractive region for International Oil Companies (IOCs). Many IOCs have been awarded several blocks across the region where they operate

through their Joint Ventures (JVs) companies in partnership with National Oil Companies (NOCs).

RIGS' INDUSTRY LOCALIZATION

First Egyptian-Made Oil Rigs

Egypt had paved the way to manufacture oil rigs locally to enable the Egyptian petroleum sector to make optimal use of its capabilities. Additionally, this will accelerate Egypt's plans to drill wells with a view to increasing the production of oil and gas.

The petroleum sector has received the first Egyptian-made onshore oil rig among the seven that were contracted to manufacture. Its actual manufacturing was commenced in January 2023 at the factory of the Egyptian Petroleum HH Rig Manufacturing Co. (EPHH) in Ain Sokhna. The oil rig manufacturing was completed with

investments worth \$6.5 million. It reflects the fruitful economic cooperation between Egypt and China. This is seen as a successful example of developing cooperation to transfer manufacturing technology from China to Egypt rather than importing, according to the Ministry of Petroleum and Mineral Resources (MoPMR).

GLOBAL RIGS ACTIVITY

Global rig count refers to the number of operational oil and gas rigs worldwide. North America is the region with the largest number of oil and gas rigs, with a total average of 792 rigs over the period between 2019 and 2023. It was followed by the Middle East and Asia-Pacific, with a total average of 328 and 190 rigs, respectively. Africa has the lowest average rig counts, at 82 rigs during the mentioned period, according to the Worldwide Rig Count Report by Baker Hughes released in April 2024.



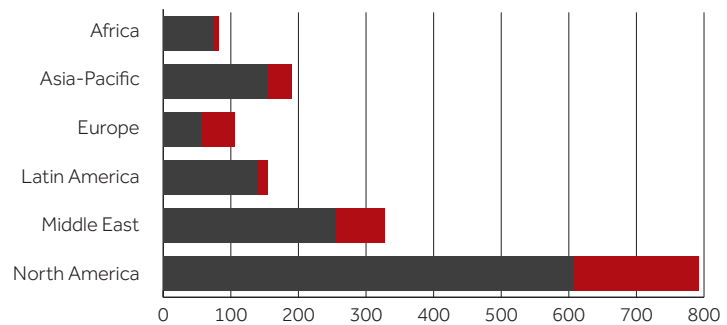
Average* Rig Count Breakdown per Region



Oil Rigs



Gas Rigs



*Over (2019-2023)



The global demand for drilling rigs is increasing as the surge in oil activities is driven by the rise in oil prices globally, presenting an opportunity to maximize rig utilization. In response, Egypt is working to optimize its oil and gas capabilities and accelerate well drilling to boost production. This is exemplified by the completion of the first locally manufactured oil rig, a significant step that enables the sector to expedite well-drilling plans.

The MoPMR is actively promoting the manufacturing of rigs to not only fulfill the needs of the local market but also pave the way for future exports. Furthermore, Egypt launched an ambitious program in July 2023 to drill 35 new exploration wells in the Mediterranean Sea and the Nile Delta within a two year period ending in July 2025. This program represents a part of Egypt's plan to boost domestic drilling capacity.



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