

Oil firms line up for contracts in Iraq

115 registered to offer extraction and services

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BAGHDAD—More than 100 companies including foreign majors are vying for deals to tap Iraq's vast oilfields, but a vital oil law is stalled by tension involving the Kurdish region, Baghdad's oil minister said yesterday.

Hussain al-Shahristani said 115 companies had registered to compete for oil extraction and service contracts to help develop Iraq's oil reserves, the world's third-largest.

Of these, 10 are American, with companies also from Japan, Russia, Britain, Canada and South Korea.

Shahristani said Iraq was close to finishing negotiations with several oil majors for two-year technical support contracts that hopefully would be signed in March.

Those majors include Royal Dutch Shell, BP, Exxon Mobil Corp, Total and Chevron Corp., he said.

Iraq currently exploits only a fraction of its reserves, among the cheapest to produce in the world, and international oil companies have been positioning for years to gain access.

Shahristani said the fields up for grabs under the contracts included Iraq's giant fields in the south along with Kirkuk in the north. He said the qualified companies would be announced in March.

"From announcing the qualified companies to the signing of the contracts will take a minimum one and a half or two years, but we will try to make it within a year," he said.

Shahristani said he hoped the technical support contracts would add 500,000 barrels per day of oil to Iraq's output in a year.

"We are negotiating with these five companies. We are at the end of the negotiations," Shahristani said, referring to the five majors.

"They will study the fields with us, we will put together a plan to boost production, they will help us to select the equipment and deliver this equipment to us."

Iraq produces about 2.5 million barrels of oil a day, dwarfed by its 115 billion barrels of proven crude oil reserves. Only those of Saudi Arabia and Iran are larger.

One oil official said last year that Iraq's oil sector could need as much as \$75 billion (U.S.) in investment.

The extraction and service contracts should add 1.5 million bpd to output once they were in place, Shahristani added.

Combined with the additional flows from the technical support contracts, Iraq's output would hopefully rise to 4.5 million bpd in five years, he said. Of this total, 3.5 million bpd would be exported and the rest kept for domestic use.

Shahristani said technical support contracts did not entitle companies to any share in production.

"The benefit is that they will show interest in co-operating with Iraq and supporting us technically. They will have knowledge of the parameters of the fields and then they can ... make us an offer which is better than others," he said.

The service and extraction contracts are also seen as a stop-gap until a crucial oil law is passed, and will not provide the long-term involvement big oil companies crave.

But the draft law remains stalled in parliament.

Yesterday, Addax Petroleum Corp. of Calgary said it had signed a deal with the Kurdistan regional government in Iraq that amends a production-sharing contract with Genel Enerji to bring the Taq Taq project into line with the region's oil and gas law, including royalties, cost recovery and profit sharing.

Shahristani said he believed a major obstacle to Iraq's oil law passing would be the signing of oil deals between the government in the largely autonomous Kurdistan region and smaller foreign energy firms. Those firms, he said, would be prohibited from competing in central government deals.

With files from The Canadian Press