

## Progress in Iraq?

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This month, exports are scheduled to begin flowing from the first new fields to be developed in Iraq since the fall of Saddam Hussein 6 years ago. This could mark a major milestone in Iraq's return to major producer/exporter status on the world stage.

Exports totaling 100,000 BOPD will come from two fields—the Twake field developed by Norway's DNO and the Taq Taq field produced by Addax Petroleum, a Swiss-Canadian company. The Kurdish government in northern

Iraq signed the contracts and, after some contentious wrangling, finally received approval from the country's Oil Ministry to begin exports.

Iraq has the second-largest oil reserves in the world, behind Saudi Arabia, but production and exports have languished for years and have continued to fall since US military action in the country earlier this decade. Iraq exports reached 3.5 million BOPD in the 1980s but currently are at 1.8 million BOPD. Production has fallen to 2.2 million BOPD from 2.5 million BOPD just 2 years ago. Output at the country's largest fields in the south continues to decline, which is encouraging the government to move forward with development in the northern part of the country. The new Iraqi government also needs the oil revenue.

News of the export breakthrough was a hot topic of discussion at last month's Iraqi Oil and Gas Summit in Houston, the latest major oil-city stop by Iraqi government officials designed to encourage oil investor interest in the country. About 200 attended the event, which drew participation from several large operators. Clearly many companies want to do business in Iraq given its attractive resource potential. But a sticking point appears to be the absence of a national hydrocarbons law, which could be months away.

Development and security in Iraq cannot be met without more revenue, former Iraqi Oil Minister Ibrahim al-Oloum told the gathering. He said the government's goal is to eventually increase production to 4 million BOPD by 2014 and to 6 million BOPD by 2019. Al-Oloum said much the same thing 3 years ago when he was a keynote speaker at the first International Petroleum Technology Conference in Doha, a conference sponsored by SPE and other major oil industry associations. He was oil minister then and expressed skepticism that the Iraqi oil industry could recover quickly without major funding for infrastructure and security.

Another hurdle for potential private investors is the contracts being offered by the government. The Kurdish government contract model, which attracted bids from more than two dozen companies, allows production sharing, giving firms an ownership stake. The Iraqi Oil Ministry contracts, currently up for bidding, would pay companies for work they perform on various oil fields but gives them no ownership. Without some ownership, companies cannot book any reserves and may lack incentive for increasing production. Several speakers at the Iraqi government road show predicted that the new fields in the Kurdish region would soon be producing up to 250,000 BOPD of high-quality crude, and urged the government to adopt contracts similar to those used in the northern part of the country.

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