THE UPSTREAM HYDROCARBON INDUSTRY IN KURDISTAN- IRAQ
‘OPPORTUNITIES & CHALLENGES

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INTRODUCTION

OPPORTUNITIES

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SHORT TERM FUTURE VISION

INTRODUCTION

Kurdistan Province has large opportunities with problems some which are complicated. The local government has the support of the largest affiliation of ruling parties in Baghdad. KRG has taken very serious political and economic measures away from the Federal government. The ground for such actions seem to have been prepared before the invasion of Iraq.

Delays in coming to terms with the Federal Government, the continued failure in providing essential services and improving the welfare of the majority of the Iraqi people, the continued administrative and financial corruption in all Iraq, in addition to the effect of the rising power of the ‘Sunni Parties’ and civil organisations; are major factors to consider in forecasting a short term vision for Iraq. Iraq’s hydrocarbon industry has been studied in 7 detailed volumes (CGES- Nov 07).

In this presentation, I will discuss the upstream hydrocarbon opportunities and challenges in Kurdistan. My intention is to alert the Politicians and Iraqi Public Opinion to issues that will affect the unity of the country, its stability and above all constructive co-existence between the Kurds and other Iraqis.

(Exploitation of Taqtaq Field (2150 b/d as from Dec 94- Industrial Fuel then local refining/ Geological Investigation in Kurdistan, Signing Petoil PSA in Jan 03 with reference to US ‘Final Settlement’ MoU signed in Sept 1998.

<u>Post 9th April 03</u>

*Signing of Genel Energy PSA (Shared with Addax Petroleum later on)
and DNO 2 large concession areas in Dohuk & Erbil in Jul 04
*KRG Hydrocarbon Law: Exploration Blocks Round-I & Round-II in the second half of 2007 and continued award of PSC’s (around 22 now)
in Kurdistan and vast area within what the Kurds consider ‘Disputed Areas’ Figure 1- Shows round II KRG blocks. Figure-2 shows the claimed southern limit of Kurdistan while Figure-3 is part of KRG map for great Kurdistan.
*Production from DNO (Tawake Field): 12K b/d (Cap: 60-70K b/d)
and Addax (Taqtaq Field): some 15K b/d?, Cap: believed 30-50K b/d
*Gas field development & utilization (Dana Gas & Crescent Petroleum)
Surface facilities nearing completion: No production now. Cap:

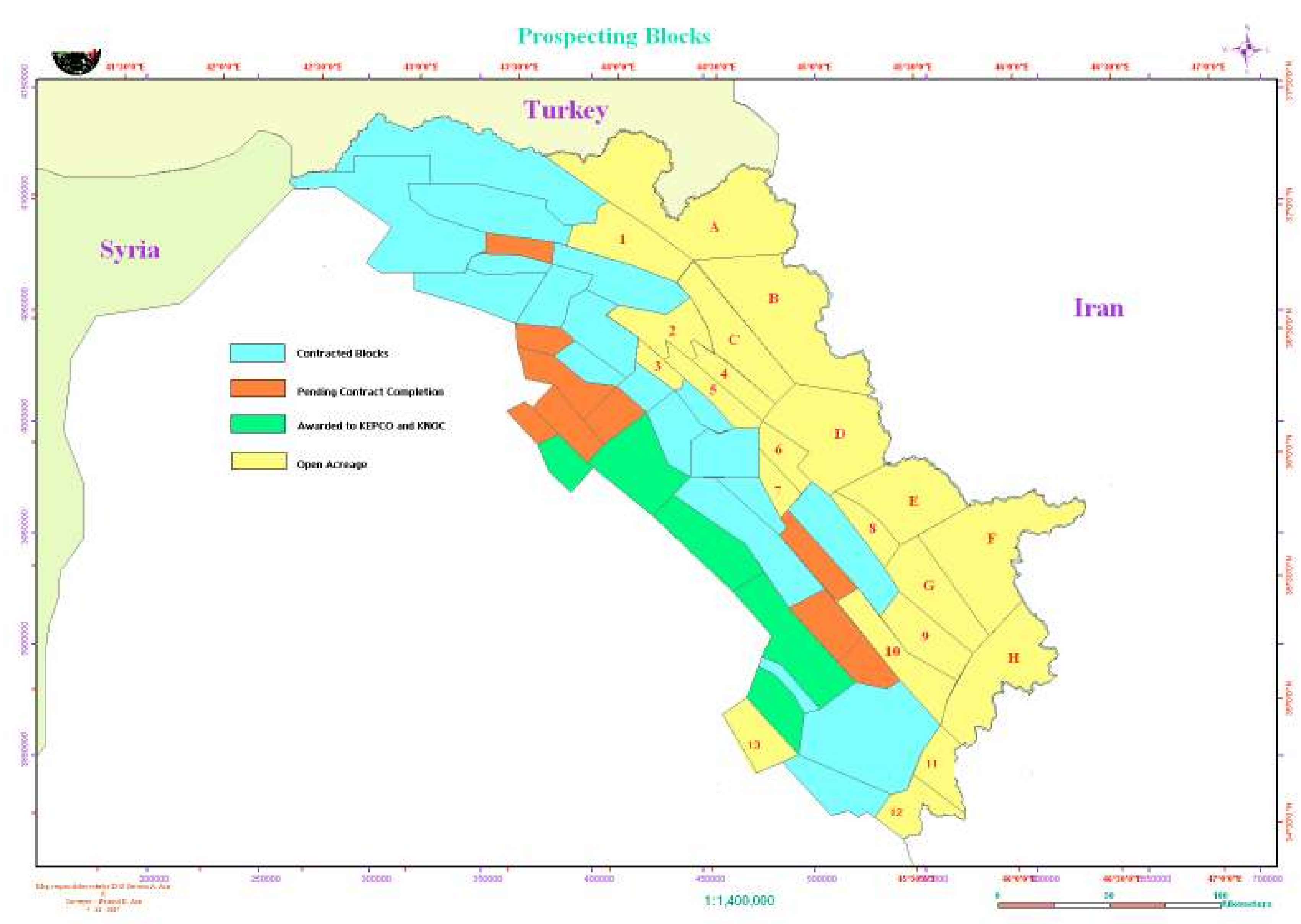

Fig-1: KRG Blocks Round II

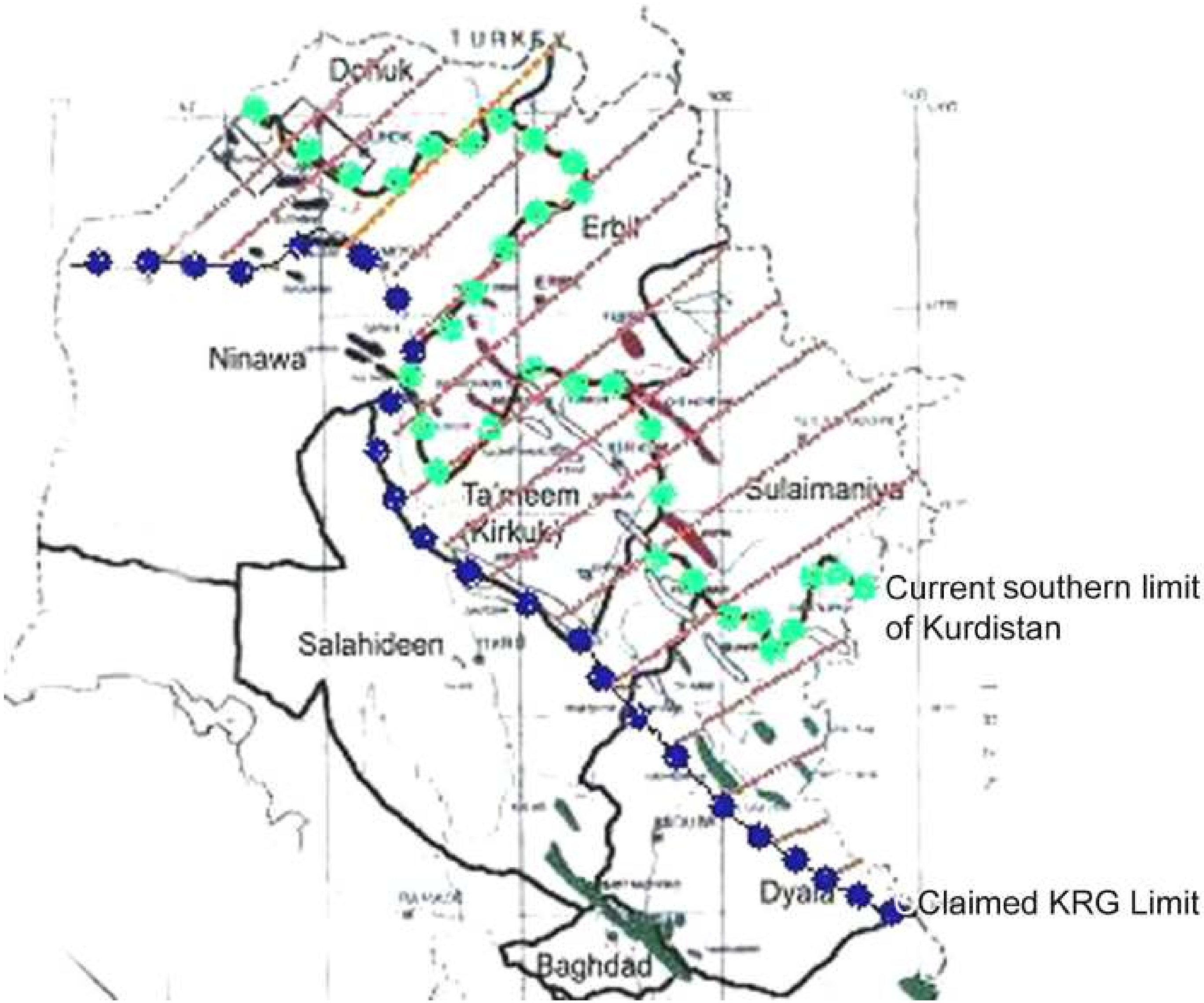

Fig-2: KRG Concept of Kurdistan- Iraq

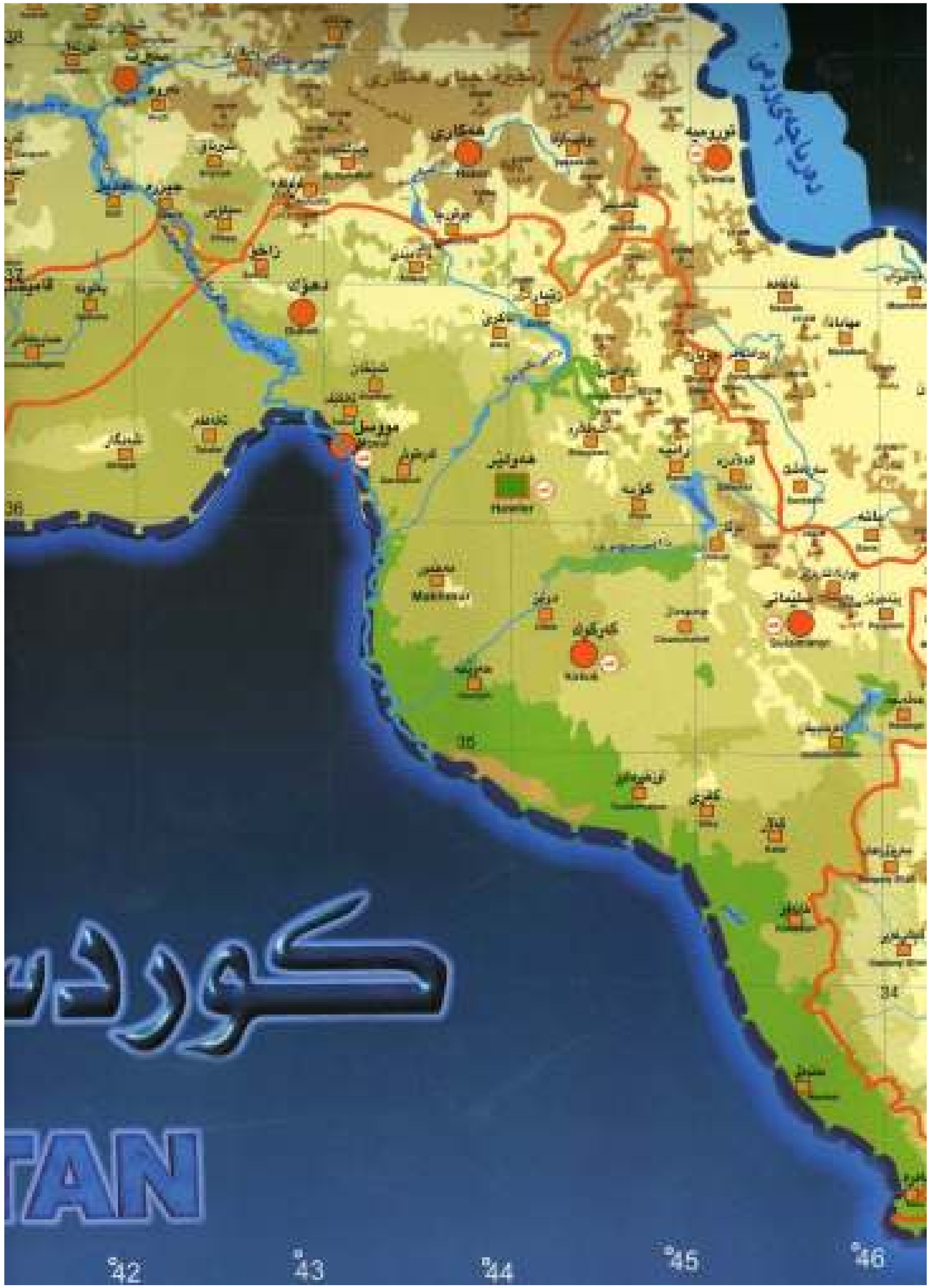

Fig-3: KRG Great Kurdistan

OPPORTUNITIES

1-Fields: Tawake & nearby, Erbil (DNO), Taqtaq, Kormor, chemchemal. Qara Chuq, Demir Dagh

2-Anomalies and On surface exposed Structures: 53 in Present Kurdistan and 8 common with or inside ‘Disputed Areas’

3-Finding Possibility: Variable between low risk and very high risk. One third of the structures may be dry while two thirds have possibility of finding between 25%-40%

4- OilReserves: Oil: P1: 1.5 Billion, P3: 5-10 Billion B

Gas reserves (currently 5): 10TCF P1, P3: 2TCF

5- 2009, 2010, 2011 Oil Production forecast (below capacity) in 1000 b/d:P/ 25, 50, 150?. Export: 20,40, 50?

6- Three year gas production forecast, MMSCFD: 70, 200, 300

CHALLENGES

1-Technical: Seismic Surveys, Well drilling & completion
2-Local Companies: Current situation & short term requirements
3-(Organisation, Recruitment, Management Skills, future of KNOCK & KEPCO)
4-Role of International Oil Companies in establishing local facilities
5-Infra Structure & supporting Services
6-Hydrocarbon laws/ Constitution/ Companies pre-qualifications?/ Revision of awarded contracts/ Farm out & affiliation of new small companies with already awarded companies
7-Co-existence with non-Kurds in ‘Disputed Areas’: Fate of Contracts already awarded, New contracts?
8- Kurdistan Regional Government & Democracy
9- Kurdistan export routes and terminals?

SHORT TERM VISION

1- The upstream Oil Industry in Kurdistan has considerable opportunities, however the progress in field development, production and proper export faces tough challenges. The first challenge is resolving the current disagreement with the Federal Government which is strongly related to both the Federal and KRG Hydrocarbon Laws in addition to the Constitution.
The future of the Federal System in Iraq is in the balance, awaiting for what concessions are to be given to the Kurds

2-The year 2009 is very critical for KRG and the companies who were awarded the PSCs in Kurdistan. Production from DNO, Addax, Dana Gas will be locally utilised with surplus oil smuggled by tankers to Turkey and Iran. For how long wouldthe concerned companies tolerate that, versus their original plans? Other companies who have not produced yet may have to farm out or just wait !

3- Worse of all PSA's perhaps, are those concerning concessions in 'Disputed Areas' that will cause reactions to non Kurds inhabitants and continue to raise the concern of the Federal Parliament including large numbers of MPs of the Iraqi Alliance, the strong supporter of KRG. Those are keeping a low key opposition to the Kurdish aspirations now, will soon come to the open.
The problem of Kirkuk and the 'Disputed Areas' if not settled or sorted out without consent of non-Kurds will continue to pose a serious security hazard and undermine the stability of the country.

4- Harmony between KRG and Federal Government will enhance stability in a unified Iraq