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And Iraq's big oil contracts go to ...

Companies from China, India and other Asian nations are seen getting the first contracts. But don't write off Big Oil just yet.

By [Steve Hargreaves](#), CNNMoney.com staff writer

April 5 2007: 1:42 PM EDT

NEW YORK (CNNMoney.com) -- Despite claims by some critics that the Bush administration invaded Iraq to take control of its oil, the first contracts with major oil firms from Iraq's new government are likely to go not to U.S. companies, but rather to companies from China, India, Vietnam, and Indonesia.

While Iraqi lawmakers struggle to pass an agreement on exactly who will award the contracts and how the revenue will be shared, experts say a draft version that passed the cabinet earlier this year will likely uphold agreements previously signed by those countries under Saddam Hussein's government.

"The Chinese could announce something within the next few months" if all goes well with the oil law, said James Placke, a senior associate at Cambridge Energy Research Associates who specializes in the Middle East.

The Asian firms are at an advantage for several reasons.

First, less constrained by Western sanctions during the Hussein regime, they've been operating in Iraq and know the country's oilfields, said Falah Aljibury, an energy analyst who has advised several Iraqi oil ministers as well as other OPEC nations.

Aljibury said the first contracts likely awarded will be to the Chinese in the south central part of Iraq, the Vietnamese in the south, the Indians along the Kuwaiti border, and the Indonesians in the western desert.

The contracts under consideration are small.

Aljibury said the Chinese agreement is to produce about 70,000 barrels of oil a day, while the Vietnamese one is for about 60,000.

It's hard to put a dollar amount on what those contracts might be worth, as security costs, drilling conditions and the exact terms to be offered by Baghdad are unknown, said Christopher Ruppel, a senior geopolitical analyst with the consulting firm John S. Herold.

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But the barrel amount is tiny even by Iraq's depressed post-war production of around 2 million barrels a day.

And the country is thought to be able to ramp up production to over 3 million barrels a day with fairly little effort, providing the security situation improves. Rosy estimates even have Iraq producing 6 million barrels a day in the long term, which would make it the world's No. 4 producer behind Russia, Saudi Arabia and the United States.

But the Asian firms are also well positioned to grab further contracts.

Having avoided military entanglements in the region, they may curry more favor with the Iraqi people.

"They have no involvement with the secular or ethnic people," said Aljibury. "The conditions favor them."

Given its rapidly growing thirst for oil, combined with its feeling of isolation from world oil markets, China is sometimes viewed as more cavalier than Western oil firms when it comes to putting capital and people at risk. That could lead them to sign contracts in violent Iraq sooner than Western firms.

"The Chinese seem to be willing to go places where other companies can't find workers to go," said Adam Sieminski, chief energy economist at Deutsche Bank.

But none of this suggests Western firms like [ExxonMobil \(Charts\)](#), [Chevron \(Charts\)](#), [BP \(Charts\)](#) and [Royal Dutch Shell \(Charts\)](#) will be completely cut out of the action.

First, their technical prowess is world renowned.

"I have not heard anything from any Iraqi ministers against U.S. oil companies," said Aljibury. "In fact, I have heard the opposite. They are the best in field exploration and development. They want them."

Second, Iraq's oil contract game has just begun.

According to a letter supplied by John S. Herold's Ruppel, memorandums of understanding have been signed with all the oil majors for several years. And Iraqi Oil Minister Hussein al-Shahristani has said the country plans to tender for major oil projects in the second half of 2007.

Steve Kretzmann, executive director of Oil Change International, an industry watchdog group, criticized the draft oil law for allowing long-term oil contracts to be awarded to foreign oil firms, a practice he said was unique in the Middle East.


"Giving out a few crumbs to the Chinese and Indians is one thing," said Kretzmann, who noted the draft law was seen by both the Bush administration and the International Monetary Fund before it was given to Iraq's parliament. "But the real prize are the contracts that award long-term rights. I think the [Western oil companies] are biding their time."

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