



The New Structure of the Iraqi Oil Industry

Prepared by

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وزارة النفط
MINISTRY OF OIL

Introduction

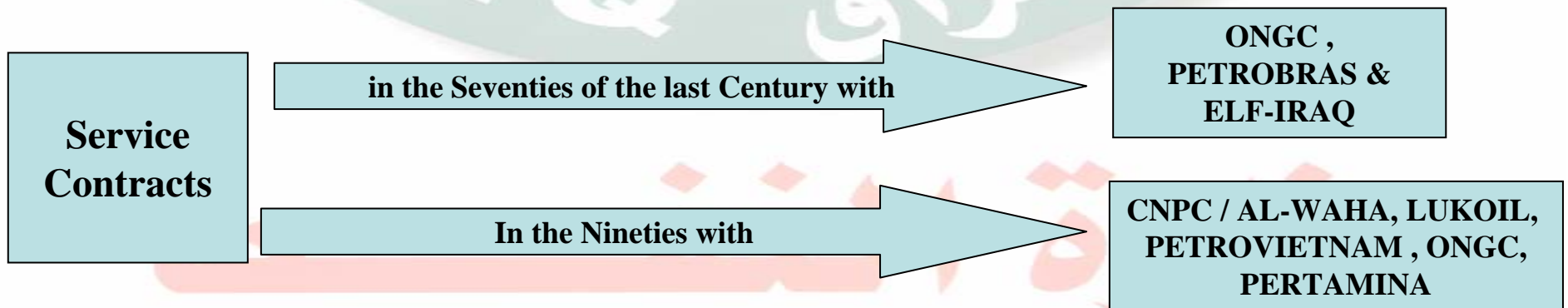
The new E&P Structure of Iraqi Oil Industry as envisaged by the New Oil & Gas Law is based on two foundations:-

The first is the implementation of Works, Projects,...etc. through direct and own Organizations, which was predominant format thus far (*The National Effort*).



The second is the part of implementation which is going to be through cooperation with the International Oil Industry (*Outside Cooperation*).

Past Contracts



but these were limited experiments different from what is now envisaged to take place in Iraq under the New Law.

In the New Oil & Gas Law this (bifocal) approach is formalised because it is believed that

it would enhance the ability of the Iraqi Industry

and

would lead to higher fulfilment percentages of the Plans

while all the time striving to

maximize the economic benefits for the Iraqi People and maintaining their sovereignty over their hydrocarbon natural resources.

Therefore ,what is new and what we are going to concentrate on here are the various aspects of the International Cooperation Approach as a complementary activity to National Implementation .



As per the New Oil & Gas Law the International E&P Industry would be basically allowed to contract for E&P Projects in Iraq through a process of transparent competition in open Licensing Rounds . Thus , we shall deal here with the following main topics:-

Main Topics

❖ *The Licensing Process*

❖ *The relationship between Authorities, establishing what is Federal and what is Regional*

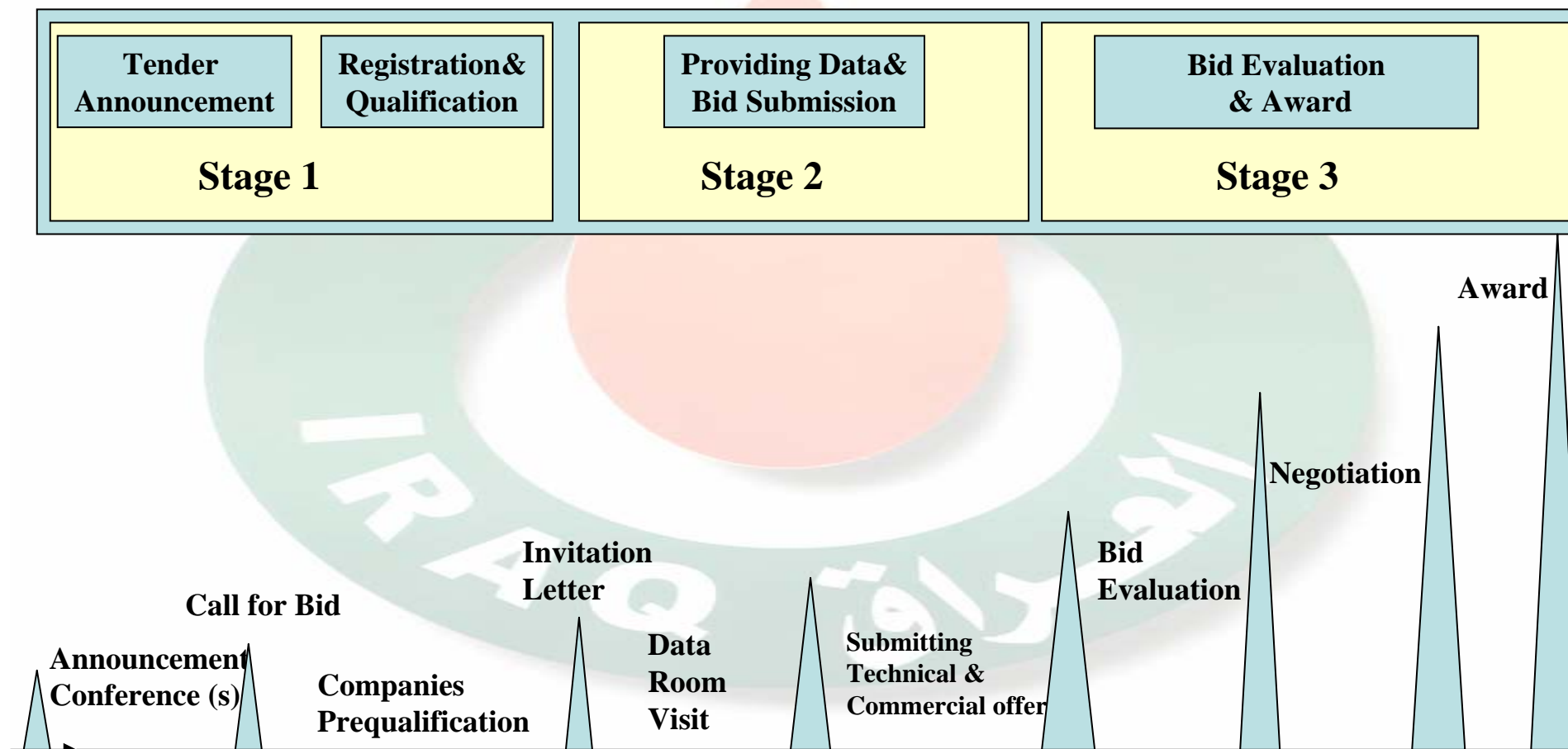
❖ *Government Participation in E&P*

❖ *Negotiation and Contracting*

❖ *Criteria of Model Contracts*

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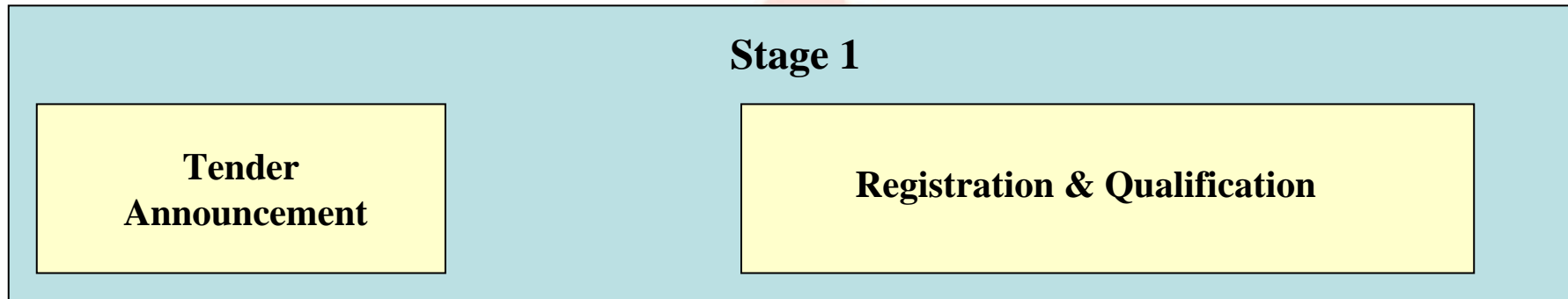
ONE : The Licensing Process



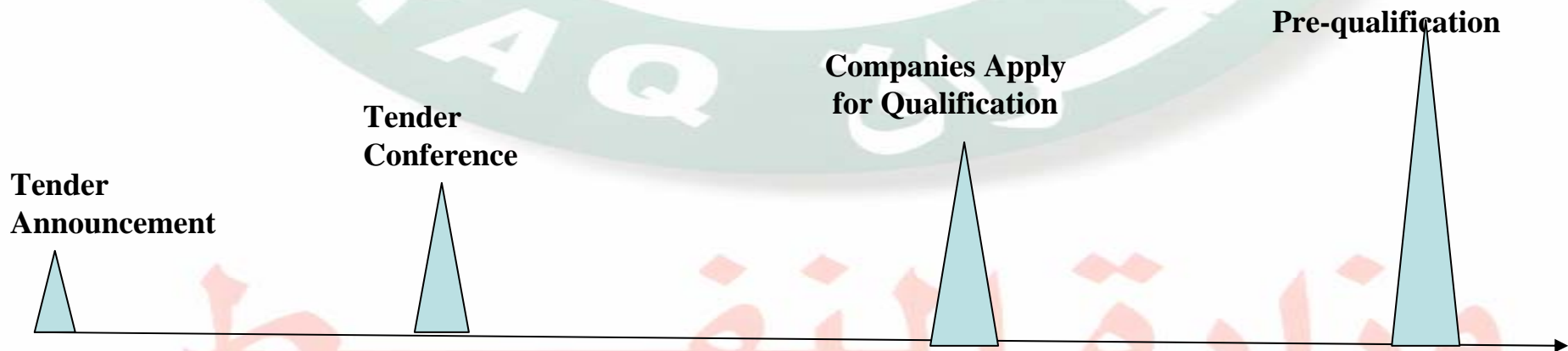
We intend to go about it as per general Industry Practice via several stages from Announcement to award and passing through Pre-qualification of Companies / Consortia, Provision of Data Packages, Bids evaluation and Negotiation.

The following Slides would gives more details to these Stages . It is envisaged that:-

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**Announcement in Media & web site.
 Maps showing blocks & Fields.
 Instruction for bidders.
 Application deadline for Registration. Deadline For Pre-qualification Form & bidding terms**



- A .Ministry would establish a General Directorate to handle this process (which has already been done).**
- B .The Directorate would be assisted by the services of an International Consultant to prepare for and ex the Licensing Rounds (we are going now through the Process of choosing one).**

Stage 2

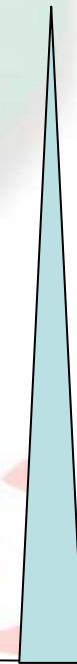
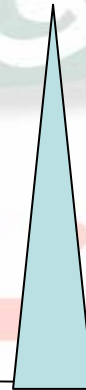
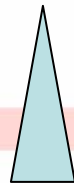
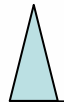
**Data Provision &
Bid Submission**

Bid Submission

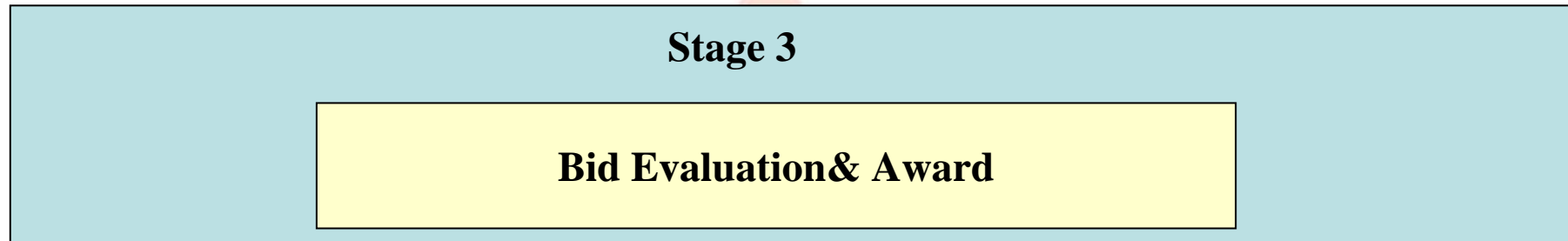
**Deadline for
Questions &
Answers**

**Visiting Data
Room & Buying
Data Package**

**Invitation
Letter**



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MoO performs own evaluations of announced Projects. This forms an important basis for the evaluation of applications and preparation of work programs.

Award

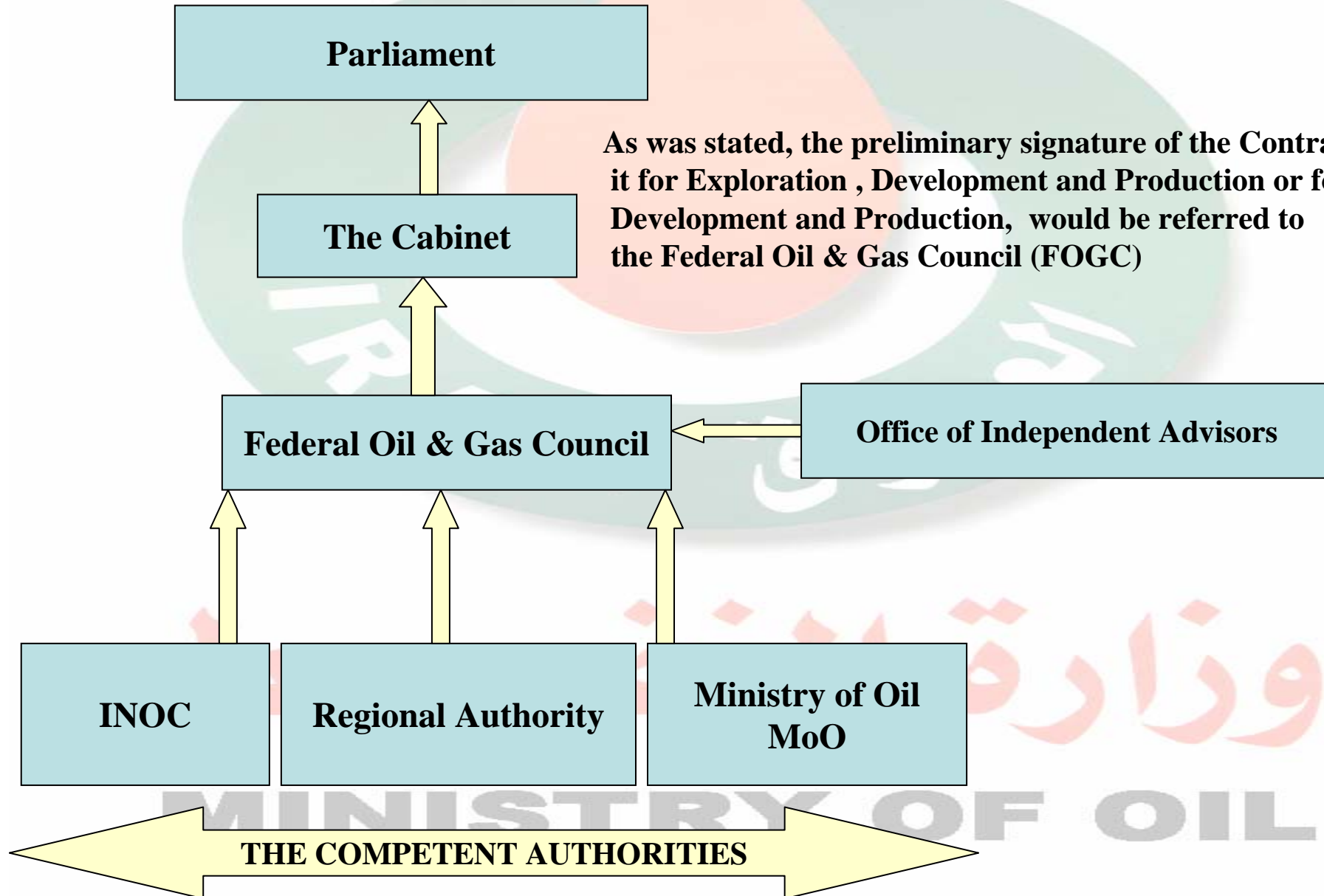
Negotiation

Bid Evaluation

- C .The estimated total time for the process from Announcement to Award would be usually about a year and a half . (Now planned to start at the beginning of 2008).However ,this could be and would be sped up as necessary.**
- D .There would be at least two negotiating Committees , one for Exploration Blocks and the other one for Fields. They would be composed of personnel from the Directorate plus experts in various relevant specialisations from inside the Ministry and /or outside it**
- E . It is expected that awarded Contract would be initially signed by the relevant competent Authority and finally made effective through approval, direct or indirect, buy the Federal Oil& Gas Council as per the provisions of the Law.**

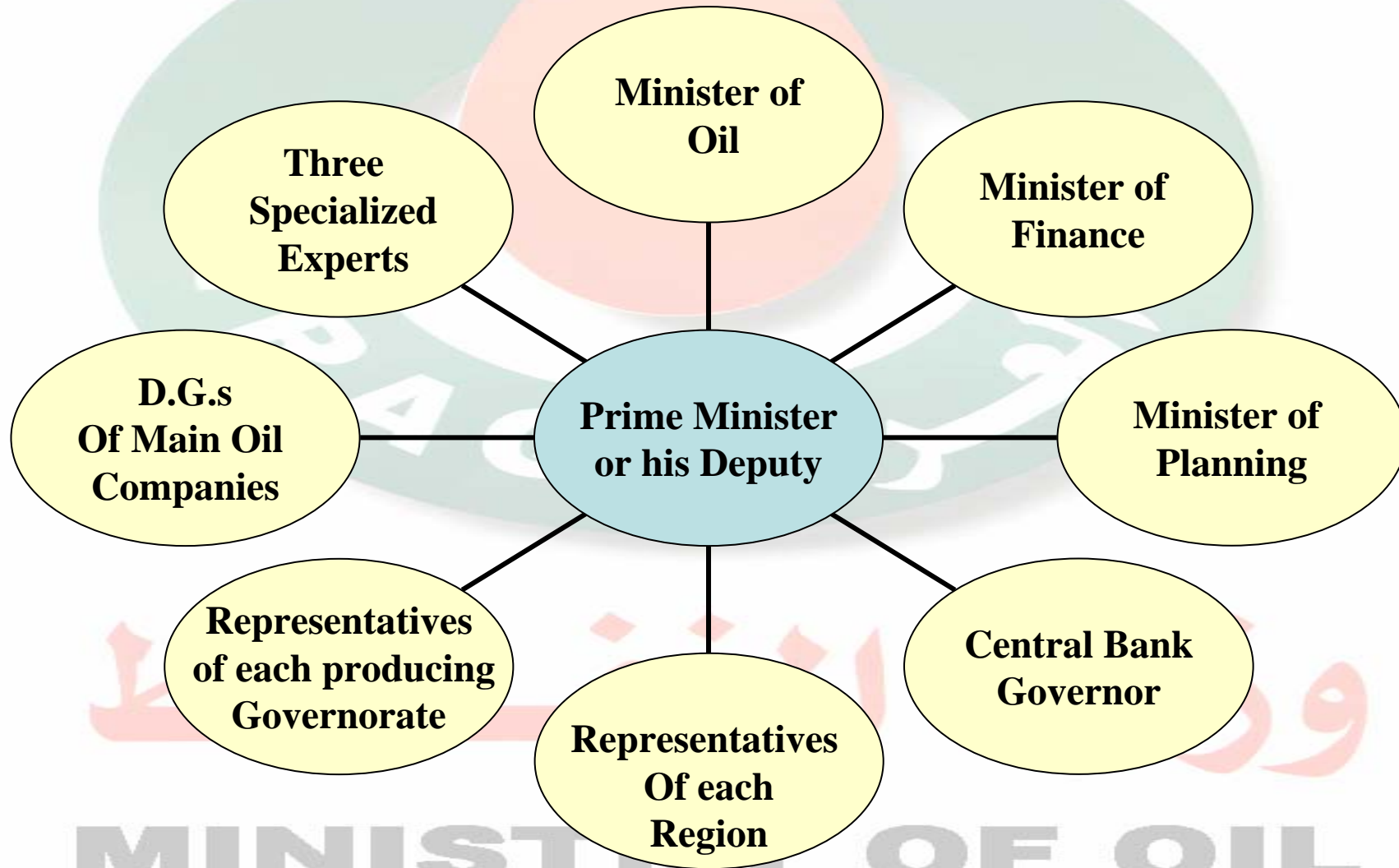
Two : The relationship between the Authorities - Federal & Regional

The Designated Authorities



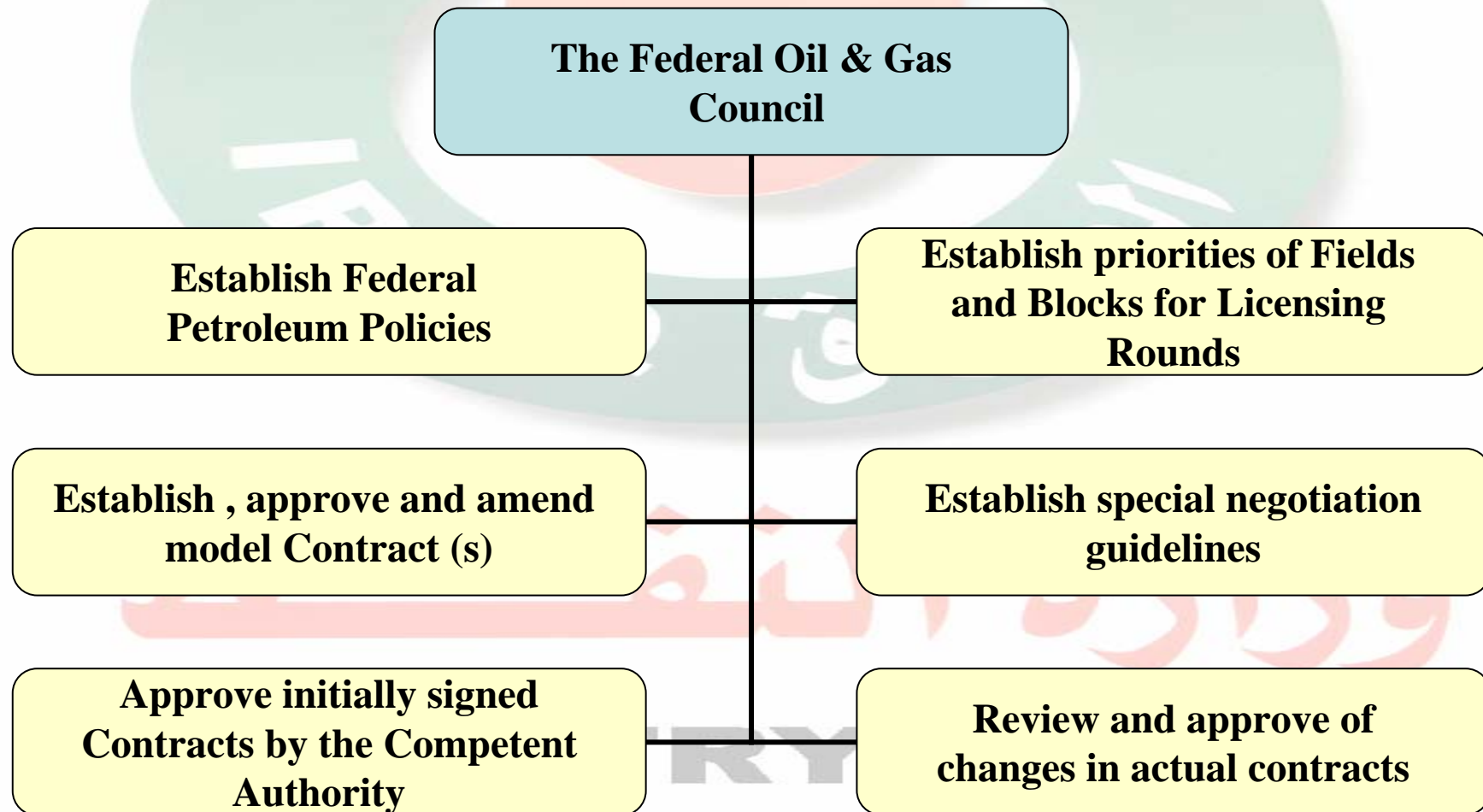
Federal Oil & Gas Council *(FOGC)*

The Council would play a central role and occupy a special position in the New Structure .



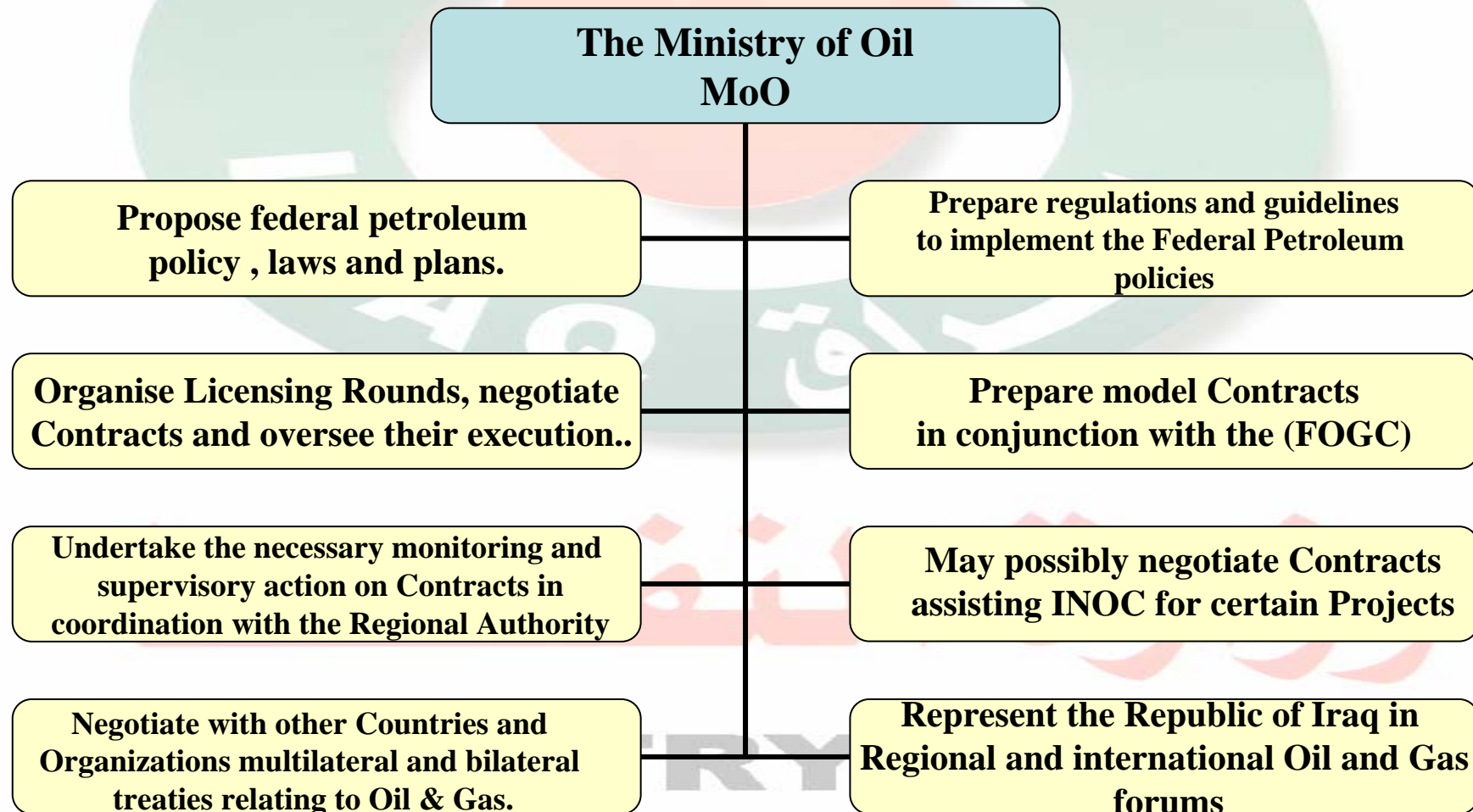
Authorities of the Federal Oil & Gas Council

Following its establishment of Federal Petroleum Policy and approval of Federal and Regional Plans for Exploration and Development , it would then decide on the Exploration Blocks and Fields to be offered in the Licensing Rounds, both on Federal and Regional levels.



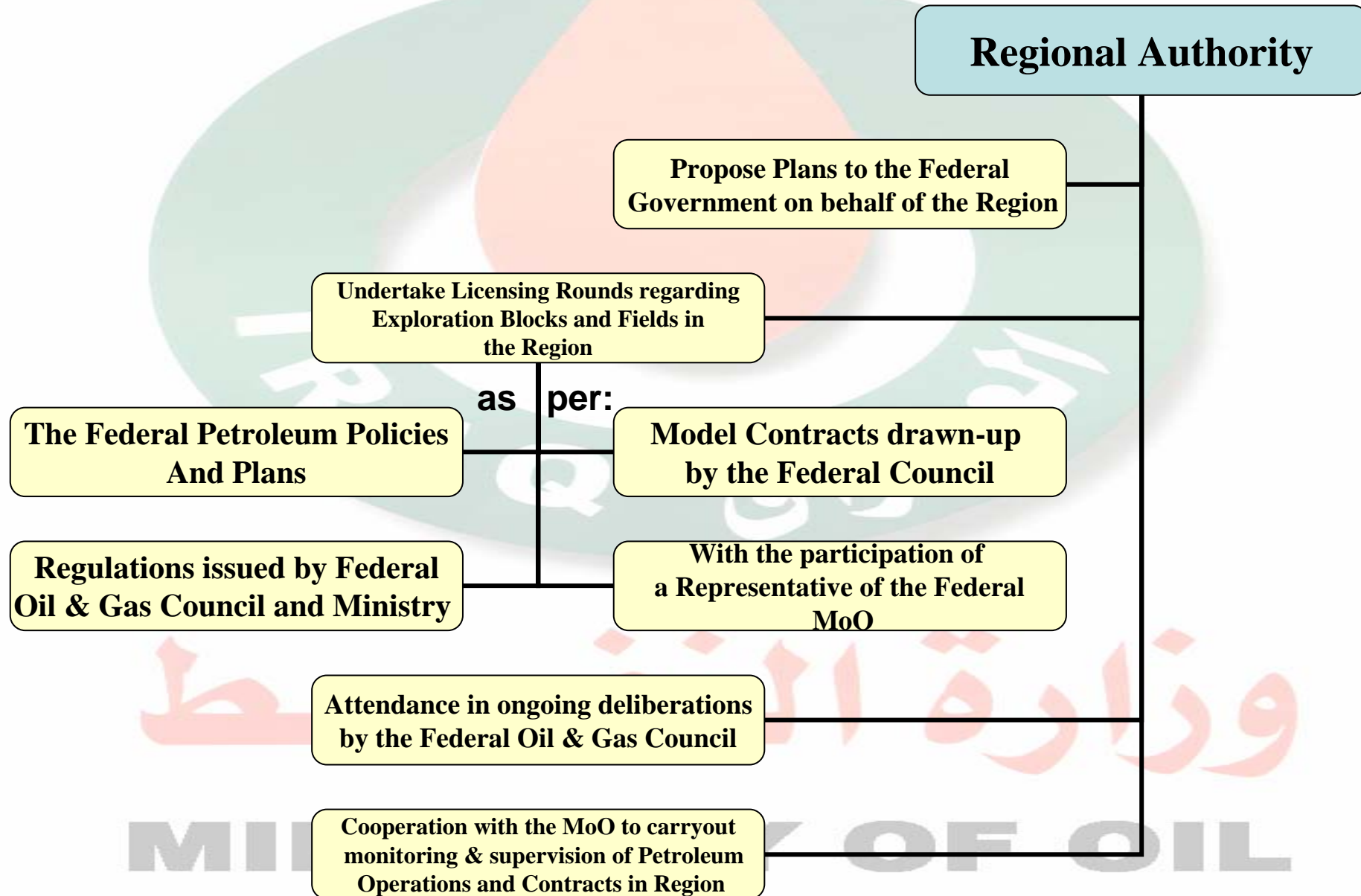
Authorities of the Ministry of Oil

The Ministry of Oil (MoO) as shown here would conduct the main Licensing Rounds, directly or in having representatives with the Regional Authority, and arrive at Contracts for Blocks & Fields on the basis of the priorities decided by (FOGC) .



Regional Authority

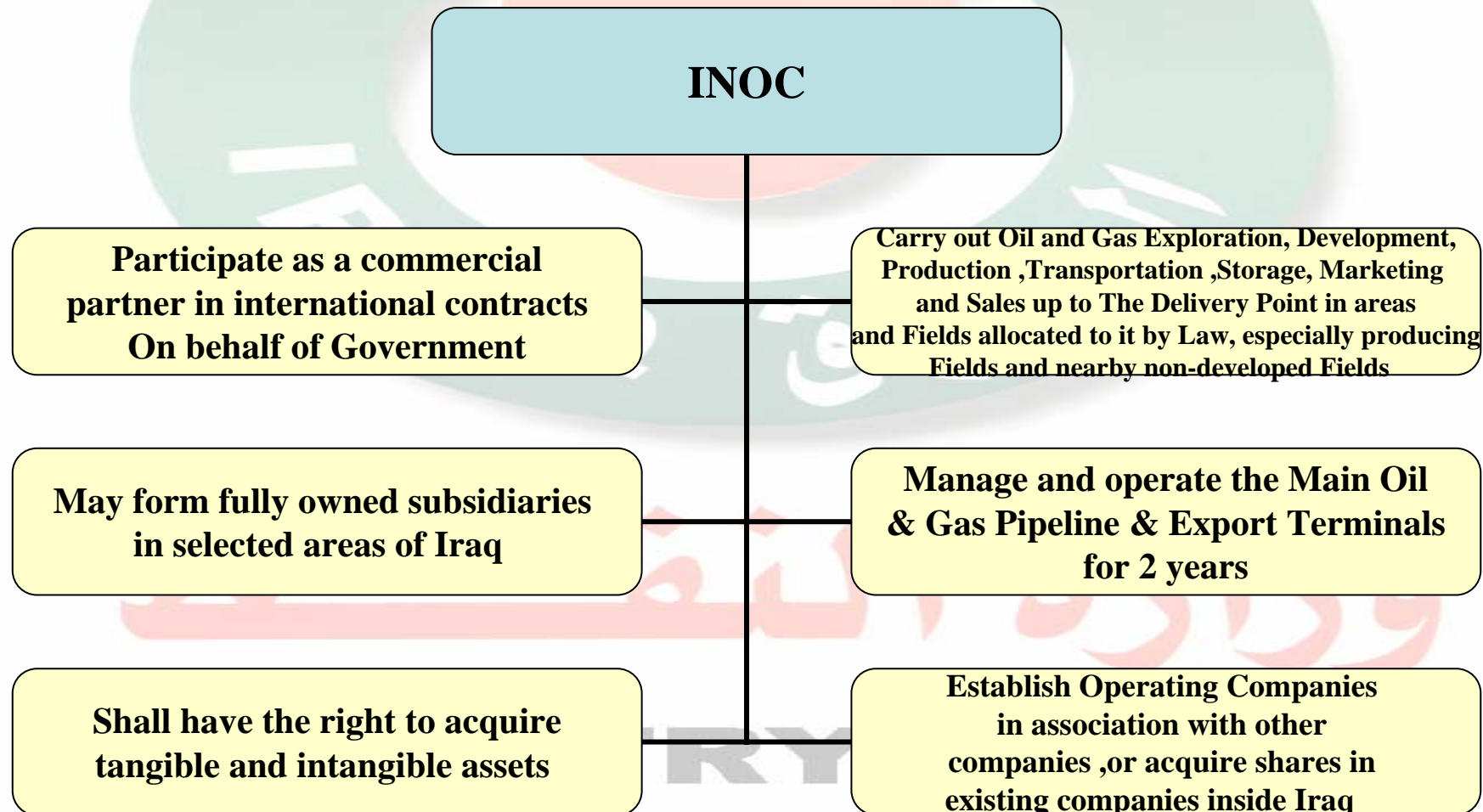
This Slide shows the competencies of the Regional Authority and its Role.



Authorities of INOC

This Slide shows the special role of (INOC) in the New Structure . It continues working with the existing producing Fields also carrying out on them IOR&EOR Projects, through possible Service & Management Contracts .it would also be expected to develop some Fields situated near its producing Centres , through the same mechanisms, probably assisted by the (MoO) to conduct Negotiation Rounds.

INOC would represent the Federal Government participation in Contracts signed with foreign contractors, opposite the (MoO) as the (client) .

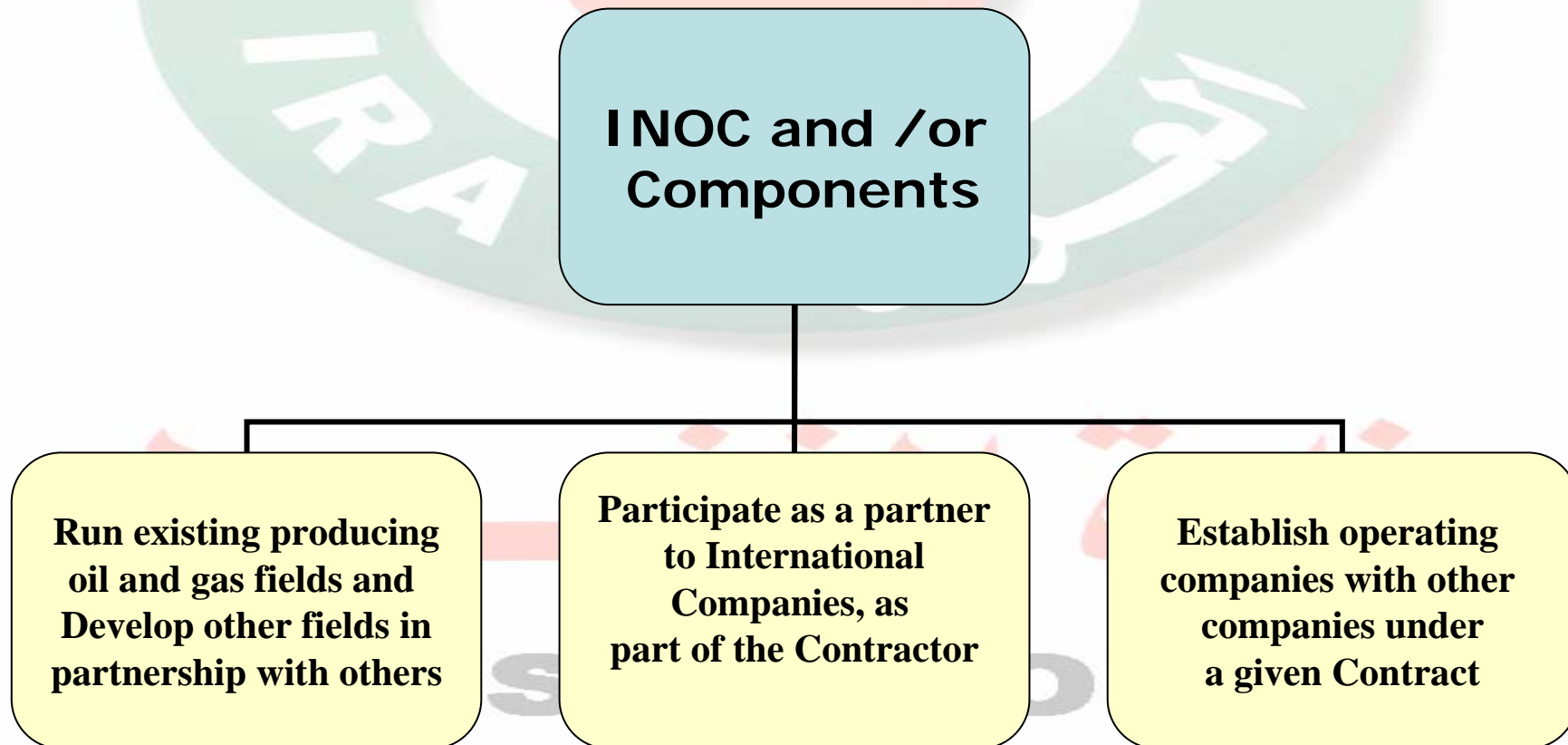


Three : Government participation in Exploration & Production

An important constituent of the New Oil Policy in line with the New Structure is State Participation in E&P Contracts with (IOCs) .

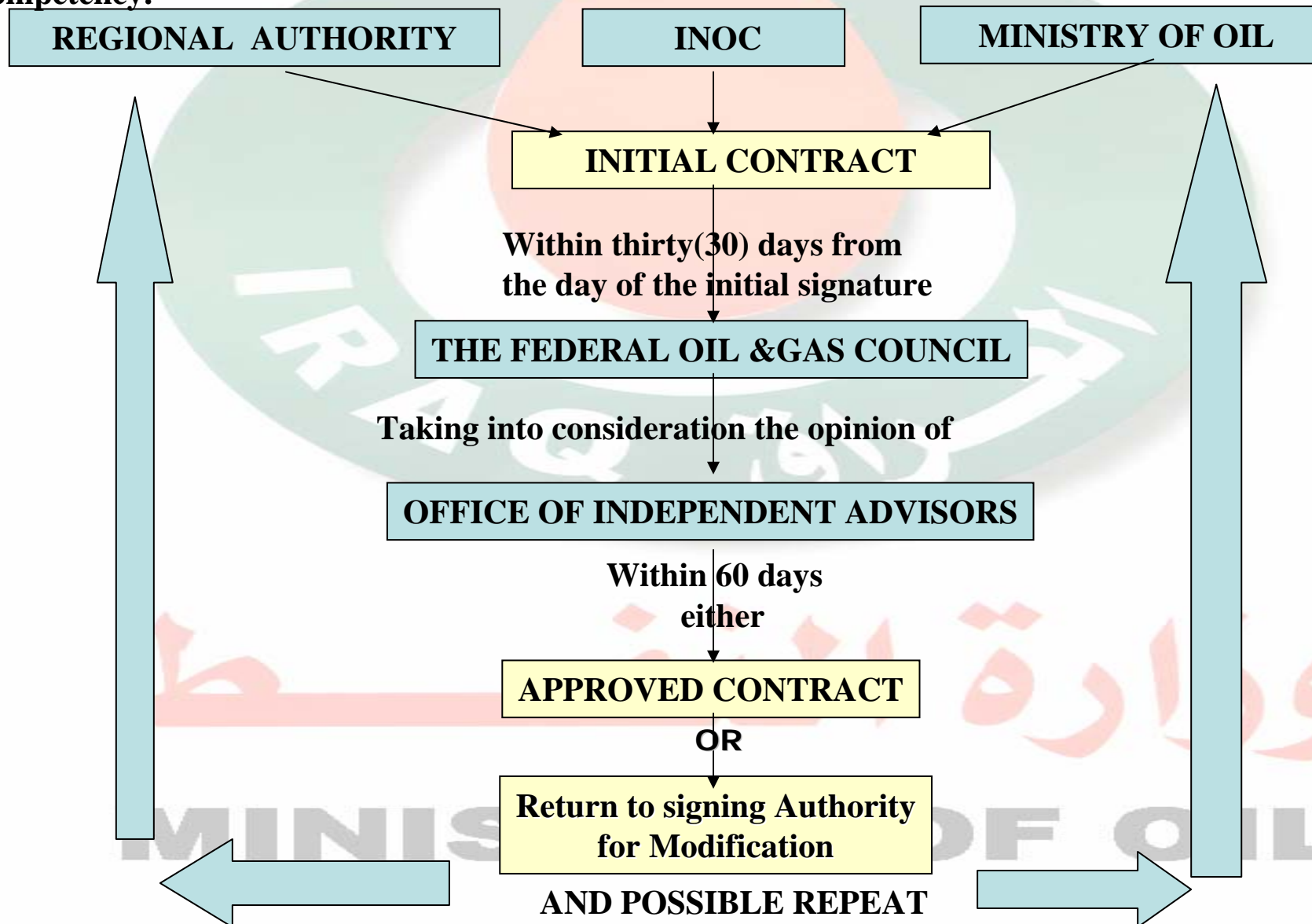
The main activity envisaged here is for (INOC) and /or its Regional Components to assume a certain participation share with the foreign Contractors . This participation is expected to be decided by the (FOGC) in magnitude and form, and could be negotiated as a carried or non carried Partnership . In previous Iraqi Contracts of the 20th century (SOMO) represented the (MoO) as the participant for an average 25% share. Now ,25% is envisage to be as a minimum. There would be also another form of Participation envisaged and that is to establish a Joint Venture (JV) Company with the (IOC) to develop and operate E&P Projects, especially for (DPC) Contracts signed with (MoO) using the relevant standard model Contract.

State Participation



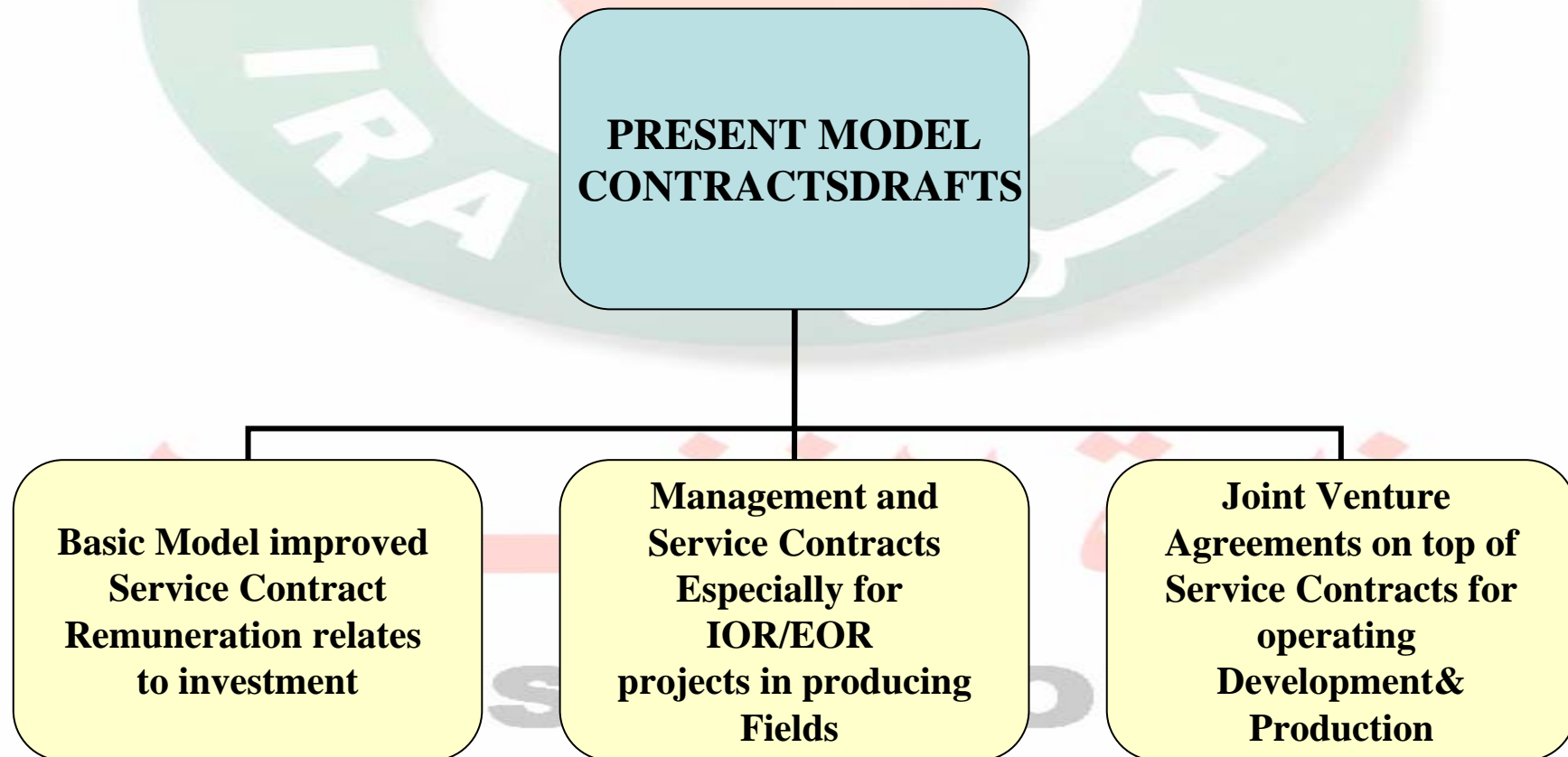
FOUR : Negotiation and Contracting

As per the provisions of the New Law, Contracts would have first a preliminary signature by the Competent Authority (MoO, INOC or Regional Authority), each within its legal Authority and competency.



FIVE : Criteria and Model Contracts

Ministry has studied several types of Model Contracts over the last months basing itself on the types it signed with some International Oil Companies during the Nineties of the last Century , both for Exploration Blocks and Fields Development which were basically two types: the Iraqi Service – Modified Buyback Iraqi Model and a (PSC) model. (MoO) solicited the opinions on these from an International Oil & Gas Consultant, an International Oil Co. and the World Bank . Moreover , some other older contract formats were also studied which were from the Seventies of the last Century such as those arrived at the time with ONGC , BRASPETRO and ELF-IRAQ and were basically Service Contracts

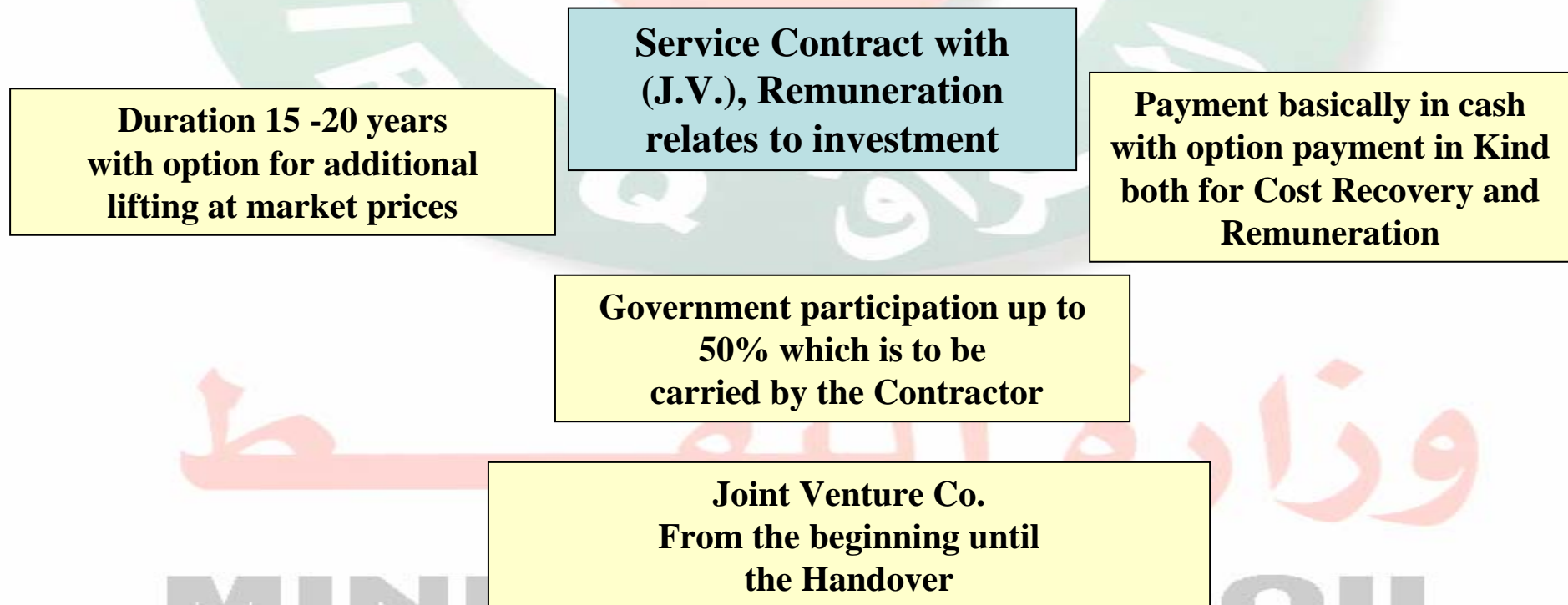


Contracting Policy

The types of responses we got were in general : (IOC s) would prefer the (PSC) , but since the political and economic culture and atmosphere in Iraq is not conducive towards this type of Contract, the International Industry could still manage with other types. Eventually , it is basically a matter of economics , risk, upside and booking of reserves that would govern the relationship.

It must be stated also here that in Iraq now the (PSC) contract is a (red Line) , and therefore we would very much like to propose the improved service contract as a potential first preference.

We think that there is enough incentive in it for the (IOC s) to have a win-win agreement as follows :-



This point has not yet been decided in detail and shall await the Formation of the (FOGC)

Six : Conclusions

The New Structure of the Iraqi E&P Industry, some aspects of which were discussed above , would require a new practice and implementation for the various entities of the Industry and would require following a(learning curve)and taking the necessary measures, step by step .

This is why we have envisaged having the first Licensing Round with few Exploration Blocks and Fields on offer to try gauging the required technical , financial, legal and other expertise that would lead to proper contracting .

The most important thing here is that the contract should be honoured and implemented successfully for the benefit of both client and contractor which is what we are going to work for, INSHA ALLAH.

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Thank you

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