

Iraq approves BP oil deal, rejects other bids**Khaleej Times - 02/07/2009**

(MENAFN - Khaleej Times) Iraq on Wednesday approved a contract for BP Plc and China's CNPC to develop its massive Rumaila oilfield but rejected other bids for deals it had hoped would revive its struggling oil and gas sector.

The cabinet refused offers for several further fields submitted by other foreign companies, some of which had been revised after a major tender on Tuesday. It was unclear if the cabinet decision was the final word on the country's first major energy auction since the US-led invasion in 2003.

BP and the China National Petroleum Corp, or CNPC, were the only consortium to walk away with a deal when they won the right to work on Rumaila, Iraq's biggest producing oilfield with reserves of 17 billion barrels.

The British oil major and its Chinese partner sealed the deal only after an Exxon Mobil-led group had dropped out of the running. BP and CNPC agreed to a cut-price fee of just \$2 for every extra barrel of oil produced from Rumaila.

They had originally sought twice that amount. "The cabinet approved the bid submitted by the consortium led by British Petroleum to develop Rumaila ... It will boost output from current levels of 950,000 barrels per day (bpd) to 2.85 million bpd in return for \$2 for each additional barrel produced," government spokesman Ali al-Dabbagh told Reuters. "The cabinet rejected the other bids offered by companies because they did not lower the remuneration fee," he said. The sale of contracts on Tuesday to develop six large oilfields and two undeveloped gas fields was a central plank in Iraq's plans to more than double lacklustre oil output of around 2.4 million barrels per day.

Dependent on oil for more than 95 per cent of state income, Iraq needs money to rebuild after six years of bloodshed. It also needs the capital and expertise that foreign firms can bring to repair damage to its oil infrastructure caused by decades of war, sanctions and neglect.

The auction largely flopped, however, when international oil firms balked at the low fees Iraq was willing to pay them for boosting crude output. Rumaila was the only field on which an agreement was reached.

Some of the bidders submitted revised bids on Tuesday night that were not made public. Those revised bids were presented to the cabinet on Wednesday, Oil Ministry officials said.

Final Agreement

Iraq may sign a final agreement with Royal Dutch Shell Plc by September to process and export gas from the Basra area, said Abdul Hadi Al-Hassani, vice chairman of the nation's parliamentary oil and gas committee.

Shell and partners including Mitsubishi Corp. may set up a 2 million-metric-ton a year floating liquefied natural gas facility to capture and process flared gas from the area, Al-Hassani told reporters at a conference in Singapore today. The state-led venture may capture as much as 700 million cubic feet a day of flared gas, process it on a vessel and sell the fuel overseas, he said. "We have to sign an agreement with Shell by Sept. 22," Al-Hassani said after attending the Next Generation LNG conference.

By Ahmed Rasheed