

Iraq offers drilling opportunities, but also challenges

IRAQ'S PLAN TO increase production from 2.5 MM bbl/d to 6.5 MM bbl/d over the next 5 years means a potentially strong market for drilling contractors, but there are numerous serious challenges, notably security.

The country's crude reserves total 115 B bbl, according to **Mike Derbyshire**, Marketing and Business Manager-Middle East for **Pride International**, who spoke at IADC's 2004 Annual Meeting. Of the 73 known oilfields, 6 are giants with more than 5 B bbl, 23 are in the 500 MM to 5 B bbl range, and 44 are medium—50-500 MM bbls.

"Significantly," Mr Derbyshire noted, "only 15 of the 73 oilfields have been brought into production."

GRAND PLANS

To boost production to 6.5 MM b/d, the oil ministry estimates a need for 100 rigs. Only about 14 rigs are working presently.

Two producers now operate in Iraq—**North Oil Company** (NOC) and **South Oil Company** (SOC). SOC has issued tenders for 46 wells to be drilled by 2-3 rigs over a three-year period; 60 workovers to be drilled by two rigs over 150 days; and another 32 workovers with 2 rigs over about 2 years.

Bechtel also has a tender outstanding for 1 rig to drill 5 wells over 200 days.

NOC is planning tenders for 81 wells, both drilling and workover, calling for 3-4 rigs over two years, and another three rigs for 50 wells over 1 ½ years.

All are being tendered for turnkey work.

SERIOUS CHALLENGES

"If you aren't a turnkey driller, you have a challenge because you won't be able to bid," Mr Derbyshire said. "If you are a turnkey driller, it is going to be a challenge, because it is not easy to quantify the risk."

Further, said Mr Derbyshire, the quality of the tender documents are poor, information is poor and incomplete, and contractual terms do not exist and would require negotiation.

"Iraq has never been a turnkey country," Mr Derbyshire explained. "It has been forced upon them as a way of transferring risk in difficult times and difficult situations. Maybe it will revert to day-work but today it is definitely turnkey."

Another significant challenge is rig availability. Looting, sabotage and lack of maintenance took its toll. Only about 14 usable rigs exist in the country, although about 15 years ago there were as many as 65 rigs. The rigs are operated by the **Iraq Drilling Company** (IDC).

Upgrading and refurbishing rigs is one alternative, with newbuilds a second option, although time and money are major obstacles in Iraq.

"The burden initially will have to come from the international drilling contractors," Mr Derbyshire said.

Other challenges include deliverables. Mr Derbyshire noted that one of the rigs operated by SOC had to wait more than

2 weeks for water, cement and other supplies.

"The service side of the industry has suffered in the same ways as the driller," Mr Derbyshire said.

Since Iraq has been isolated for so long, Mr Derbyshire said, the country is reliant on foreign companies to supply the latest technology and training.

"Training of their personnel equals transfer of technology," Mr Derbyshire said. "They want the latest equipment and training of their personnel in all disciplines."

Finally, security is the big issue in the country.

"Unless someone is providing or paying for security, I don't believe we could increase the rig count significantly unless the situation improves dramatically.

"It is possible that a rig or project could be managed properly but I don't believe it would be sustainable or will be able to function normally until the situation is resolved," Mr Derbyshire emphasized.

However, he also believes that it makes sense to utilize the country's resources.

"If we can use the country's resources, it will help to put Iraq back on its feet. Development of personnel makes good sense and it would be more economical," Mr Derbyshire said. "They want to work, and it is a good workforce.... The more Iraqi personnel you have the fewer expats you have and the less risk you take." ■

