

LUKoil Wins Iraq Field Amid Sluggish Bidding

By [The Moscow Times](#)

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LUKoil and partner Inpex Corp of Japan won a deal for a key oil block in an auction Iraq had expected would attract more investors. **Andrei Makhonin**

BAGHDAD — A group led by LUKoil won a bid for a key oil block on the second day of Iraq's energy auction.

Tough service contract terms had led to disappointing bidding on 12 new oil and gas fields. Iraq expected that the auction would attract more investors.

The lukewarm response to Iraq's fourth energy auction — only three blocks out of 12 were awarded — is a setback for its plans to rapidly expand its huge oil and gas reserves and compete with regional powerhouse Saudi Arabia.

LUKoil and partner Inpex Corp of Japan won the deal for the 5,500-square-kilometer Block 10 in Muthanna and Dhi Qar provinces in the south.

A bid from Pakistan Petroleum also won gas Block 8 in Diyala and Wasit provinces in eastern Iraq. Four other blocks and two from the first day that were reoffered received no bids.

The second day of bidding followed a sluggish start to the auction Wednesday, when only one block was taken, four other blocks got no bids and another deal failed after companies rejected the government offer.

Iraq had hoped that the auction would spur the expansion of its energy sector after years of war and sanctions.

The government said it would shortly open a fifth round with more new oil and gas blocks up for auction.

Oil giants such as ExxonMobil and BP have already signed major deals to develop oil fields in Iraq, which has the world's fourth-largest oil reserves and the 10th-largest gas reserves.

But Baghdad's tough service contract terms and a boom in natural gas and gas finds elsewhere crimped investor interest, especially from the big oil companies, for the fourth bidding round.

Iraq is offering foreign companies service agreements, which pay the companies a fee, rather than production-sharing deals, which allow them to profit jointly from the output. The service agreements are a less attractive option.

Violence in Iraq has eased since the height of the war, though security remains a concern, especially in more remote areas where some of the auctioned gas blocks are located.

Rosneft is interested in the Ratawi field in Iraq, Interfax reported Thursday. The company's annual report shows that at the end of last year Rosneft made a deal with RN-Ufanipineft to draft materials on a feasibility report for the Ratawi field for participation in a tender in Iraq. The Ratawi field is one of the largest in the world, located 65 kilometers northwest of Basra. Reserves are estimated at 660 million tons of oil and 55 billion cubic meters of gas. Interest in the field is also being shown by Crescent Petroleum, with which Rosneft is working on the Sharjah project in the United Arab Emirates. Rosneft qualified for participation in license tenders in Iraq but did not participate during the last round, which was held May 30-31 and offered 12 blocks.

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