

Iraq Plans to Use Seawater to Help Exxon, BP Squeeze Out Oil
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By Eduard Gismatullin

Dec. 8 (Bloomberg) -- Iraq, holder of the world's third-largest oil reserves, plans to use seawater to help Exxon Mobil Corp., BP Plc and other producers coax oil from underground reservoirs and quadruple the nation's output.

"We will be building intakes, water treatment facilities, pumps and pipelines to reach fields," Thamir Ghadhban, an adviser to Iraq's prime minister and former oil minister, said in an interview in London yesterday. "Iraq is coming back to the market, building up its capacity."

Oil producers in the Persian Gulf and Siberia routinely pump water into oilfields to manipulate crude toward producing wells. The global oil industry extracts about 220 million barrels of water a day, according to Halliburton Co., the world's second-largest oilfield-services provider.

Iraq will require investment of about \$200 billion to increase oil output to at least 11 million barrels a day in the next decade, Ali Al Dabbagh, a government spokesman, said yesterday. The nation, which is seeking to rebuild its oil industry after decades of neglect, will hold its second bidding round on Dec. 11-12. More than 40 companies have qualified to bid to develop 10 oilfields.

Foster Wheeler AG, an energy services company, is working with Iraq on a design a plan to increase Iraq's southern oil export capacity, Ghadhban said. A seawater intake will be built at Al Faw on the Persian Gulf coast.

Domestic Challenges

Challenges include "water, logistics, manpower, social-political factors," Ghadhban said. "They will have their own influence on shaping the build up of production capacity" in Iraq.

In the new year, the Iraqi government will update its five-year "comprehensive" plan for the nation's oil industry development by incorporating the results of the licensing rounds as well as separate agreements with groups led by Exxon Mobil, BP and Italy's Eni SpA, according to Ghadhban.

"Iraq is the future of the energy market," al-Dabbagh said yesterday in an interview in London. "Iraq doesn't have that capacity, that money, that know-how to develop this sector" without the help of international oil companies.

The government is assessing plans to build three or four single-buoy mooring facilities in the Al Faw region, which will add about 4.5 million barrels a day of oil export capacity, Ghadhban said. Local pipelines, tank farms, and oil terminals will need to be upgraded to avoid future bottlenecks.

Iraqi Production

Oil production in Iraq fell 2 percent to 2.4 million barrels a day in November from the previous month. Output hasn't exceeded 3 million barrels a day since 2000, when the late Saddam Hussein was still president.

Fadhil Chalabi, executive director of the Centre for Global Energy Studies, said the market may struggle to absorb additional supplies from Iraq.

Iraq will "face a huge difficulty" in bringing an extra 8 million barrels a day of capacity on line, Chalabi said at the Iraq Petroleum conference in London yesterday. "The collapse of the price will be huge."

Ghadhban disagreed, saying Saudi Arabia and other members of the Organization of Petroleum Exporting Countries have been able to boost their market shares because of Iraq's limited production.

And BP's Chief Executive Officer Tony Hayward has forecast that global energy demand will rise 45 percent to 2030. "There will still be a major role for hydrocarbons," he said.

BP and China National Petroleum Corp. on Nov. 3 signed a technical service contract with Iraq's state-owned South Oil Co. to triple output from the Rumaila oilfield.

Cabinet approval on accords to develop the Zubair and West Qurna fields may come as soon as today, Ghadhban said yesterday. The Zubair and West Qurna-1 fields were awarded after the first bidding round to groups led by Eni and Exxon Mobil respectively.

"We do need to expand our production capacity and nobody will stop us," he said. "We will cooperate with" international oil companies, "but the oil industry won't be sold to IOCs," Ghadhban said.

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