

 IRAQ OIL REPORT

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Insider's View Bulletin: Oil & gas investment update

June 9, 2016

Fourth shipment of gas condensate exported from Basra

Iraq Drilling Company update

Production increase of 1,900 bpd as new oil well comes online in Fakka

Natural gas capture set to improve in Dhi Qar

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Fourth shipment of gas condensate exported: The Oil Ministry announced June 1 that the fourth consignment of gas condensate had been shipped. The shipment followed the export of three prior tranches totaling 40,000 cubic meters, according to the MoO.

Iraq Drilling Company update: Iraqi Drilling Company (IDC) director Bassim Mohammad Khudhir said his company was currently working on 29 rigs, mostly in southern oil fields, and that it has not been affected by the government's financial crisis. "All the work of contracts will be resumed in the next phase," said Khudhir, who commented that the company had "good revenues" and an "ambitious plan to improve performance...as well as increase the revenues." According to an expert employed by the company, the IDC has 8,000 employees carrying out drilling and rehabilitation work on up to 40 rigs.

Analysis: *With the MpO pushing for cost reductions in field development, IDC officials have previously suggested that drilling contracts previously awarded to foreign firms are now going to IDC. As such, the uptick in work for IDC is not necessarily reflective of increased drilling as a whole.*

Production increase of 1,900 bpd as new oil well comes online in Fakka: Missan Oil Company (MOC) announced that CNOOC, the Chinese company which operates most of east Missan's oil fields, had finished connecting oil well #32 in Fakka oil field to the production network. Production capacity will start at 1,900 bpd. An MOC spokesperson said work was also underway to connect Fakka #44 and Fakka #46, which have already been drilled. The Buzurgan, Abu Gharb and Fakka oil fields of eastern Missan produce over 140,000 bpd, said the spokesperson. Production is expected to increase by the end of 2016, when a separation plant in Buzurgan is due to be completed.

Natural gas capture set to improve in Dhi Qar: The director of Dhi Qar oil fields, Karim Yassir, reported that Nassiriya and Gharaf oil fields produce 30 Mscf and 49 Mscf of natural gas respectively. All the natural gas produced at the Nassiriya field is flared, said Yassir. And while 30 Mscf of the associated gas from Gharaf is also flared, the Korean company STX is installing a separated gas treatment unit. This is expected to produce 49 Mscf of natural gas, for transportation to gas-fired electricity stations via the national pipeline. Yassir said the facility was 97% completed and should be in operation by June.

Analysis: *Gas capture volumes have increased, but so has crude production, meaning the total volume of flared gas has continued to increase despite increased volumes in captures gas.*

Electricity network developments continue in Dhi Qar: According to the director of Nassiriya's thermal electricity station, installation of a fifth auto-transfer transporter has been completed and is being tested at 200 MW. This new transformer, connected to a 400 KV supply, should boost electricity capacity in the province to 1,000 MW. The electricity official said that the Electricity Ministry was leading on installation and operation, which began in February, but that the project was funded by Dhi Qar's provincial budget. The Nassiriya thermal power station currently has a 450 MW capacity, which should rise to 590 MW once a new unit is completed, scheduled for mid-June.

Analysis: *Failures of Iraq's creaking electricity network were at the root of popular protests last summer, particularly in the south and Baghdad. IOCs should expect similar electricity related unrest this summer, as investment in improving power supply has also been affected by the financial crisis.*

Chinese Great Wall negotiating contract extension in Gharaf: An official in Dhi Qar Oil Fields Commission said that negotiations are underway to renew Chinese Great Wall drilling company's contract in Gharaf field until next September. According to the official, Chinese Great Wall will complete work on wells it has already drilled and install connections to pipelines. Work at two of the company's three rigs in Gharaf is halted, while its other rig is being dismantled and moved to the company's complex in Gharaf. The IDC is also due to start drilling in Gharaf, following completion of a drilling contract.

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