

Iraq blacklists Chevron for Kurdish oil deals
BAGHDAD
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(Reuters) - Iraq hit out at Chevron Corp over its just-signed oil contract with Kurdistan, barring it from any oil agreements with the central government in a move meant to deter other companies from dealing directly with the semi-autonomous northern region.

Baghdad has long held that contracts signed by the Kurdistan Regional Government (KRG) are illegal, and last year Exxon Mobil Corp aroused its anger by striking a deal with the region while also running a project at a supergiant oilfield in the south.

Baghdad retaliated by banning Exxon from an exploration tender in May.

Chevron followed larger rival Exxon into Kurdistan last week and Baghdad's action on Tuesday will be closely watched by other oil majors, such as France's Total, which is widely expected to be the next to make a Kurdish oil play.

"In line with Oil Ministry policy based on the constitution, the Oil Ministry announces the disqualification of Chevron company and bars it from signing any deals with the federal oil Ministry and its companies," an oil ministry statement said.

Chevron could not immediately be reached for comment. Last week, the company confirmed its purchase of 80 percent of two blocks in Iraq's Kurdistan, an area where oil rights are a subject of fierce dispute.

Whatever the impact on good will, for now Chevron has no material stake in the south to lose. The second largest U.S. oil company after Exxon was qualified to take part in Iraq's four oil and gas licensing rounds, but chose not to.

The company found the commercial terms of Iraq's service contract unworkable, but -- like other investors -- found the production sharing contracts on offer in Kurdistan more attractive, industry sources said.

Chevron said it would continue to monitor opportunities in both the north and south of Iraq. Iraqi oil officials said the company had shown interest in developing the giant southern Nasiriyah oilfield, which was not offered in any of the tenders.

"The reputation and credibility of Chevron and other companies are being tested today and we are fully confident the result of its test is a total failure and it should feel ashamed of its action," the oil ministry statement said.

Kurdistan said in June that it expected more oil majors to follow Exxon in the next few months and Total, which also has a stake in a project in the south, is widely believed to be close to doing a deal.

"Total is waiting for the best time to proceed," said an Iraqi oil executive. "After today's announcement, they may think twice."

And with Kurdistan and Baghdad regularly clashing over oil and land rights, securing interests in both is not clear cut.

Just last month, Iraq asked U.S. President Barack Obama to stop Exxon from exploring in Kurdistan, saying that it could have dire consequences for the country's stability.

Iraq's Prime Minister Nuri al-Maliki said Obama sent a "positive" written response. [ID:nL2E8IJKLQ] Seemingly undeterred, Exxon is close to awarding a contract for drilling rigs at its six exploration blocks in Kurdistan, said Iraqi oil sources.

As part of its deal announced last week, Chevron is purchasing the Sarta and Rovi blocks from India's Reliance Industries Ltd, where it will be the new partner of Austria's OMV AG, holder of the other 20 percent interest.

Baghdad has a long-running dispute with the Kurdistan regional government over oil, land and sharing revenues and insists that it has the sole authority to manage oil fields and sign deals in the north.

As well as France's Total, Norway's Statoil is also looking closely at KRG exploration blocks, industry sources have said. A move into the north by Total could mean the tipping point has been reached.

"Chevron has no contracts in the south, so that's likely to minimize the fallout," said an oil industry executive.

"If Total joins the procession, that will signal the transition from a trickle to a flood."

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