



Another 100 billion barrels of oil found in Iraq?

Posted by [Jerome a Paris](#) on April 22, 2007 - 11:38am in [The Oil Drum: Europe](#)

Topic: [Geology/Exploration](#)

Tags: [IHS energy](#), [Iraq](#), [oil](#) [[list all tags](#)]

The story made it to the front page of the Financial Times (Europe's main English-language business paper) this week, so you'd think it is big news - and the headlines is nicely attention grabbing, but what's behind it?

[Iraq may hold twice as much oil](#)

Iraq could hold almost twice as much oil in its reserves as had been thought, according to the most comprehensive independent study of its resources since the US-led invasion in 2003.

The potential presence of a further 100bn barrels in the western desert highlights the opportunity for Iraq to be one of the world's biggest oil suppliers, and its attractions for international oil companies – *if* the conflict in the country can be resolved.

Obviously, that's a pretty big "if", but it's still big news... or is it?

If confirmed, it would raise Iraq from the world's third largest source of oil reserves with 116bn barrels to second place, behind Saudi Arabia and overtaking Iran.

The study from IHS, a consultancy, also estimates that Iraq's production could be increased from its current rate of less than 2m barrels a day to 4m b/d within five years, *if* international investment begins to flow.

(...)

Ron Mobed of IHS said: "Obviously the security situation is very bad, but when you look at the sub-surface opportunity, there isn't anywhere else like this. Geologically, it's right up there, a gold star opportunity."

Of Iraq's 78 oilfields identified as commercial by the government, only 27 are currently producing. A further 25 are not yet developed but close to production, and 26 are not yet developed and far from production.

Iraq's government has estimated that it would need \$20bn-\$25bn of investment from foreign companies to get production up to its full potential.

I actually went to the website of IHS and found the underlying [press release](#). It's transparently an attempt to sell their maps to oil producers seeking new oil fields. While IHS is a respected player

in the industry, and is known to have one of the most extensive proprietary databases on world oil fields, it is a lot harder to gauge the reliability of this new publication. Iraq has been largely inaccessible and unexplored for most of the past 25 years, and the situation has not really changed in the past few years... While I have no doubt that IHS has been able to put its hands on data on known oil fields, I just don't see how their number for additional resources is anything other than a marketing coup based on wild-assed guesses, as they themselves admit:

The Iraq Atlas estimate of up to another potential 100 billion barrels of oil reserves is largely based on the establishment of new play concepts in the Western Desert of Iraq, which have been generated from a recent study of the Western Arabian Platform. The Western Desert of Iraq is widely regarded as being substantially under explored with only one commercial discovery in the region largely because Iraq has had a surplus of oil to date and little incentive for exploration.

And of course, as the FT article above notes (those innocuous *if* I bolded), and as I have pointed out before in my comments on the new Iraqi oil law (see this story here on TOD: [New Iraqi oil law: some facts on PSAs](#)), there is the small issue of the lack of security and, more importantly, the lack of legitimacy of the current government, which makes it certain that

- no money will be invested (as opposed to "deals of the century" mooted, announced or even signed) as long as the civil war rages, i.e. for a bit longer than American forces will be in the country;
- any contract signed today will be re-negotiated in full when a new regime finally emerges.

Did Bush and Cheney genuinely expect a "cakewalk"? Are they just playing a cynical game to deny oil to the market (in the short term) and to preserve the biggest untapped reserves on the planet (in the long term)? Did they simply expect to get US companies to replace the French and the Russians that were sniffing around Iraq's oil fields under Saddam Hussein? I'm not sure we'll know that any time soon, but it's certain that this oil will attract the attention of all oil players for as long as it's there, and will allow smart players like IHS to sell a portion of the dream. And as it's likely to remain there for a while, expect more breathless announcements...



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