



## Problems with our oil from Iraq

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One of the few cautious notes in the CERA predictions of an oil-filled future was their prediction on oil flow increases from Iraq.

For the immediate short term this concern is being more than justified. There is a growing concern about even the limited amount of oil that we are being able to recover from over there. [The USA Today](#) had a column about the drop in production, that is now taking place. The [BBC](#) has recently noticed that oil exports have temporarily stopped due to attacks and bad weather in the area, and when one starts putting pieces of this story together, one finds yet another example of the law of unintended consequences.

I am grateful to Mike Millikin of [Green Car Congress](#) for the lead to this growing problem that they have. Initially this relates to the need to inject water underneath the oil layer in order to sustain the delivery pressure, and maintain oil flow out of the wells. However, as the [San Francisco Chronicle](#) points out, the problems are worse than just the occasional well depletion. They list three critical problem areas.

-- Qarmat Ali water treatment plant. This massive pumping complex is needed to inject water into Iraq's southern oil fields to aid in oil extraction. Under a no-bid contract, KBR was to repair the complex at a cost of up to \$225 million, but not the leaky pipelines carrying water to the fields. As a result, the water cannot be reliably delivered, raising concerns that some of Iraq's oil may not ever be recovered.

-- Al Fathah pipelines. As part of the same no-bid contract, the United States gave KBR a job worth up to \$70 million to rebuild a pipeline network under the Tigris River in northern Iraq despite concerns that the project was unsound. In the end, less than half the pipelines were completed, and the project was given to another contractor. The delay has aggravated oil transport problems, forcing Iraq to inject millions of barrels of oil back into the ground, a harmful practice for the oil fields and the environment. A government audit based on a complaint by a whistle-blower is ongoing.

-- Southern oil well repairs. A \$37 million project to boost production at dozens of Iraqi oil wells was canceled after KBR refused to proceed without a U.S. guarantee to protect it from possible lawsuits.

The article points out that in contrast with the pipeline problems in the north, those in the south are in relatively untroubled parts. And it points out that part of the problem is that while KBR repaired the water plant they were not told to fix the pipes that led to the oil fields, and these

were old and corroded and thus keep failing. Water flow is thus about a third of what it should be. The Water plant was turned over to the Southern Oil Company last [November](#). The article explains the problems that the plant was supposed to fix. But because of the problems with the pipes, it appears that the plant could only provide partial service. And so now we read of problems that have recently surfaced in which (courtesy of [Peak Oil](#)) we read the [the NASDAQ report](#) that there are wells in the that are now in serious shape, and that are reaching too high a water cut, so that new wells are now going to be needed to replace their production (with no rigs currently operating in Iraq). .

Crude oil production in Iraq's southern oilfields is being hurt by high percentage of water contamination due to lack of proper maintenance and investment, Oil Minister Ibrahim Bahr al-Uloun said in remarks published Sunday. "The most dangerous thing facing our oil production in the Basra oilfields is the high percentage of water in produced crude oil," Bahr al-Uloun said in local newspaper al-Sabah. Iraq's southern oil fields account for most of the country's current 2.1 million barrels a day production. Iraq produces 1.8 million b/d from the south and around 300,000 b/d from the north. According to the state-owned South Oil Co. which is in charge of the oil operations, 120 wells in oil fields in the south need to be rehabilitated or drilled. The SOC has recently issued a tender seeking bidders to drill 20 new oil wells in West Qurna oil field. The tender was reissued after U.S. and other Western companies - such as Halliburton Co. (HAL) unit KBR - refused to commit to the work because of security. The minister said that oilfields in northeast of the capital Baghdad also suffer from various technical problems and need urgent repair.

Which means that the restoration of the water plant did not do its job, because they could not deliver the water, because ensuring the pipelines was never an assigned task.



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