

Iraq to Favor LUKoil, CNPC Bids for Exxon Project

By [The Moscow Times](#)

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BAGHDAD — Iraq would favor bids by LUKoil and CNPC if they decided to buy ExxonMobil's stake in the super-giant West Qurna-1 oilfield, a senior oil ministry official said.

A sale of the stake to either company would significantly strengthen the position of Russia or China in exploiting Iraq's oil reserves, the world's fourth biggest.

"During two separate meetings with executives from CNPC and LUKoil, Iraq informed the companies that it favors their contribution to purchase Exxon's share in the West Qurna-1 oilfield," the official said Friday.

Baghdad said it had received "positive signals" from both companies that they will consider making an offer for the \$50 billion project, which Exxon wants to pull out of to focus on its deal for exploration blocks in Iraq's autonomous Kurdish region.

Exxon riled Baghdad by signing deals last year with the Kurdistan regional government. Baghdad rejects contracts granted by Kurdistan as illegal and told Exxon it had to choose between working in southern Iraq or Kurdistan in the north.

The U.S. oil major opted to stick with Kurdistan, where the contracts are seen as more lucrative.

"We have received positive signals from both CNPC and LUKoil that they will consider purchasing Exxon's stake in West Qurna-1," the official said on condition of anonymity.

"Iraq believes that both companies have enough financial resources and the technology to manage the giant oilfield instead of ExxonMobil," he added.

Exxon has now opened a virtual data room for West Qurna-1 and approached all likely buyers, inviting bids by Dec. 5, two sources said.

LUKoil, which is already developing West Qurna-2, had previously said West Qurna-1 was "too big for it to swallow," but last week said it was looking into the option.

That has prompted some speculation that it could team up with another company, possibly CNPC, to develop the field.

A spokesman for LUKoil confirmed the company had received an offer to develop West Qurna 1: "We are studying it," he said, declining to comment on whether a joint venture was on the cards.

LUKoil is trying to offset a production decline at its fields in Russia, where it faces competition from state-backed companies, by acquiring foreign upstream assets.

The company is active in the Middle East, Central Asia, West Africa and Latin America. But Russia's vast Arctic offshore reserves are off-limits for LUKoil due to legal restrictions that limit participation to state-controlled companies.

Two CNPC sources said the company was aware of Exxon's plan to pull out of the West Qurna 1 project, but declined to confirm or deny reports it was thinking of moving into the field.

In general, they said, CNPC is interested in expanding its operations in Iraq and will not entertain any projects in the Kurdish region so as not to jeopardize its existing deals with the federal government.

A spokesman of the state-owned China National Petroleum Corp. declined to comment on its plans.

Earlier this week, Iraq's deputy prime minister for energy, Hussein al-Shahristani, said the government was in advanced talks with potential buyers to take on West Qurna and that there were enough appropriate candidates.

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