

Iraq, Shell May Sign Agreement by September on LNG (Update1)

By Dinakar Sethuraman

July 1 (Bloomberg) — Iraq may sign a final agreement with [Royal Dutch Shell Plc](#) by September to process and export gas from the Basra area, said Abdul Hadi Al-Hassani, vice chairman of the nation's parliamentary oil and gas committee.

Shell and partners including Mitsubishi Corp. may set up a 2 million-metric-ton a year floating liquefied natural gas facility to capture and process flared gas from the area, Al-Hassani told reporters at a conference in Singapore today. The state-led venture may capture as much as 700 million cubic feet a day of flared gas, process it on a vessel and sell the fuel overseas, he said.

“We have to sign an agreement with Shell by Sept. 22,” Al-Hassani said after attending the Next Generation LNG conference. “We plan to start production by 2013.”

The Middle Eastern country, holder of the world's third- largest oil reserves, is offering oil and natural gas areas to explorers to increase production more than 60 percent in the next five years. There is more gas available from adjoining fields to boost LNG exports from Iraq, which will own 51 percent of the project, Al-Hassani said.

The OPEC producer fell short of its goal to assign development rights for six oil and two gas fields in the bidding round with a service contract for the Rumaila oil field won by a BP Plc-led group being the only contract awarded.

Rumaila Field

BP and China National Petroleum Corp. agreed to develop the field at a cost of \$2 a barrel after recovering investment, lower than the prices BP and Exxon initially bid, the ministry said in a statement yesterday.

The operating cost for the Rumaila field is only about \$1 a barrel and the venture has a good return on its investments, Al-Hassani said. Some bidders were asking as much as \$20 a barrel while operating costs for fields were as low as \$1, he said.

International oil companies are being invited back into the country after they were kicked out in 1972, when the party of late dictator Saddam Hussein nationalized concessions.

To contact the reporter on this story: [Dinakar Sethuraman](#) in Singapore at dinakar@bloomberg.net.

Last Updated: July 1, 2009 05:10 EDT