

# The Wild, Wild East: Beyond the Iraqi Oil Boom

by Paul Smalera and Eileen Soltes | [March 2008 Issue](#)

**T**he Kurdish government welcomes foreign exploitation of its riches, an estimated 22 billion barrels of untapped oil. But the region is essentially off-limits to the major multinational oil companies, because Iraq's central government has yet to pass an oil-revenue-sharing law, and without one, no deals can be signed. So in August 2007, the Kurdistan Regional Government defied Baghdad and passed its own statute spelling out the terms by which its oil fields will be developed, divided, and managed.

That act triggered an oil rush in northern Iraq. So far, more than a dozen international firms have signed deals for exploration and extraction with the K.R.G. Hunt Oil was the first company to sign, just days after the new law was passed. The Dallas firm is run by Ray Hunt, who also sits on President Bush's Foreign Intelligence Advisory Board.

The Kurds have charted about 50 exploration zones—like claims on a mining map—and about half of them have already been snapped up by outfits from countries around the globe, Britain, Canada, Turkey, Russia, South Korea, and Japan among them. These companies operate without fear of competition from oil giants like BP and Exxon Mobil, which are staying out of Kurdistan because Iraqi oil minister Hussain al-Shahristani has declared that any company doing business with the K.R.G. will not be allowed near his country's greatest prize—the so-called supergiant oil fields in the south. (Currently, the only oil production in non-Kurdish areas is being undertaken by state-owned firms.)

Baghdad has also retaliated against the Kurds by denying them access to all government-owned pipelines, which are the only practical means of transporting oil out of the country. Kurdish crude is now being trucked across the borders into Turkey and Syria, but that process is extremely expensive compared with sending it through pipelines. Michael Makovsky, a former U.S. Defense Department official who worked on Iraqi energy policy, says that “maybe at some point there will have to be some softening” of the central government's refusal to allow the Kurds to use the pipeline. “The oil is in the ground, and it's going to have to go somewhere.”

Meanwhile, money is starting to flow out of the ground. DNO, a Norwegian firm that signed a deal back in 2004 with the K.R.G., even before the Iraqi constitution was finalized, has tapped a reserve that is currently producing 90,000 barrels a day.

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