
***Iraqi Extractive
Industries
Transparency
Initiative (IEITI)***
Oil Export, Local
Consumption and
Field Development

Report 2013

10 December 2015



Acknowledgment

This report is based on the efforts and inputs of many parties, where without their esteemed contributions, the report would not be as much as comprehensive as it is currently.

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IEITI Stakeholders' Council

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Executive Summary

Executive Summary

- a. On 10 February 2010, Extractive Industries Transparency Initiative (EITI) Board accepted Iraq as an EITI Candidate country. The first EITI report was published in December 2011. On 12 December 2012, Iraq was announced as an EITI compliant country.
- b. As part of the continuous implementation of the Extractive Industries Transparency Initiative (EITI) in Iraq, reconciliation would need to include the following:
 - revenues and payments reported by Iraqi governmental entities, international crude oil buying companies, and international oil field developing extractive companies operating in Central and Southern Iraq (excluding KRG)
 - oil production and oil export quantities reported by Iraqi governmental entities, national and international oil companies operating in Central and Southern Iraq (excluding KRG), in addition to third party verification companies
 - oil and gas quantities for local consumption reported by Iraqi governmental entities, national gas companies, national oil companies, electricity generation directorates and refineries
 - mining production quantities reported by Iraqi governmental entities and national mining companies
 - Net revenue from sale of oil products to the local market as reported by Ministry of Finance and Oil Products Distribution Company.
- c. This report summarizes the results of these reconciliation processes, in addition to, information pertaining to the Oil and Gas Sector and the Extractive Industries in Iraq. It does not include reconciliation of data related to the extractive industries (including oil & gas) in Kurdistan Region. This data was requested from the Kurdistan Regional Government but it was not provided, however, IEITI Stakeholder Council has requested the inclusion of information about the extractive industry in KRG based on publicly available information. Chapter 6 of the report was dedicated for that purpose and all information included in that chapter was based on information obtained through searches made on public websites and resources with references included as footnotes. Accordingly, the information included in that chapter were not subject to the data collection and reconciliation processes adopted for purposes of this report. IEITI Stakeholder Council assumes no responsibility for the information contained in Chapter 6.
- d. The report covers Iraq's crude oil export sales as reported by Iraqi Oil Marketing Company (SOMO), which formed most of Iraq's federal budget and foreign exchange earnings for 2013. It covers as well all payments made and revenues received with regard to crude oil exports during the financial year 2013, which amounted to **USD 80 billion**, and had resulted from crude oil sales to **42** international crude oil buyers. In addition, the report covers the reconciliation of the internal service payments made by the Government of Iraq as reported by the national oil companies and the Ministry of Oil.
- e. Oil and gas production and the related cost recovery, signature bonuses, remuneration fees and corporate taxes were also covered in this report for year 2013. Total crude oil production during 2013 amounted to 1,087.5million barrels produced from all operating oil fields in Iraq except for the Kurdistan Region as we were not provided with the required information by KRG. Exported crude oil quantities amounted to 872.6 million barrel and crude oil quantities supplied to refineries and electricity generation directorates amounted to 219 million barrel and 33.8 million barrel respectively.
- f. According to OPEC (Organization of the Petroleum Exporting Countries) 2015 Annual Statistical Bulletin and Ministry of Planning, Crude Oil Export Sales represents 37.7% of GDP (market prices) for year 2014, with a proven crude oil reserves of 143,069 million barrel, ranked third in the world.
- g. Based on the U.S. Energy Information Administration - Country Analysis Brief of Iraq, The Iraqi government has set ambitious oil production targets. The government is currently renegotiating field production targets set in Technical Service Contracts (TSCs) previously signed with international oil companies (IOCs). Based on some of the target revisions that have already been announced, the Energy Intelligence Group estimates that Iraq is now aiming for crude oil output of 7.0 million barrel per day by 2020, yet this target had been amended several times and being negotiated as to the date of this report.

Executive Summary (continued)

- h. The Ministry of Oil in Baghdad oversees oil and natural gas development and production in all but the Kurdish territory through its operating entities, the North Oil Company (NOC) and the Midland Oil Company (MDOC) in the north and central regions, and the South Oil Company (SOC) and the Missan Oil Company (MOC) in southern regions. In the Iraqi Kurdistan Region, the KRG, with its Ministry of Natural Resources, oversees oil and gas development and production. International oil companies (IOCs) are very active in Iraq, including the Iraqi Kurdistan Region. IOCs operate under technical service contracts (TSCs) in Iraq, which are signed with the Ministry of Oil in Baghdad, and under production-sharing agreements (PSAs) in the Iraqi Kurdistan Region signed with the KRG.
- i. Reconciliation of net revenue from sale of oil products to the local market was performed between the amounts reported by the Ministry of Finance and the Oil Products Distribution Company.
- j. Reconciliation differences disclosed in this report are mainly attributed to timing differences in recording transactions by the different entities. In addition, some of these differences are attributed to adopting a cash basis of accounting instead of accrual basis of accounting.
- k. The Stakeholder Counsel of the Iraqi Extractive Industries Transparency Initiative (IEITI) has reviewed and provided a commentary regarding the draft report of year 2013. On 10 December 2015, the Stakeholder Counsel held a meeting during which the draft report was presented, discussed and approved.
- l. The table below shows a total difference of USD 1,849 million between the data as reported by SOMO and the buyers. This difference represents the total summation of several differences between buyers and SOMO. These differences were explained during the course of the reconciliation process. Please refer to section 3.6 for further details.

Amount Reported by SOMO USD	Amount Reported by Buyers USD	Differences explained USD	Without reporting from counterparty USD
80,803,522,851	78,954,497,408	1,849,025,443.67	-

- m. Furthermore, the table below shows a difference of USD 984 million between data reported by Petroleum Contracts & Licensing Directorate (PCLD) and the data reported by the International Oil Companies (IOCs) with respect to cost recovery and remuneration fees. This difference was explained during the course of the reconciliation process. Please refer to sections 3.13 and 3.14 for further details.

Amount Reported by PCLD USD	Amount Reported by IOCs USD	Differences explained USD	Without reporting from counterparty USD
9,937,628,382	8,953,356,441	984,271,942	-

- n. Regarding signatures bonus payments related to the fourth licensing round, there were no discrepancies in data reported by Petroleum Contracts & Licensing Directorate (PCLD) and the data reported by the International Oil Companies (IOCs).

Amount Reported by PCLD USD	Amount Reported by IOCs USD	Differences explained USD	Without reporting from counterparty USD
80,000,000	80,000,000	-	-

Executive Summary (continued)

- o. As for internal service payments reconciliation, there were no discrepancies in the data reported by the Ministry of Oil and national oil companies. This is clearly illustrated in the table below.

Amount reported by MoO USD	Amount reported by National Oil Companies USD	Differences explained USD	Without reporting from counterparty USD
1,817,187,809	1,817,187,809	-	-

- p. The reconciliation processes carried out included many challenges especially for the part related to data collection. The inability to obtain the required information from some entities have posed significant challenges to reconciliation efforts. In light of these challenges, alternative reconciliation procedures were adopted and carried out. Our experience in that regard and the lessons learned from this process including recommendations for the future have been summarized and presented in Chapter 7.
- q. The tables below shows total reported Crude Oil, Cost Recovery and Remuneration, Signature Bonus and Internal Service Payments for the previous years.

Crude Oil (remove buyers and non governmental parties) and add government production quantities, exports, and local consumption

- r. Total Crude Oil Export Sales values and its related reconciliation from IEITI first report (2009) till the latest report (2012) prior to the issuance of the current report.

Year	Amount reported by SOMO USD
2009	41,249,682,456
2010	52,202,645,106
2011	82,986,002,828
2012	94,032,633,453

Cost Recovery & Remuneration

- s. Total Cost Recovery and Remuneration values and its related reconciliation related to International Oil Companies operating in Central and Southern Iraq (excluding KRG) from IEITI third report (2011) till the latest report (2012) prior to the issuance of the current report. The coverage initiated in year 2011 as it is related to the first year of occurrence of such transactions.

Year	Amount reported by PCLD USD
2011	4,539,654,383
2012	7,084,270,641

Executive Summary (continued)

Signature Bonus

- t. Total Signature Bonuses values and its related reconciliation related to International Oil Companies operating in Central and Southern Iraq (excluding KRG) from IEITI second report (2010) till the latest report (2012) prior to the issuance of the current report. The coverage initiated in year 2010 as it is related to the first year of occurrence of such transactions

Year	Amount reported by PCLD USD
2010	1,650,000,000
2011	-
2012	-

Internal Service Payments

- u. Total Internal Service Payments values and its related reconciliation from IEITI first report (2009) till the latest report (2012) prior to the issuance of the current report.

Year	Amount reported by MoO USD
2010	539,743,590
2011	1,378,381,283
2012	1,454,545,453

Crude Oil Export Sales Barrel Prices

- v. Crude oil export sales barrel prices had been fluctuating during year 2013, where they are based on international crude oil markets, destination, API escalation, freight and price differentiation (offered to induce customers due to the security situation in Iraq and the assessment of the oil market using primarily Saudi Arabia as a benchmark).

- w. The table below indicate the crude oil export sales barrel highest and lowest prices during year 2013.

	Barrel Price High/Low per Destination in US\$				
	USA	Europe	Far East	South Africa	Jordan
High	106	111	109	104	98
Low	89	95	98	104	84

Terms and Abbreviations

Terms and Abbreviations

API	The American Petroleum Institute gravity measure which indicates the specific gravity of oil at 60 degree Fahrenheit
Barrel	A quantity consisting of forty two (42) United States Gallons under a pressure of 14.7 pound per square inch and a temperature of sixty (60) degrees Fahrenheit
BCM	Billion Cubic Meter
BOE	Barrel of Oil Equivalent
BSA	Board of Supreme Audit
Calendar Month / Month	In respect of any month in a calendar year, a period commencing on the first day of that month and ending on the last day of the same month
Calendar Year / Year	A period of twelve (12) consecutive months commencing with the first day of January and ending with the last day of December, according to the Gregorian Calendar
Crude Oil	All hydrocarbons regardless of gravity which are produced and saved from the Contract Area in the liquid state at an absolute pressure of fourteen decimal seven (14.7) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit, including asphalt, tar and the liquid hydrocarbons known as distillates or condensates obtained from natural gas at facilities within the field other than a gas plant
Destination	The place to which oil is shipped or directed
DFI	Development Fund for Iraq
Dinar or Iraqi Dinar or IQ	The currency of the Republic of Iraq
Dollar or US\$	Dollar of the United States of America
Due date	The date on which an obligation must be repaid
Export Oil	A standard blend of crude oil of nearest quality to the crude oil stream produced from the field, out of which a contractor may lift at the delivery point for the value of its due service fees under the contract
Export Oil Price	The price per barrel of export oil that is free on board (FOB) at the delivery point
FDI	Foreign Direct Investments
FOD	Field Operating Division
GDP	Gross domestic product
Government or GoI	The Government of the Republic of Iraq
HSE	Health, Safety and Environment
IEITI	Iraqi Extractive Industries Transparency Initiative
Internal consumption	Oil used for domestic purposes
IOCs	International oil companies (international field development oil companies)
JMC	Joint Management Committee
KRG	Kurdistan Regional Government
LC	Letter of credit

Terms and Abbreviations (continued)

Loading Date	The date of flanges of the relevant offshore loading terminal(s) in Iraqi and Turkish seaports where a contractor may lift export oil
LPG	Liquid petroleum gas
MIM	Ministry of Industry and Minerals of the Republic of Iraq
MdOC	Midland Oil Company of the Republic of Iraq
MdR	Midland Refineries Company
MNR	Ministry of Natural Resources (KRG)
MOC	Missan Oil Company of the Republic of Iraq
MoF	Ministry of Finance of the Republic of Iraq
MoO	Ministry of Oil of the Republic of Iraq
NA	Not Available
N/A	Not Applicable
NOC	North Oil Company of the Republic of Iraq
NR	North Refineries Company
OPEC	Organization of the Petroleum Exporting Countries
OPRA	Oil Proceed Receipt Account
PCLD	Petroleum Contracts and Licensing Directorate
Production Measurement Point / PMP	The point within the field as agreed by the parties, where the volume and quality of crude oil produced and saved from the field is measured
RFB	Remuneration fees per barrel
ROC	Regional Oil Company
Signature Bonus	The payment of a fee by an IOC to a host government, upon signing a concession license agreement (or technical service contract) with a national oil company or local oil company
SOC	South Oil Company of the Republic of Iraq
SR	South Refineries Company
SOMO	Iraq Oil Marketing Company. An Iraqi entity established under and governed by the laws of Iraq, and having monopoly on oil exports
Tax Year	The period of twelve (12) consecutive months according to the Gregorian Calendar for which tax returns or reports are required according to any applicable tax laws and regulations in Iraq
TPAO	Turkiye Petrolleri Anonim Ortakligi
MMSCFD	Million Metric Standards Cubic Feet a Day

Introduction

1. Introduction

1.1 Background: the EITI and Iraq

- 1.1.1 The Extractive Industries Transparency Initiative (EITI) sets a global standard for transparency in the oil, gas and mining industries. EITI's objective is to achieve a standard for review, analysis and publication of revenue flow between extractive industry companies and governments. In this manner, EITI aims to promote transparency in order to prevent corruption, and to provide citizens with a basis for demanding a fair use of revenue. Transparency is also expected to attract and enhance foreign direct investments.

EITI in Iraq

- 1.1.2 In May 2008, the Government of Iraq made a commitment of implementing EITI. In January 2010, Prime Minister Nouri Al Maliki declared Iraq's commitment to EITI in an event launched by Iraqi Extractive Industries Transparency Initiative. In February 2010, the EITI International Board announced that Iraq became an EITI candidate country.
- 1.1.3 Iraq had about 143,069million barrels of proven oil reserves and 3,158 BCM of gas reserves in year 2014. (Source: OPEC 2015Annual Statistical Bulletin)
- 1.1.4 As part of its implementation of the EITI, the Government of Iraq committed itself to publishing all revenues from its export sales from the Oil Sector. In addition, international companies buying oil from Iraq shared the same commitment of publishing what they have paid to the Government. A Board of Trustees (IEITI Stakeholders Council), consisting of representatives of the Government of Iraq, Iraqi monitoring bodies, Iraqi Professional Unions, National Oil Companies, International Extractive Oil Companies and Iraqi Civil Society Organization, will review the reported information, which will then be published in an EITI report.
- 1.1.5 The first IEITI report was published in December 2011. On 9 August 2012, the IEITI Stakeholder Council agreed on a final validation report. The EITI Board had reviewed the report and on 12 December 2012 announced Iraq as an EITI compliant country.
- 1.1.6 The second, third and Fourth IEITI reports covering the years 2010, 2011 and 2012 were issued on December 2012, December 2013 and December 2014respectively.

1.2 The Iraqi Government's revenues from extractive industries in 2013

- 1.2.1 The extractive industries in Iraq are state-owned, where national oil and gas companies, national mining companies and SOMO are 100% state-owned, financed by the Government and their financial statements are audited by the Board of Supreme Audit. IEITI focuses on disclosing Iraq's revenues from export sales of crude oil, corporate taxes from extractive companies' signature bonuses from the IOCs and internal service payments. The scope of the initiative also includes crude oil used for internal consumption distributed to refineries, electricity generation directorates and national gas companies, in addition to revenues from the Mining Sector and net revenue from sale of oil products to the local market.

1. Introduction (continued)

1.3 What cash inflows are included in the IEITI reconciliation for financial year 2013 and how has the process been governed?

- 1.3.1 This report covers Iraq's Financial Year 2013 crude oil export sales (including all payments made and revenues received), in addition to signature bonuses received from the IOCs.
- 1.3.2 The report presents disaggregate data from all extractive companies operating in Iraq, with the exception of KRG, in addition, it covers cash inflows from internal oil consumption and oil product sales to the local market and other mining industries, and disaggregate data from all governmental agencies, and the underlying data reported by companies and the Government. The reporting and reconciliation process have been governed by the reporting process terms of reference.

1.4 The discussion by the IEITI Stakeholder Council regarding materiality

- 1.4.1 During its meeting held on 19 April 2015, the IEITI Stakeholders' Council decided to adopt the following materiality level for the 2013 reporting process:
1. Crude oil buying companies are required to provide information on their purchases
 2. IOCs are required to provide information on their signature bonuses, service payments and settled taxes
 3. Crude oil and gas used for internal consumption should be declared by refineries, electricity generation directorates and national gas companies
 4. Revenues and mining production quantities reported by the different entities operating in the Mining Sector

All discrepancies that equal to or exceed 0.5% of total amount of each caption should be analyzed and reported.

1.5 Content and objective of this report

- 1.5.1 This report summarizes the results of the fifth year's reconciliation of Iraq's 2013 petroleum and other extractive activities. The reconciliation is comprised of cash inflows for the fiscal year ended on 31 December 2013.
- 1.5.2 This report consists of nine chapters. Chapter 1 introduces the EITI and its objectives, Iraq's implementation of the initiative and the reconciliation logic and process presented in this report. Chapter 2 highlights oil field developing extraction activities – licensing rounds. Chapter 3 sets out the results of the reconciliation. Chapter 4 presents further transparency exercise. Chapter 5 presents Iraq's Mining Industry. Chapter 6 presents an insight on the extractive industries of KRG. Finally, Chapter 7 summarizes the lessons learned from the reconciliation process.
- 1.5.3 In this report, the amounts are stated in thousand US Dollars (US\$), unless otherwise stated.

1. Introduction (continued)

- 1.5.4 The information presented is the responsibility of the reporting entities as listed in appendix 1. Procedures carried out by the reconciler do not constitute either an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and therefore, we do not express any assurance on the reported data. Had we performed an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you. PwC assumes no responsibility whatsoever in respect to or arising from or in connection with the contents of this report to parties other than the IEITI. Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by the applicable law, PwC accepts no liability of any kind and disclaims all responsibility for the consequences of any person acting or refraining to act in reliance on the contents of this report, or for any decisions made or not made which are based upon the contents of this report. If others choose to rely, in any way, on the contents of this report, they do so entirely at their own risk.

1.6 The Oil and Gas Industry in Iraq

- 1.6.1 Iraq is at the forefront of EITI implementation in the Middle East Region, following Yemen which is the only other country implementing EITI in the Region. In compliance with the UN sponsored Development Fund for Iraq (DFI), its Oil and Gas Sector is already under public scrutiny, in which the Ministry of Oil regularly publishes on its website and local media, all hydrocarbon production data and externally audited exports revenues.
- 1.6.2 Iraq's Oil and Gas Sector account for most of the GDP, public revenues and its foreign exchange earnings. It is, therefore, central to Iraq's fiscal position and critical to the vitality of the Iraqi economy and the ongoing reconstruction efforts of the country, particularly with regard to oil, gas, and power infrastructure and development. Crude oil accounts for 62% of Iraq's GDP for the year 2013.
- 1.6.3 Although Iraq has approximately 0.096% of the world's proven oil reserves (143,069 million barrels) and major natural gas reserves (at least 3,158 BCM, estimated to be 0.015% of the world total), actual oil production during the last ten years has only been around 2.0 - 2.4 million barrels per day (compared to a peak of about 4 million barrels per day in the 1970's). In the aftermath of the conflicts affecting Iraq in the 1990's and especially during the last ten years, oil production has plummeted (although current high oil prices have allowed Iraq to rather maintain its fiscal position) and production, transport, storage and export infrastructure have greatly suffered over the past two decades. This is due to the lack of proper and appropriate maintenance in place, which had resulted from the lack of capital for its development and, naturally, from war-related damages and acts of sabotage.
- 1.6.4 The Government of Iraq is focused and committed to the sound management and optimal performance of the Oil and Gas Sector, being the principal driver of the Iraqi economy. This includes prioritizing policy for the Oil and Gas Sector, adapting the legal framework to the global energy environment, and sustaining efforts to rehabilitate the country's oil production, transport, storage, and export infrastructure. Therefore, the Government considers that only the full and optimal development of its oil and gas reserves will enable Iraq to fully benefit from its large resource base, in a manner commensurate with its unrealized potential. In this respect, the efforts of the Government of Iraq to award service contracts to International Oil Companies (IOCs) through four rounds of bidding, which were held in June 2009, December 2009, October 2010 and May 2012, had facilitated and enabled the country to develop new oil and gas fields, reverse declining output, and increase production from its existing oil and gas fields.

1. Introduction (continued)

1.7 Institutional Framework for the Petroleum Sector in Iraq

- 1.7.1 The Ministry of Oil is at the apex of the Oil and Gas Sector of the Federal Government, where it handles all aspects pertaining to policy, regulation, exploration, production, marketing of oil and gas.
- 1.7.2 In addition to the Ministry of Oil and Oil Marketing Company (SOMO), the key components of this structure includes:
- South Oil Company
 - North Oil Company
 - Missan Oil Company
 - Midland Oil Company
- 1.7.3 In addition, other major components include exploration and drilling, research and development, transport, pipeline companies, refinery companies, gas companies, storage and export terminals among others.
- 1.7.4 The latter, although called “companies”, possess some degree of operational autonomy, but are not as of yet, independent corporate structures in the generally accepted sense. Indeed, the Iraqi Government has plans for major reforms including (i) the reorganization of the Ministry of Oil functions and structures, (ii) Public-private partnerships with ‘Bona Fide’ international operators, in addition to strategic alliances with international oil companies, both upstream and downstream of the value chain.
- 1.7.5 The current type of the centralized structure, where the Government through the Ministry of Oil owns, produces, transports, sells and accounts for all the oil produced and exported or used domestically, is a comparatively unique framework amongst the current EITI countries, and in which it poses certain implications of how EITI is designed and implemented in Iraq, as discussed further below.
- 1.7.6 Central Iraq’s Oil and Gas Sector is dominated by the four National Oil Companies and in which the Government is the major operator. Nonetheless, many IOCs are moving in by means of service contracts, in order to improve hydrocarbon production from existing producing fields. Other IOCs are moving in as well holding production service contracts in promising exploration and production areas.
- 1.7.7 These activities will substantially increase the need to reconcile “payments and revenues” in accordance with the EITI’s criteria, which were developed and tailored to reflect the evolving state of upstream oil and gas exploitation in Iraq. This is also where metering at critical points of the chain is of the essence. Moreover, the Ministry of Oil will need to adhere to such rigorous criteria for downstream activities, in which they were also tailored to match Iraqi’s current situation.

*Field Developing Extraction
Activities - Licensing Rounds*

2. Field Developing Extraction Activities - Licensing Rounds

Overview of the Licensing Rounds in Iraq

The federal Government of Iraq had entered into a Technical Service Contract for the rehabilitation of its oil fields, in order to increase its productivities and to maximize the revenues for the benefit of the people of Iraq.

Technical Service Contract, or TSC, refers to an oil and gas exploration and production contract awarded by a producing country to the International Oil Company (IOC) bidding with the lowest remuneration fees per barrel (RFB) produced as reward of its capital and operational expenditures.

The government of Iraq had conducted its four licensing rounds between the years 2009 to 2012.

By early 2008, International Oil Companies (IOCs) were invited to pre-qualify for a bidding process. Many experts in resource transparency regard the bidding process as the most effective way to manage both the dangers of corruption and asymmetry of information between governments and companies at the production award stage.

On April 13, 2008 the Government announced some thirty five international companies (including most of the so-called "majors" had passed the pre-qualification stage) out of a total of one hundred and twenty companies who applied. The Government announced that there would be two main criteria in which all bidders would be assessed. First, the production plateau offered by a consortium for any given field, where the higher the production they were guaranteeing the better. Second, the remuneration fee the consortium would accept per barrel it will produce once it reached the plateau - the lower the fee, the higher the companies would score.

The first licensing round had been announced on 30 June 2008, and its related biddings took place on 30 June 2009. The only award made as a direct results of the auction round was to BP, in association with Chinese CNPC, for the Rumaila field,

The second licensing round offered by the Ministry of Oil took place on 11-12 December 2009. Ten major oilfields were up for bid in the second round, which produced deals for seven of those fields. The fields receiving successful bids were Halfaya, Majnoon, Qayara, Badra, Garraf, Najmah and West Qurna 2. The three fields receiving no bids were East Baghdad, the Eastern Fields and Middle Furat.

After launching its first and second licensing rounds in 2009, Iraq held its third licensing round on 20 October 2010 for three gas fields: Akkas, holding an estimated 158 billion cubic meters (bcm) of natural gas, Mansuriya, holding approximately 130 bcm, and Siba, holding about 31 bcm.

Iraq's fourth licensing round took place on 30-31 May 2012 and included areas that have not yet been explored, as well as newly discovered fields that have not been exploited (Virgin Oil Fields).

Iraqi Oil Exploration Company major activities

The Iraqi Oil Exploration Company is involved in Licensing Rounds, by being the State Partner in four contracts (West Qurna - Phase 1, Badra, and Mansuriya). Furthermore, it participates in the exploration activities of other contracts, such as Block 8, 9, 10 and 12.

During year 2013, the company had several activities according to its plan for the year, which can be summarised in the following table:

2. Field Developing Extraction Activities - Licensing Rounds

#	Activity	Planned	Executed	Execution Percentage	
1	Geology Commission / Evaluation, Exploration, Labs (KM)	1643	1643	100%	
2	Processing and Explanation Commission / Data Processing in 3D (KM2)	3863	3363	87%	
	Processing and Explanation Commission / Data Processing in 2D (KM Length)	17323	17964	104%	
3	Processing and Explanation Commission / Seismic Explanation in 3D (KM2)	5260	5220	99%	
	Processing and Explanation Commission / Seismic Explanation in 2D	54692	57697	105%	
4	Fieldwork Commission / Seismic Surveys (KM2)	First Team	676.22	761.99	113%
		Second Team	795.66	1011.57	127%
		Third Team	488.89	496.035	101%
		Fourth Team	268.58	227.015	85%
	Fieldwork Commission / Seismic Surveys (KM Length)	First Team	53.44	37.35	70%
5	Information Technology Commission / Data Bank	1200	1464	122%	

The remaining of this chapter was prepared by the Iraqi Ministry of Oil - Petroleum Contracts and Licensing Directorate (PCLD).

2.1 Ministry of Oil policy for the development of oil fields under service contracts for oil fields licensing rounds

- 2.1.1 Iraq owns around 143 billion barrels of confirmed oil reserves, which represents approximately 9.5% of the aggregate oil reserves in the world. In addition, according to a recent study by geologists, the western and southern desert might contain an even larger oil and gas reserve. Iraq ranks third in terms of oil reserves, behind Saudi Arabia and Iran, however Iraq's crude oil production has suffered significant damages due to the political unrest over the past 30 years denoted by wars, economic blockade, inadequate investment, migration of many administrative and technical staff, in addition to an outdated infrastructure that does not match production capacities.
- 2.1.2 The extractive sector in Iraq is considered the main source of crude oil production, therefore it is regarded as the country's key source of financial resources and the driver of economic and national development. The Iraqi Government has resorted to launching licensing rounds of oil and gas fields as well as exploration blocks to obtain the assistance of international oil companies in the redevelopment of existing production fields.

2. Field Developing Extraction Activities - Licensing Rounds

2.1.3 On 30 June 2008, the Ministry of Oil officially announced in Baghdad phase 1 of the licensing rounds, which involved assigning the development of certain oil producing fields to international oil companies in a competitive and fair manner.

2.2 Licensing rounds are set to be implemented as follows:

2.2.1 Phase 1:

2.2.1.1 Companies wishing to participate in the licensing rounds submit their documents for qualification purposes, whereby they are evaluated based on 5 aspects:

1. Legal
2. Financial
3. Technical
4. Health, Safety and Environment
5. Training and Development

2.2.1.2 In order for any company to qualify, it has to comply with all 5 aspects, whereby the failure to comply with any of these requirements results in disqualification from participating in the licensing round.

2.2.2 Phase 2:

2.2.2.1 Setting up a promotional conference to explain the basic features and technical aspects of the contract, as well as answer questions asked by the participating companies. After that, the information pack is released, which includes a preliminary draft of the service contract, technical information specific to the disclosed fields, in addition to the preliminary tender document. The qualified companies are then given sufficient time to study this material and submit their inquiries and suggestions to the Ministry of Oil. Subsequently, a workshop is set up with the attendance of all qualified companies that purchased the information pack in order to discuss all inquiries, whereby answers are provided by the related parties at the Ministry of Oil. The draft is then adjusted accordingly and the final service contract is released along with the final tender document. Such documents will thereafter be the basis on which competitive offers are provided to the participating companies.

2.2.3 Phase 3:

2.2.3.1 The assignment of contracts in accordance with an economical competitive standards. The contracts are assigned at the same time and in front of the media and the attendees.

2.2.4 Phase 4:

2.2.4.1 After obtaining the approval of the Iraqi Cabinet, the assigned contracts are signed in order to start execution.

2.2.4.2 Ministry of Oil aims to reach a production capacity of 7 million barrel per day by 2020, in addition to increase the current refining capacity and enhance transport, storage, and export systems.

2.2.4.3 Achievements during the first three years (until the end of 2013) after implementing the contracts that resulted from executing the licensing rounds can be summarized as follow:

1. Increase production capacity from 1,645 thousand barrel per day in 2009 to average of 2,980 thousand barrel per day in 2013.

2. Field Developing Extraction Activities - Licensing Rounds

2. Iraq's revenues from the sales of crude oil from licensing rounds' fields (Al Rumailah, Al Zubair, West Qurna (Phase1), Maysan, Halfaya, and Ahadab) was around USD 89 billion during the year 2013. And according to oil prices listed by Iraqi Oil Marketing Company bulletins.
3. International companies invested huge amounts of money for developing fields amounting to USD 16.5 billion for the period extending between year 2009 and 2013.
4. Complete the construction of new plants for crude oil treatment and with large capacity.
5. Complete the construction of two new pipes to distribute crude oil, the first one to transport crude oil from the Ahdab Field to Al Toba warehouse, and the second from Majnoon Field to Zubair -1 warehouse.
6. Build unloading wharf on Shatt al Arab in Al Nashwa Area for Majnoon Field.
7. Until the end of the year 2013 the excavation of several wells were completed in addition to other wells that are still under drilling.
8. Complete many dimensional seismic survey, like the surveys for Rumaila, Halfaya, Badra, Mansuriya, and Ahdab fields. The work is still ongoing in Al Zubair, West Qurna (Phase1&2), Maysan and Al Seebeh fields.
9. Large numbers of mines and unexploded bombs remnants of war have been removed for an area of 491.3 square kilometers from the fields of Rumaila, West Qurna (Phase 2), Majnoon, Badra, and Maysan.
10. Many mines and unexploded bombs remnants of war have been removed from the fields of Rumaila, West Qurna (Phase 2), Majnoon, and Badra.
11. The environmental studies have been achieved for all contracted areas.
12. Most of fields' operators have fulfilled the minimum work commitments. The contracting companies have invested funds that exceeded the minimum level of expenses recorded in the contracts.
13. Many training courses have been held for Iraqi personnel in the extractive companies and in the Ministry of Oil inside and outside Iraq under the contractual article number 26 (Training Scholarship and Technology Transfer). Until the end of the year 2012, 237 training courses have been held with 2,607 Iraqi personnel participants, Training include the following:
 - Reservoir and production engineering
 - Excavation engineering
 - Oil and gas production
 - Surface plants and maintenance
 - Management and economics in the oil industry
 - Financial records
 - Geology, geophysics, and petrophysics
14. Field operators enhanced the social situation in villages located within or around contracting areas. Medical centers have been rehabilitated or equipped with unavailable supplies, schools have been reformed and provided with the necessary supplies and equipment, roads have been paved and some bridges have been rehabilitated, drinking water stations have been set up, in addition to hiring local talent in areas of specialization or as part of the security.
15. The entrance of global oil service companies to the Iraqi market, which helped recruit large numbers of Iraqi personnel.
16. The participation of oil service companies (affiliated with Ministry of Oil) in the implementation of many tasks. This includes carrying out a two-dimensional and a three- dimensional seismic survey by Oil Exploration Company, drilling wells by the Iraqi Drilling Company, setting up a pipeline to transport crude oil from Majnoon Field to Zubair -1 warehouse by the State Company for Oil Projects, all of which making Iraqi oil service companies a competitor to the global oil service companies.

2. Field Developing Extraction Activities - Licensing Rounds

17. The participation of Iraqi private sector companies in new business areas, such as environmental work, security, extending pipelines flowing to wells, as well as civil work related to wells or camps under the supervision of international companies, through which they can gain experience and skill.

2.3 The table below represents the contracts that resulted from implementing the licensing rounds:

Field	Ahdab	Rumaila	Zubair
Licensing round	First Licensing Round (2009)	First Licensing Round (2009)	First Licensing Round (2009)
Field partner	Al Waha Petroleum Co.Ltd.	BP &PetroChina	ENI & Occidental &Kogas
State partner	SOMO	SOMO	Missan Oil Company
Field operator	Al Waha Petroleum Co. Ltd.	BP	ENI
Contract sign date	10-Nov-08	3-Nov-09	22-Jan-10
Contract active date	10-Nov-08	17-Dec-09	18-Feb-10
Rehabilitation / Evaluation plan date	Jun-11	Sep-10	15-Apr-10
Rehabilitation / Evaluation plan approval date	-	Nov-10	Jun-10
Contract period	20 Years	20 Years	25 Years
First commercial production barrel / day	Started in the third quarter of 2011 with a capacity of 25,000	1,066,000	182,778
Production for the year 2011 barrel / day	42,235	1,191,319	248,000
Production for the year 2012 barrel / day	116,470	1,345,557	260,000
Production for the year 2013 barrel / day	127,066	1,306,122	305,717
Production peak barrel / day	140,000	2,100,000	850,000
Contracting companies shares	75% AL WAHA PETROLEUM CO.LTD.	47.63% BP	41.56% ENI
	25% SOMO	46.37% PetroChina	29.69% Occidental
		6% SOMO	23.75% Kogas
			5% Missan Oil Company

Source: Ministry of Oil

2. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	West Qurna (Phase1)	Missan (Al Bazerkan, Al Fakka& Abo Gharab)	Majnoon
Licensing round	First Licensing Round (2009)	First Licensing Round (2009)	Second Licensing Round (2009)
Field partner	ExxonMobil & Shell &PetroChina&Pertamina	CNOOCI & TPAO	Shell &PetronasCarigali
State partner	Oil Exploration Company	Iraqi Drilling Company	Missan Oil Company
Field operator	ExxonMobil	CNOOCI	Shell
Contract sign date	25-Jan-10	17-May-10	17-Jan-10
Contract active date	1-Mar-10	2-Dec-10	1-Mar-10
Rehabilitation / Evaluation plan date	19-Oct-10	Mar-11	May-10
Rehabilitation / Evaluation plan approval date	Nov-10	Nov-11	Oct-10
Contract period	25 Years	20 Years	20 Years
First commercial production barrel / day	244,000	88,000	175,000 (during the fourth quarter of 2013)
Production for the year 2011 barrel / day	257,329	-	-
Production for the year 2012 barrel / day	459,219	99,473 (during the fourth quarter of 2012)	-
Production for the year 2013 barrel / day	-	108,862	-
Production peak barrel / day	1,600 (For seven years)	450,000	1,800,000
Contracting companies shares	32.7% ExxonMobil	63.75% CNOOCI	45% Shell
	32.7% PetroChina	11.25% TPAO	30% PetronasCarigali
	19.6% Shell	25% Iraqi Drilling Company	25% Missan Oil Company
	10% Pertamina		
	5% Oil Exploration Company		

Source: Ministry of Oil

2. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	West Qurna (Phase2)	Al Gharraf	Halfaya
Licensing round	Second Licensing Round (2009)	Second Licensing Round (2009)	Second Licensing Round (2009)
Field partner	Lukoil	PetronasCarigali&Japex	PetroChina&Petronas&TOTAL
State partner	North Oil Company	North Oil Company	South Oil Company
Field operator	Lukoil	PetronasCarigali	PetroChina
Contract sign date	31-Jan-10	18-Jan-10	17-Jan-10
Contract active date	1-Mar-10	10 February 2010	1-Mar-10
Rehabilitation / Evaluation plan date	Preliminary in September 2010 Final in February 2013	Jun-10	Sep-10
Rehabilitation / Evaluation plan approval date	Nov-10	Nov-10	Dec-10
Contract period	25 Years	20 Years	20 Years
First commercial production barrel / day	Started in the first quarter of 2014 with a capacity of 120,000	Started in the fourth quarter of 2013 with a capacity of 35,000	Started in the third quarter of 2012 with a capacity of 70,000
Production for the year 2012 barrel / day	-	-	-
Production for the year 2013 barrel / day	-	-	101,872
Production peak barrel / day	1,200,000	230,000	400,000
Contracting companies shares	75% Lukoil	45% PetronasCarigali	45% PetroChina
	25% North Oil Company	30% Japex	22.5% Petronas
		25% North Oil Company	22.5% TOTAL
			10% South Oil Company

Source: Ministry of Oil

2. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	Badra	Al Najma and Al Qayara	Al Siba
Licensing round	Second Licensing Round (2009)	Second Licensing Round (2009)	Third Licensing Round (2010)
Field partner	Gazprom & Petronas & TPAO & Kogas	Sonangol	Kuwait Energy & TPAO
State partner	Oil Exploration Company	South Oil Company for Al Qayara Iraqi Drilling Company for Al Najma	Missan Oil Company
Field operator	Gazprom	Sonangol	Kuwait Energy
Contract sign date	28-Jan-10	26-Jan-10	5-Jun-11
Contract active date	18 February 2010	18-Feb-10	1-Jul-11
Rehabilitation / Evaluation plan date	Aug-10	-	Dec-11
Rehabilitation / Evaluation plan approval date	Jul-11	-	Jul-12
Contract period	20 Years	20 Years	20 Years
First commercial production	will start in the third quarter of 2014 with a capacity of 15,000 barrel / day	Al Najma 20,000 Barrel / day Al Qayara 30,000 barrel / day	25 MMSCFD
Production peak	170,000 barrel / day	Al Najma 110,000 barrel / day Al Qayara 120,000 barrel / day	100 MMSCFD
Contracting companies shares	30% Gazprom	75% Sonangol	45% Kuwait Energy
	22.5% Kogas	25% South Oil Company for Al Qayara & Iraqi Drilling Company for Al Najma	30% TPAO
	15% Petronas		25% Missan Oil Company
	7.5% TPAO 25% Oil Exploration Company		

Source: Ministry of Oil

2. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	Mansuriya	Akkaz	Exploration Block # 8
Licensing round	Third Licensing Round (2010)	Third Licensing Round (2010)	Fourth Licensing Round (2012)
Field partner	TPAO & Kuwait Energy & Kogas	Kogas	Pakistan Petroleum
State partner	Oil Exploration Company	North Oil Company	-
Field operator	TPAO	Kogas	Pakistan Petroleum
Contract sign date	5-Jun-11	13-Oct-11	5-Nov-12
Contract active date	18-Jul-11	15-Nov-11	5-Dec-12
Rehabilitation / Evaluation plan date	Dec-11	May-12	After informing the Midland Oil Company with the commercial exploration results
Rehabilitation / Evaluation plan approval date	May-12	Sep-12	-
Contract period	20 Years	20 Years	30 years for oil field & 40 years for gas field (Includes exploration period for 5 years)
First commercial production	80 MMSCFD	100 MMSCFD	After 3 months from the completion of the approved evaluation plan
Production peak barrel / day	320 MMSCFD	400 MMSCFD	-
Contracting companies shares	37.5% TPAO	75% Kogas	100% Pakistan Petroleum
	22.5% Kuwait Energy	25% North Oil Company	
	15% Kogas		
	25% Oil Exploration Company		

Source: Ministry of Oil

2. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	Exploration Block # 9	Exploration Block # 10	Exploration Block # 12
Licensing round	Fourth Licensing Round (2012)	Fourth Licensing Round (2012)	Fourth Licensing Round (2012)
Field partner	Kuwait Energy & Dragon Oil Holdings Limited	Lukoil Overseas Iraq Exploration B.V. & Inpex Corporation	JSOC Bashneft & Premier Oil PLC
State partner	-	-	-
Field operator	Kuwait Energy	Lukoil Overseas Iraq Exploration B.V.	JSOC Bashneft
Contract sign date	27-Jan-13	7-Nov-12	8-Nov-12
Contract active date	27-Jan-13	3-Dec-12	1-Jan-13
Rehabilitation / Evaluation plan date	after informing the South Oil Company with the commercial exploration results	after informing the South Oil Company with the commercial exploration results	after informing the South Oil Company with the commercial exploration results
Rehabilitation / Evaluation plan approval date	-	-	-
Contract period	30 years for oil field & 40 years for gas field (Includes exploration period for 5 years)	30 years for oil field & 40 years for gas field (Includes exploration period for 5 years)	30 years for oil field & 40 years for gas field (Includes exploration period for 5 years)
First commercial production	After 3 months from the completion of the approved evaluation plan	After 3 months from the completion of the approved evaluation plan	After 3 months from the completion of the approved evaluation plan
Contracting companies shares	70% Kuwait Energy	60% Lukoil Overseas Iraq Exploration B.V.	70% JSOC Bashneft
	30% Dragon Oil Holdings Limited	40% Inpex Corporation	30% Premier Oil PLC

Source: Ministry of Oil

2. Field Developing Extraction Activities - Licensing Rounds (continued)

2.4 Tax structure for the standardized Technical Service Contracts* held in the four licensing rounds

- 2.4.1 According to the standardized Technical Service Contracts used in Iraq's four licensing rounds, the only tax liability of contractors (IOCs) operating under Technical Service Contracts shall not exceed corporate income tax levied at a rate not to exceed thirty five percent (35%) of the contractor's taxable profit under the law which shall, as between the contractors and the Regional Operating Companies (MoO entity), be deemed to be the Remuneration Fee received during the relevant tax year.

2.5 Signature bonuses received in year 2013

- 2.5.1 There were no signature bonuses payments made during 2013 related to previous licensing rounds. Signature bonus payments related to the fourth licensing round, which took place in year 2012, were made in year 2013 and are summarized as follows:

Field	Exploration Block # 8	Exploration Block # 9		Exploration Block # 10		Exploration Block # 12	
Field partner	Pakistan Petroleum Limited	Kuwait Energy Company KSCC	Dragon Oil LTD	Lukoil Overseas Exploration B.V.	Inpex Corporation	JSOC Bashneft	Premier Oil Holding
Signature bonus amount in US\$	15,000,000	17,500,000	7,500,000	15,000,000	10,000,000	10,500,000	4,500,000

Source: Ministry of Oil

2.6 Cost recovery and remuneration fees

- 2.6.1 According to Technical Service Contract, cost recovery and remuneration fees are defined as follows:
- 2.6.1.1 Cost Recovery: recoverable costs and expenditures incurred and payments made by Contractor and/or Operator in connection with or in relation to the conduct of Petroleum Operations.
- 2.6.1.2 Remuneration Fees: fees paid to Contractor for incremental production.
- 2.6.2 "The Remuneration Fee per Barrel of Crude Oil applicable for all Calendar Quarters during any given Calendar Year shall be determined on the basis of the R-Factor calculated at the end of the preceding Calendar Year for the Field as follows:"

2. Field Developing Extraction Activities - Licensing Rounds (continued)

R-Factor	Remuneration Fee per Barrel (USD)
Less than 1.0	Remuneration Fee Bid (RFB)
1.0 to less than 1.25	80%* RFB
1.25 to less than 1.5	60%* RFB
1.5 to less than 2.0	50%* RFB
2.0 and above	30%* RFB

Source: Technical Service Contract template

* For the template of Technical Service Contract: <http://www.ieiti.org.iq/uploads/tech.pdf>

2.6.3 Cost recovery and remuneration fees are calculated in accordance with article no. 19 of Development and Production Service Contract (<http://www.ieiti.org.iq/uploads/deve.pdf>). These payments are settled to field partner according to contract sharing percentage as the following articles quoted from the contract show:

“19.2 Contractor shall start charging Petroleum Costs to the Operating Account as from the Effective Date, in accordance with this Contract and the Accounting Procedures, but the same shall be due and payable in accordance with Article 19.6.

19.3 Contractor shall become entitled to Remuneration and shall start charging the same to the Operating Account only from the date of First Commercial Production. For any Quarter commencing with the Quarter in which the First Commercial Production occurs, the Remuneration shall be an amount equal to the sum of:

- The product of the applicable Remuneration Fee and Net Production, subject to the performance adjustment in Article 19.5 (that defines the remuneration fee entitlement and related calculation);
- The product of the applicable Remuneration Fee and any Gas Processing Plant Products, expressed as BOE.”

“19.6 Petroleum Costs and Remuneration:

- Petroleum Costs and Remuneration due to Contractor shall be paid without interest, in Export Oil at the Delivery Point unless the Contractor elects, by April 1st each Year, to receive payment in cash in Dollars for the following Year. For payment in cash, payment shall be made within sixty (60) days of the submission of an invoice pursuant to Clause 9 of the Accounting Procedures. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18 and liftings shall be scheduled in accordance with an agreement reached pursuant to Addendum Four. Any election shall remain in effect for the Calendar Year for which the election was made.
- Petroleum Costs, Supplementary Costs and Remuneration shall be deemed to cover all costs, expenses, liabilities and remuneration to Contractor under this Contract. ROC shall not be obliged to pay any other compensation whatsoever to Contractor for the fulfillment of its obligations under this Contract.

2. Field Developing Extraction Activities - Licensing Rounds (continued)

- Petroleum Costs and Remuneration shall become due and payable upon invoicing starting with the Quarter in which the First Commercial Production occurs and shall be paid to the extent of fifty percent (50%) of the Deemed Revenue in accordance with the provisions of this Contract. Payment of due and payable Petroleum Costs shall have priority over the payment of due and payable Remuneration.
- Any due and payable Petroleum Costs and Remuneration that remain unpaid in respect of any Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.”

“19.7 Supplementary Costs:

- Contractor may start charging Supplementary Costs to the Operating Account as from the Effective Date, in accordance with this Contract and the Annex C.
- Supplementary Costs shall become due and payable starting with the later of the Quarter in which First Commercial Production occurs, or the Quarter in which the Supplementary Costs are first invoiced.
- Supplementary Costs due to Contractor shall be paid in Export Oil at the Delivery Point unless the Contractor elects, by April 1st each Year, to receive payment in Dollars for the following Year. For payment in cash, payment shall be made within sixty (60) days of the submission of an invoice pursuant to Clause 9 of the Accounting Procedures. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18 and liftings shall be scheduled in accordance with an agreement reached pursuant to Addendum Four. Any election shall remain in effect for the Calendar Year for which the election was made.
- Outstanding balances on all Supplementary Costs shall bear interest at LIBOR plus one percent (1%) from the date when Supplementary Costs are first invoiced until the date when they are received, provided that interest shall be fixed for each tranche of Supplementary Costs based on LIBOR prevailing as at the first invoice date.
- Supplementary Costs paid shall be deemed to cover all amounts due to Contractor for Supplementary Costs incurred.
- Recovery of Supplementary Costs shall be paid to the extent of sixty (60)% of Deemed Revenue less Petroleum Costs and Remuneration paid as follows:

Deemed Revenue * 60% - (Petroleum Costs paid + Remuneration paid)

- Any due and payable Supplementary Costs that remain unpaid in respect of any Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.”

2. Field Developing Extraction Activities - Licensing Rounds (continued)

2.7 Internal Service Payments*

2.7.1 Internal service payments are payments received by National Oil Companies (NOCs) to cover the production cost of crude oil. These payments are made by the Ministry of Finance to SOMO which in turn makes the required transfers to the NOCs on a monthly basis.

* Source: SOMO

2.7.2 Internal service payments are calculated as follows:

2.7.2.1 Estimated crude oil production cost allocation within the Government annual budget is the responsibility of the National Oil Companies (NOCs), these costs are calculated by multiplying the planned production quantity for the upcoming year and the estimated costs.

2.7.2.2 The Ministry of Oil transfers the allocations of crude oil production cost to SOMO, which will be paying the allocated amount to the NOCs as monthly payments and recording it as advanced payments.

2.7.2.3 At year end, the NOCs will calculate their actual cost of crude oil production for the year divided by actual crude oil production quantity to determine the actual cost/barrel of oil. NOCs add a certain percentage of profit margin determined by the Ministry of Finance.

2.7.2.4 Advances paid by SOMO will be settled after calculating actual crude oil production cost incurred during the year.

2.8 Employment, training and social expenditures under technical service contracts

2.8.1 Employment:

2.8.1.1 Technical service contract states that “The Contractor should be prepared to fill positions within the FOD as and where required upon the request of the JMC, provided however that the Companies shall have the right to fill up to 15% of the positions with secondees from Contractor, the remaining 85% shall be filled by ROC secondees and/or directly recruited through the FOD”.

2.8.1.2 According to the Ministry of Planning, the Ministry of Oil’s work force for year 2013 constituted 8% of the total work force of the Iraqi ministries and non-ministry related organizations, where the number of employees reached 126,819 which includes 59,416 specialized employees and technicians, while the number of employees working in oil production reached 29,132.

2.8.1.3 According to the Ministry of Planning, the Ministry of Industry and Minerals work force for year 2013 constituted 9.6% of the total work force in Iraqi Ministries and non-ministry related organizations, where the number of employees reached 146,917 which includes 24,444 specialized employees and technicians, while the number of employees working in production reached 74,215.

2. Field Developing Extraction Activities - Licensing Rounds (continued)

2.8.1.4 According to the Ministry of Oil/ Training and Development Directorate, the work force in the extractive industry for year 2013 constituted 3.4% of the total work force of Iraqi ministries and non-ministry related organizations, where the number of employees reached 53,199.

2.8.1.5 The table below represents the number and percentage of Iraqi and expatriate employees working at IOCs:

IOC	Number of national employees	Percentage of national employees	Number of expatriate employees	Percentage of expatriate employees
BP	NA	NA	NA	NA
ENI				
Occidental	14	2.96%	547	98.5%
KOGAS				
Shell Iraq BV	NA	NA	NA	NA
Shell Iraq petroleum Development BV	125	48%	133	52%
Total	NA	NA	1	100%
CNOOC	1,277	87.2%	187	12.7%
PetroChina	245	42%	344	58%
ExxonMobil	NA	NA	NA	NA
PETRONAS	143	28%	362	72%
TPAO	NA	NA	NA	NA

Source: Respective entities

2. Field Developing Extraction Activities - Licensing Rounds (continued)

2.8.2 Training and social expenditures:

2.8.2.1 The table below shows the value of training support and social expenditures made by IOCs during year 2013:

IOC	Training support (US\$)*	Social expenditures (US\$)
BP	37,780,488	136,400
ENI		
Occidental	21,368,417	89,477
KOGAS		
Shell Iraq BV	NA	NA
Shell Iraq petroleum Development BV	2,626,453	2,393,958
Total	617,913	NA
CNOOC	NA	20,100
PetroChina	NA	NA
ExxonMobil	15,142,537	NA
PETRONAS	2,087,253	125,610
TPAO	NA	NA

Source: Respective entities

* These numbers represent total training expenditures (recoverable and non-recoverable)

Reconciliation of Reported Data

3

3. Reconciliation of Reported Data

3.1 Extracted for export crude oil quantities (in barrels) reconciliation between Ministry of Oil, North Oil Company and SOMO

It is noted that the extracted for export quantities related to North Oil Company had been fluctuating throughout the year 2013, where such fluctuation was mainly resulted from sabotages occurred on pipelines.

Month	MoO (a)	SOMO (b)	NOC (c)	Variance*
January	8,181,890	8,181,890	5,760,742	2,421,148
February	9,567,272	9,567,272	7,462,468	2,104,804
March	9,762,920	9,762,920	7,861,329	1,901,591
April	9,169,950	9,169,950	7,191,880	1,978,070
May	8,832,217	8,832,217	6,984,595	1,847,622
June	5,785,297	5,785,297	4,210,139	1,575,158
July	5,586,323	5,586,323	3,327,949	2,258,374
August	8,388,762	8,388,762	5,400,552	2,988,210
September	7,463,107	7,463,107	5,145,481	2,317,626
October	5,980,637	5,980,637	4,237,939	1,742,698
November	9,260,094	9,260,094	7,120,064	2,140,030
December	8,073,481	8,073,481	6,110,378	1,963,103
Total	96,051,950	96,051,950	70,813,516	25,238,434

(a): Extracted for export crude oil quantities reported by MoO

(b): Extracted for export crude oil quantities reported by SOMO

(c): Extracted for export crude oil quantities reported by NOC

Source: data presented in the table was reported by the respective entities (MoO, SOMO and NOC)

* No differences were noted between the quantities reported by the MoO and SOMO. Differences were noted between the quantities reported by MoO and SOMO from one part and the quantities reported by NOC. North Oil Company reported only its extracted quantities while the MoO and SOMO reported, in addition to the quantities extracted by NOC, the quantities of crude oil received by NOC from KRG quantified at 44,458 barrels for purposes of exporting it through NOC and the surplus that was returned to NOC from North refineries amounting to 25,193,976 barrels.

Exported Crude Oil Quantities



3. Reconciliation of Reported Data (continued)

3.2 Extracted for export crude oil quantities (in barrels) reconciliation between Ministry of Oil, South Oil Company and SOMO

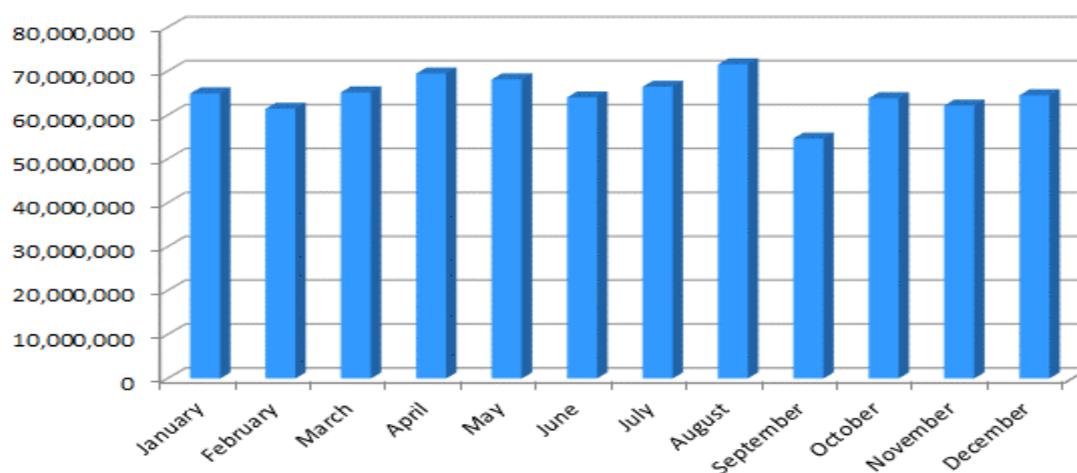
Month	MoO (a)	SOC (b)	SOMO (c)	Variance
January	64,942,317	64,942,317	64,942,317	-
February	61,458,461	61,458,461	61,458,461	-
March	65,161,556	65,161,556	65,161,556	-
April	69,492,795	69,492,795	69,492,795	-
May	68,145,122	68,145,122	68,145,122	-
June	64,051,806	64,051,806	64,051,806	-
July	66,458,071	66,458,071	66,458,071	-
August	71,558,173	71,558,173	71,558,173	-
September	54,650,364	54,650,364	54,650,364	-
October	63,852,333	63,852,333	63,852,333	-
November	62,165,632	62,165,632	62,165,632	-
December	64,505,900	64,505,900	64,505,900	-
Total	776,442,530	776,442,530	776,442,530	-

(a): Extracted for export crude oil quantities reported by MoO

(b): Extracted for export crude oil quantities reported by SOC

(c): Extracted for export crude oil quantities reported by SOMO

Exported Crude Oil Quantities



3. Reconciliation of Reported Data (continued)

3.3 Extracted for export crude oil quantities (in barrels) reconciliation between Ministry of Oil, Missan Oil Company and SOMO

Month	MoO (a)	MOC (b)	SOMO (c) *	Variance
January	6,156,834	6,156,834		-
February	5,318,280	5,318,280		-
March	6,014,677	6,014,677		-
April	6,149,228	6,149,228		-
May	6,329,973	6,329,973		-
June	5,980,422	5,980,422		-
July	6,197,320	6,197,320		-
August	6,158,553	6,158,553		-
September	6,100,124	6,100,124		-
October	5,835,803	5,835,803		-
November	5,538,903	5,538,903		-
December	5,245,642	5,245,642		-
Total	71,025,759	71,025,759		-

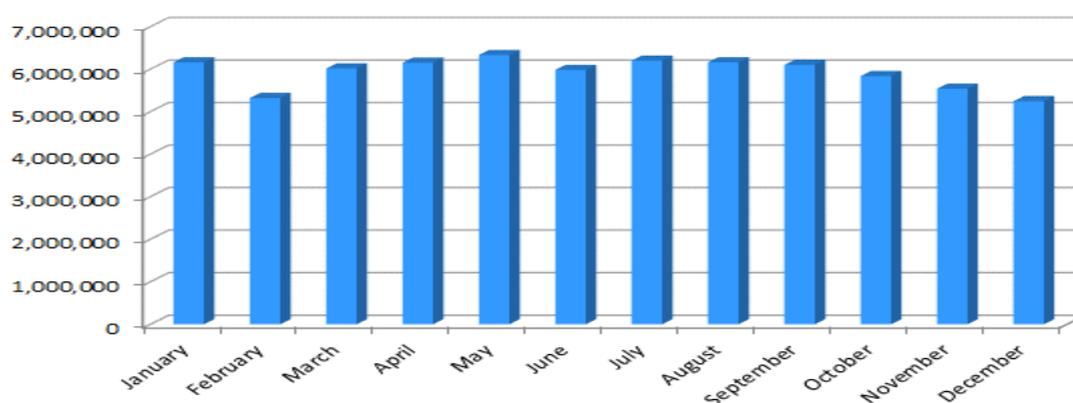
(a): Extracted for export crude oil quantities reported by MoO

(b): Extracted for export crude oil quantities reported by MOC

(c): Extracted for export crude oil quantities reported by SOMO

* Export sales as per SOMO are directly related to NOC and SOC

Exported Crude Oil Quantities



3. Reconciliation of Reported Data (continued)

3.4 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, Midland Oil Company and SOMO

Month	MoO (a)	MdOC (b)	SOMO (c) *	Variance
January	3,306,942	3,306,942		-
February	2,999,095	2,999,095		-
March	3,367,722	3,367,722		-
April	3,523,539	3,523,539		-
May	3,515,350	3,515,350		-
June	3,194,637	3,194,637		-
July	3,036,948	3,036,948		-
August	3,075,464	3,075,464		-
September	2,907,740	2,907,740		-
October	2,994,041	2,994,041		-
November	2,792,399	2,792,399		-
December	1,913,390	1,913,390		-
Total	36,627,267	36,627,267		-

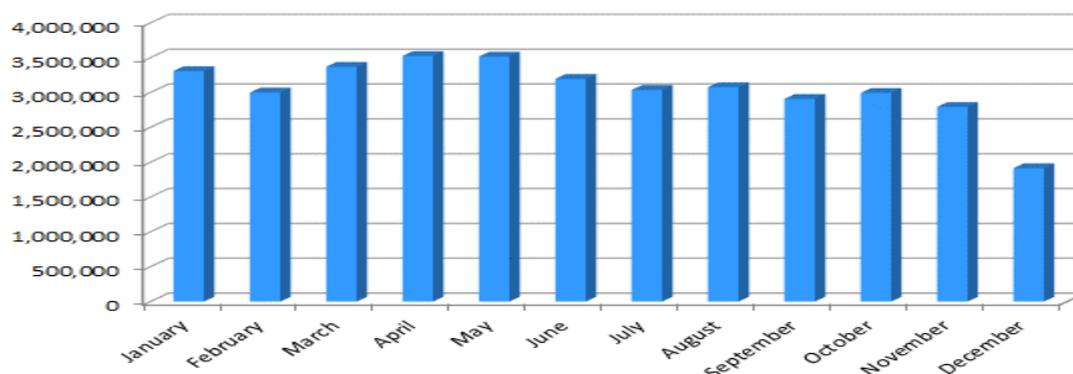
(a): Extracted for export crude oil quantities reported by MoO

(b): Extracted for export crude oil quantities reported by MdOC

(c): Extracted for export crude oil quantities reported by SOMO

* Export sales as per SOMO are directly related to NOC and SOC

Exported Crude Oil Quantities



3. Reconciliation of Reported Data (continued)

3.5 Exported Crude Oil reconciliation by shipments, invoices and payments, between SOMO and buyers for the year 2013

	Company Name	SOMO USD	Buyer USD	Variance USD	Note
1	ApiOil Limited	383,354,077.89	383,606,897.25	(252,819.36)	A
2	Bharat Oman Refineries Limited	155,957,147.28	155,957,147.28	-	
3	Bharat Petroleum Corporation LTD.	421,695,226.32	421,989,140.00	(293,913.68)	B
4	BP OIL INTERNATIONAL LIMITED	4,463,948,161.53	4,250,654,412.63	213,293,748.90	C
5	CEPSA TRADING SAU	503,924,107.96	562,903,433.21	(58,979,325.26)	D
6	Chevron Products Co. A Division Of Chevron U.S.A. Inc.	3,065,819,660.63	3,069,006,793.27	(3,187,132.64)	E
7	China National United Oil Corporation	1,365,805,406.80	1,334,323,956.35	31,481,450.45	F
8	China Offshore Oil (Singapore) International Pte Ltd	2,435,488,390.23	2,436,907,499.51	(1,419,109.28)	G
9	China ZhenHua Oil Co.Ltd.- Main/ (North Petroleum)	821,613,560.36	822,757,794.77	(1,144,234.41)	H
10	ENI Trading & Shipping SPA	369,734,573.63	370,149,333.06	(414,759.43)	I
11	ERG Supply & Trading S.P.A	979,910,492.16	-	(979,910,492)	J
12	Exxonmobil Sales and Supply LLC. U.S.A	3,532,657,312.98	3,535,739,092.00	(3,081,779.02)	K
13	GS Caltex Corporation	3,799,035,351.22	3,696,657,756.04	102,377,595.18	L
14	GUNVOR SA	208,455,167.83	208,455,167.83	-	
15	Hindustan Petroleum Corporation Ltd. – India	2,226,456,449.43	2,003,496,469.14	222,959,980.29	M
16	Indian Oil Corporation Limited – India	9,302,454,281.66	9,287,510,236.89	14,944,044.77	N
17	IPLOM INTERNATIONAL SA	728,821,777.67	729,380,693.33	(558,915.66)	O
18	JX Nippon Oil & Energy Corporation	1,800,195,271.75	1,801,164,799.55	(969,527.80)	P
19	Koch Supply & Trading, LP	505,867,460.16	301,205,982.77	204,661,477.39	Q
20	LITASCO MIDDLE EAST DMCC	761,363,398.01	761,986,468.22	(623,070.21)	R
21	MOTOR OIL HELLAS CORINTH REFINERIES S.A	1,789,063,942.33	1,789,063,942.33	-	
23	PETCO Trading Labuan Company Limited (PTLCL) / Petronas	572,269,593.85	572,586,504.70	(316,910.85)	S
24	PETROVIETNAM Petro Diamond Company limited / Care of Mitsubishi Corporation	812,251,078.84	812,251,078.84	-	
25	REPSOL Petrobras Global Trading B.V.	695,609,911.31	695,609,911.31	-	
26	PETROGAL S.A.	301,157,605.67	302,064,872.91	(907,267.24)	T
27	Phillips 66 International Trading Pte. Ltd.	4,025,066,442.79	4,027,728,018.34	(2,661,575.55)	U
28	REPSOL TRADING, S.A.	1,785,522,919.46	1,790,244,465.05	(4,721,545.59)	V
29	SARAS S.P.A.	775,968,128.45	776,066,740.51	(98,612.06)	W
30	SHELL INTERNATIONAL EASTERN TRADING COMPANY	2,287,498,213.24	2,010,059,695.93	277,438,517.31	X
31	Sinochem International Oil (London) Co. LTD	4,957,330,635.32	4,964,207,053.74	(6,876,418.42)	Y

3. Reconciliation of Reported Data (continued)

3.5 Exported Crude Oil reconciliation by shipments, invoices and payments, between SOMO and buyers for the year 2013

	Company Name	SOMO	Buyer	Variance	Note
32	SK Energy Co., Ltd.	1,288,858,069.85	1,290,057,810.32	(1,199,740.47)	Z
33	SOCAR TRADING SA	498,025,197.08	335,775,336.68	162,249,860.40	AA
34	SOCIETE ANONYME MAROCAINE DE L'INDUSTRIE DU RAFFINAGE (SAMIR)	58,085,698.22	58,085,698.22	-	
35	TOTSA TOTAL OIL TRADING SA	3,989,783,745.08	4,202,976,364.30	(213,192,619.22)	AB
36	Toyota Tsusho Corporation	1,938,991,362.53	1,941,333,883.20	(2,342,520.67)	AC
37	TURKISH PETROLEUM REFINERIES CORP.(TUPRAS)	2,510,227,821.22	2,510,227,821.24	-	
38	Unipet Asia Co. Ltd. / China International -Main	9,791,254,269.50	9,735,418,693.23	55,835,576.27	AD
39	Valero Marketing & Supply Co.	2,636,560,879.92	2,723,254,880.04	(86,694,000.12)	AE
40	VITOL REFINING SA	391,314,870.90	391,550,740.91	(235,870.01)	AF
41	Korea National Oil Corporation (KNOC)	1,567,570,690.39	1,568,526,322.84	(955,632.45)	AG
42	Jordan Petroleum Refinery CO.Ltd	298,554,500.51	323,554,500.52	(25,000,000.01)	AH
	Total	80,803,522,851.94	78,954,497,408.27	1,849,025,443.67	

Several discrepancies were identified based on the reconciliation work performed. The discrepancies have been explained without undue difficulty. The reporting entities have been very responsive and cooperative in contributing to the reconciliation except for ERG as explained in the notes below.

3.6 Discrepancies

Discrepancies noticed during the reconciliation process resulted from the following:

- 1) Unreported demurrages and price/quantity differences
- 2) Shipments Cut off dates at beginning/year end (one side records the shipment in the year when it was loaded, while the other side records the shipment according to its due date)

3. Reconciliation of Reported Data (continued)

Reference (From Section 3.4)	Description of Difference	Amounts reported by SOMO and not reported by the Buyer	Amounts reported by the Buyer and not reported by SOMO	Variance
		USD	USD	USD
A	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 252,819.	(252,819)		(252,819)
B	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 303,255 in addition to differences in quantity and prices reported by SOMO of USD 9,341	(293,914)		(293,914)
C	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 2,527,617 in addition to differences in quantity and prices reported by SOMO of USD 21,055, and shipments reported by the buyer in 2014 amounted to USD 215,842,421	(2,548,672)	215,842,421	213,293,749
D	The difference represents differences in quantity and prices reported by SOMO of USD 138,879, and shipments reported by SOMO in 2014 amounted to USD 58,840,445	(58,979,325)		(58,979,325)
E	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 2,806,842 in addition to differences in quantity and prices reported by SOMO of USD 380,290	(3,187,133)		(3,187,133)
F	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 329,415 and shipments reported by the buyer in 2014 amounted to USD 31,810,865.	(329,415)	31,810,865	31,481,450
G	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 1,296,415 in addition to differences in quantity and prices reported by SOMO of USD 122,694	(1,419,109)		(1,419,109)
H	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 1,144,234	(1,144,234)		(1,144,234)
I	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 414,759.	(414,759)		(414,759)
J	Data was not provided by the buyer due to the sale of the company. Hence, reconciliation could not be performed.	(979,910,492)	-	(979,910,492)
K	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 2,958,704 in addition to differences in quantity and prices reported by SOMO of USD 41,715, and shipments reported by the buyer in 2014 amounted to USD 81,360.	(3,000,419)	(81,360)	(3,081,779)

3. Reconciliation of Reported Data (continued)

Reference (From Section 3.4)	Description of Difference	Amounts reported by SOMO and not reported by the Buyer	Amounts reported by the Buyer and not reported by SOMO	Variance
		USD	USD	USD
L	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 1,140,839 in addition to differences in quantity and prices reported by SOMO of USD 425,668. and shipments reported by the buyer in year 2014 amounted to USD 103,944,103.	(1,566,508)	103,944,103	102,377,595
M	The difference represents differences in quantity and prices reported by SOMO of USD 73,178,200 in addition to shipments reported by the buyer in 2014 amounted to USD 149,781,779.	73,178,200	149,781,779	222,959,980
N	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 12,020,431 in addition to differences in quantity and prices reported by SOMO of USD 2,923,613.	14,944,045		14,944,045
O	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 558,915.	(558,916)		(558,916)
P	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 1,177,893 in addition to differences in quantity and prices reported by SOMO of USD 208,365.	(969,528)		(969,528)
Q	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 391,191 in addition to shipments reported by the buyer in 2014 amounted to USD 205,052,669.	(391,192)	205,052,669	204,661,477
R	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 623,070.	(623,070)		(623,070)
S	The difference represents miscalculation by the buyer in quantities in barrels for one shipments. However, quantities in tons and barrel price were calculated accurately.		(316,911)	(316,911)
T	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 907,267.	(907,267)		(907,267)
U	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 2,797,440 in addition to differences in quantity and prices reported by SOMO of USD 135,864.	(2,661,576)		(2,661,576)
V	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 3,064,717 in addition to differences in quantity and prices reported by SOMO of USD 1,656,828.	(4,721,546)		(4,721,546)
W	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 98,612.	(98,612)		(98,612)
X	The difference represents shipments reported by the buyer in 2014 amounted to USD 322,169,653 in addition to shipments reported by SOMO in 2013 amounted to USD 44,731,136.	(44,731,136)	322,169,653	277,438,517

3. Reconciliation of Reported Data (continued)

Reference (From Section 3.4)	Description of Difference	Amounts reported by SOMO and not reported by the Buyer	Amounts reported by the Buyer and not reported by SOMO	Variance
		USD	USD	USD
Y	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 6,145,442 in addition to differences in quantity and prices reported by SOMO of USD 730,975.	(6,876,418)		(6,876,418)
Z	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 1,219,657 in addition to differences in quantity and prices reported by SOMO of USD 19,916.	(1,199,740)		(1,199,740)
AA	The difference represents differences in quantity and prices reported by SOMO of USD 7,519 in addition to shipments reported by the buyer in 2014 amounted to USD 162,242,340.	7,519.69	162,249,860	162,249,860
AB	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 2,557,317 in addition to shipment reported by the buyer in year 2014 amounted to USD 210,635,301.	(2,557,317)	(210,635,302)	(213,192,619)
AC	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 2,342,520.	(2,342,521)		(2,342,521)
AD	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 5,268,664 in addition to differences in quantity and prices reported by SOMO of USD 259,465. in addition to shipments that were reported by SOMO in year 2014 amounted to USD 482,526,239 and shipments reported by the buyer in year 2014 amounted to USD 421,162,532.	476,998,109	(421,162,533)	55,835,576
AE	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 2,747,882 in addition to differences in quantity and prices reported by SOMO of USD 434,736. in addition to shipments that were reported by SOMO in year 2012 and by the buyer in year 2013 amounted to USD 257,730,564. also, there were shipments reported by the buyer in year 2014 amounted to USD 174,219,182.	(260,913,183)	174,219,183	(86,694,000)
AF	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 235,870.	(235,870)		(235,870)
AG	The difference represents delay penalties (demurrage) reported by SOMO related to amounts received under service contracts amounting to USD 955,632.	(955,632)		(955,632)
AH	The difference represents a grant to Jordan amounted to USD 25,000,000.	(25,000,000)	-	(25,000,000)
Total Variances				1,849,025,443

3. Reconciliation of Reported Data (continued)

3.7 Signature Bonuses payments reconciliation between PCLD and the IOCs in calendar year 2013

Contracted Oil Field	PCLD In USD	Consortium	Signature Bonus In USD	Variance In USD
Exploration Block # 8	15,000,000	Pakistan Petroleum Limited	15,000,000	-
			15,000,000	
Exploration Block # 9	25,000,000	Kuwait Energy Company KSCC	17,500,000	-
		Dragon Oil LTD	7,500,000	
			25,000,000	
Exploration Block # 10	25,000,000	Lukoil Overseas Exploration B.V.	15,000,000	-
		Inpex Corporation	10,000,000	
			25,000,000	
Exploration Block # 12	15,000,000	JSOC Bashneft	10,500,000	-
		Premier Oil Holding	4,500,000	
			15,000,000	

3. Reconciliation of Reported Data (continued)

3.8 Internal Service payments* reconciliation between MoO and North Oil Company in calendar year 2013

Month	Internal Service Payment as per MoO USD**	Internal Service Payment as per NOC USD**	Variances
January	-	-	-
February	11,578,045	11,578,045	-
March	15,437,393	15,437,393	-
April	15,437,393	15,437,393	-
May	16,295,026	16,295,026	-
June	15,866,209	15,866,209	-
July	9,433,962	9,433,962	-
August	8,576,329	8,576,329	-
September	11,149,228	11,149,228	-
October	10,291,595	10,291,595	-
November	8,576,329	8,576,329	-
December	17,152,659	17,152,659	-
Total	139,794,168	139,794,168	-

* Internal service payments are payments received by National Oil Companies (NOCs) to cover the production cost of crude oil. These payments are made by the Ministry of Finance to SOMO which in turn makes the required transfers to the NOCs on a monthly basis.

** The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1,166 IQD as an exchange rate.

3.9 Internal Service payments reconciliation between MoO and Missan Oil Company in calendar year 2013

Month	Internal Service Payment as per MoO USD*	Internal Service Payment as per MOC USD*	Variances
January	-	-	-
February	34,168,940	34,168,940	-
March	17,152,659	17,152,659	-
April	18,867,925	18,867,925	-
May	21,440,823	21,440,823	-
June	-	-	-
July	21,440,823	21,440,823	-
August	16,295,026	16,295,026	-
September	29,159,520	29,159,520	-
October	-	-	-
November	11,149,228	11,149,228	-
December	13,722,127	13,722,127	-
Total	183,397,071	183,397,071	-

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1,166 IQD as an exchange rate.

3. Reconciliation of Reported Data (continued)

3.10 Internal Service payments reconciliation between MoO and South Oil Company in calendar year 2013

Month	Internal Service Payment as per MoO USD*	Internal Service Payment as per SOC USD*	Variances
January	83,190,395	83,190,395	-
February	128,644,940	128,644,940	-
March	-	-	-
April	162,950,257	162,950,257	-
May	415,951,973	415,951,973	-
June	-	-	-
July	-	-	-
August	351,629,503	351,629,503	-
September	137,221,269	137,221,269	-
October	94,339,623	94,339,623	-
November	-	-	-
December	-	-	-
Total	1,373,927,959	1,373,927,959	-

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1,166 IQD as an exchange rate.

3.11 Internal service payments reconciliation between Ministry of Oil and Midland Oil Company in calendar year 2013

Month	Amounts/MoO USD*	Amounts/MdOC USD*	Variances USD
January	-	-	-
February	19,725,557	19,725,557	-
March	-	-	-
April	11,149,228	11,149,228	-
May	27,444,254	27,444,254	-
June	-	-	-
July	25,728,988	25,728,988	-
August	-	-	-
September	8,576,329	8,576,329	-
October	14,579,760	14,579,760	-
November	6,003,431	6,003,431	-
December	6,861,063	6,861,063	-
Total	120,068,611	-	-

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1,166 IQD as an exchange rate.

3. Reconciliation of Reported Data (continued)

3.12.1 Reconciliation of crude oil quantities supplied to the refineries. Reconciliation performed between South Oil Company, Ministry of Oil and South Refineries for year 2013.

Crude Oil (Barrel)			
Quantities/SR	Quantities/SOC	Quantities/MoO	Variance
55,072,187	55,072,187	55,072,187	-

Source: data presented in the table was reported by the respective entities (SR, SOC and MoO)

3.12.2 Reconciliation of crude oil quantities supplied to the refineries. Reconciliation performed between South Oil Company, Ministry of Oil and Midland Refineries for year 2013.

Crude Oil (Barrel)			
Quantities/MdR	Quantities/SOC	Quantities/MoO	Variance
42,971,496	42,971,496	42,971,496	-

Source: data presented in the table was reported by the respective entities (MdR, SOC and MoO)

3.12.3 Reconciliation of crude oil quantities supplied to the refineries between Missan Oil Company, Ministry of Oil and South Refineries for year 2013.

Crude Oil (Barrel)			
Quantities/SR	Quantities/MOC	Quantities/MoO	Variance
8,198,645	8,198,654	8,198,654	-

Source: data presented in the table was reported by the respective entities (SR, MOC and MoO)

3. Reconciliation of Reported Data (continued)

3.12.4 Reconciliation of crude oil quantities supplied to the refineries. Reconciliation performed between Midland Oil Company, Ministry of Oil and Midland Refineries for year 2013.

Crude Oil (Barrel)			
Quantities/MdR*	Quantities/MdOC*	Quantities/MoO	Variance**
1,808,604	1,828,469	1,905,248	(76,779)

* The difference between Midland Refineries and Midland Oil Company data is resulted from different unit submission (cubic meter and barrel)

** The difference between Midland Oil Company and Ministry of Oil data is resulted from the fact that Midland Oil Company data does not include quantities received from North Oil Company

Source: data presented in the table was reported by the respective entities (MdR, MdOC and MoO)

3.12.5 Reconciliation of crude oil quantities supplied to the refineries. Reconciliation performed between North Oil Company, Ministry of Oil and North Refineries for year 2013.

Crude Oil (Barrel)			
Quantities/NR	Quantities/NOC**	Quantities/MoO	Variance***
*	104,104,020	110,909,237	(6,805,217)

*North Refineries was not able to provide requested data due to security unrest where the data is located.

**North Oil Company data does not include quantities not extracted by the company that was received from KRG

***The difference between NOC and MoO data is resulted from the fact that MoO data comprises all quantities supplied from NOC to all Refineries, not to North Refineries in particular.

Source: data presented in the table was reported by the respective entities (NR, NOC and MoO)

3. Reconciliation of Reported Data (continued)

3.13 Reconciliation of cost recovery* between Ministry of Oil and International Oil Companies for year 2013**.

Company Name	Oil Field	Cost Recovery /MoO USD	Cost Recovery / Providers USD	Variance	Notes
BP Petro China	Rumaila	2,532,462,983	2,645,960,096	(113,497,113)	A

Company Name	Oil Field	Cost Recovery /MoO USD	Cost Recovery / Providers USD	Variance USD	Notes
ExxonMobil Shell	West Qurna (Phase1)	1,028,526,115	1,074,496,979	(45,970,864)	B

Company Name	Oil Field	Cost Recovery /MoO USD	Cost Recovery / Providers USD	Variance USD	Notes
ENI Occidental KOGAS	Zubair	1,721,173,704	1,721,173,704	-	

Company Name	Oil Field	Cost Recovery /MoO USD	Cost Recovery / Providers USD	Variance USD	Notes
Shell IPD B.V Petronas	Majnoun	804,033,878	-	804,033,878	C

- A) Awaiting justifications from the providers
 B) Awaiting justifications from the providers
 C) The variance represents the cost recovery for the fourth quarter of year 2013 and was approved on 18 March 2014 and was recovered in year 2014.

3. Reconciliation of Reported Data (continued)

3.13 Reconciliation of cost recovery* between Ministry of Oil and International Oil Companies for year 2013**.

Company Name	Oil Field	Cost Recovery /MoO USD	Cost Recovery / Providers USD	Variance USD	Notes
AL WAHA PETROLEUM CO.LTD.	Ahadab	927,914,290	927,914,290	-	

Company Name	Oil Field	Cost Recovery /MoO USD	Cost Recovery / Providers USD	Variance USD	Notes
CNOOC	Missan	647,127,235	647,127,235	-	
TPAO					

Company Name	Oil Field	Cost Recovery /MoO USD	Cost Recovery / Providers USD	Variance USD	Notes
Petro China	Halfaya	1,046,011,877	1,411,407,850	(365,395,973)	D
Total					
Petronas					

Company Name	Oil Field	Cost Recovery /MoO USD	Cost Recovery / Providers USD	Variance USD	Notes
Petronas	Al Gharraf	419,505,387	-	419,505,387	E
Japan Petroleum					

Total	9,126,755,469	8,428,080,154	698,675,315
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* For more information on the definition and calculation method of cost recovery, refer to section 2.6.

** Based on the decision of the Stakeholder's Council, these reconciliations were performed based on oil field information provided by the Ministry of Oil and the audited financial statements of oil fields.

D) Awaiting justifications from the providers

E) The variance represents the cost recovery for the fourth quarter of year 2013 and was approved on 6February 2014 and was recovered in year 2014.

3. Reconciliation of Reported Data (continued)

3.14 Reconciliation of remuneration fees* between Ministry of Oil and International Oil Companies for year 2013**

Company Name	Field	Remuneration Fees/MoO USD	Remuneration Fees/Providers USD	Variance	Notes***
BP	Rumaila	202,394,161	-	202,394,161	A
Petro China					
ExxonMobil	West Qurna (Phase1)	156,952,537	89,482,623	67,469,914	B
Shell					
ENI	Zubair	102,369,010	102,369,010	-	
Occidental					
KOGAS					
AL WAHA PETROLEUM CO.LTD.	Ahadab	278,380,835	278,380,835	-	
Petro China	Halfaya	70,776,370	55,043,819	15,732,552	C
Total					
Petronas					
Total		810,872,913	525,276,287	285,596,627	

* For more information on the definition and calculation method of remuneration fees, refer to section 2.6.

** Based on the decision of the Stakeholder Council, these reconciliations were performed based on oil field information provided by the Ministry of Oil and the audited financial statements of oil fields.

*** These notes were provided by the Ministry of Oil.

- A) The variance is due to the fact that the contractor was not able to lift all quantities during FY 2013. The contractor does not report the remuneration unless all lifted quantities cover all cost dues.
- B) The variance is due to the fact that the contractor was not able to lift all quantities during FY 2013.
- C) The variance is due to the fact that the contractor was not able to lift all quantities during FY 2013.

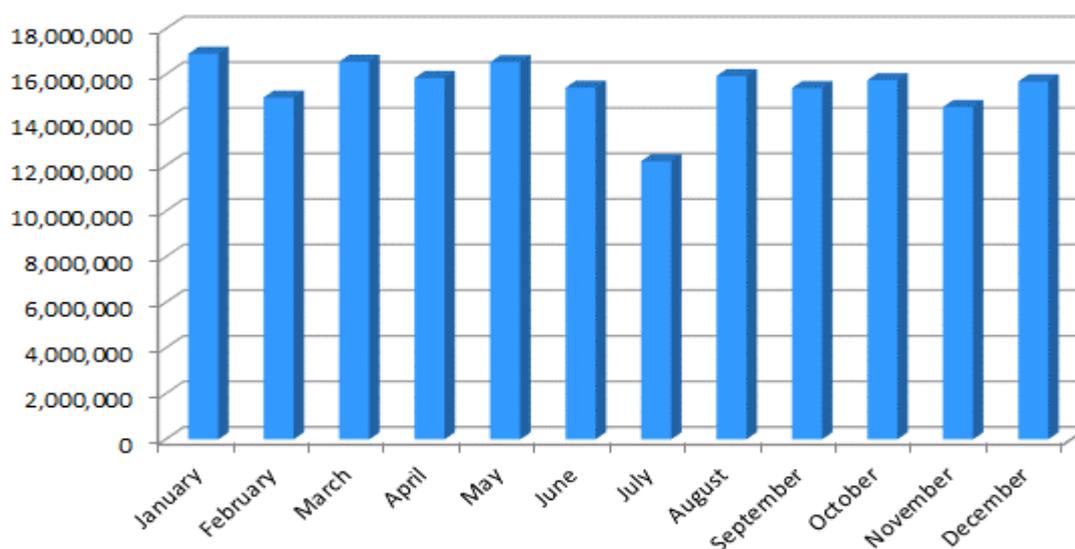
3. Reconciliation of Reported Data (continued)

3.15 Reconciliation of extracted crude oil quantities between Ministry of Oil and North Oil Company

Month	NOC (Barrels)	MoO (Barrels)	Variances (Barrels)
January	16,907,224	16,907,224	-
February	14,989,209	14,989,209	-
March	16,563,686	16,563,686	-
April	15,847,990	15,847,990	-
May	16,536,618	16,536,618	-
June	15,426,238	15,426,238	-
July	12,199,156	12,199,156	-
August	15,934,240	15,934,240	-
September	15,407,732	15,407,732	-
October	15,751,223	15,751,223	-
November	14,577,764	14,577,764	-
December	15,698,556	15,698,556	-
Total	185,839,636	185,839,636	-

Source: data presented in the table was reported by the respective entities (NOC and MoO)

Extracted Crude Oil Quantities (Barrels)



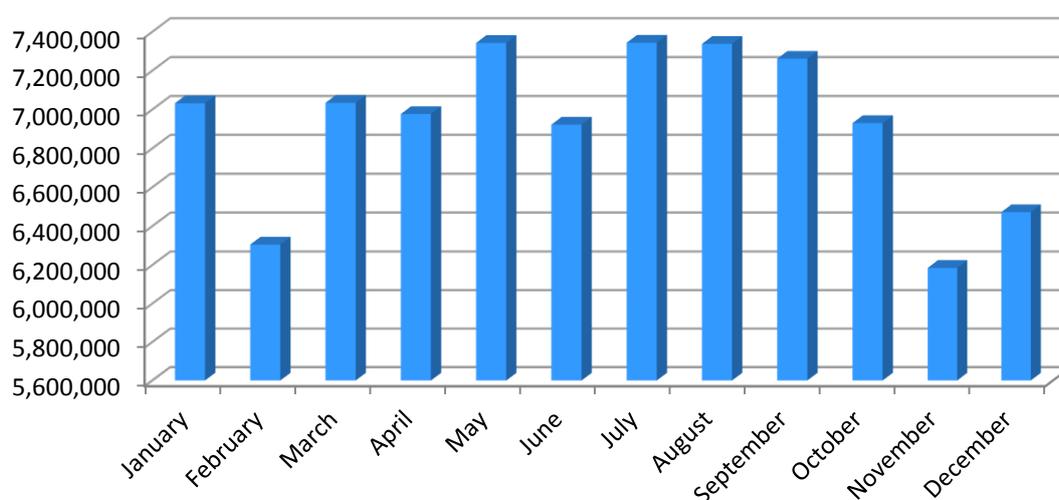
3. Reconciliation of Reported Data (continued)

3.16 Reconciliation of extracted crude oil quantities between Ministry of Oil and Missan Oil Company

Month	MOC (Barrels)	MoO (Barrels)	Variances (Barrels)
January	7,032,072	7,032,072	-
February	6,305,110	6,305,110	-
March	7,034,538	7,034,538	-
April	6,976,710	6,976,710	-
May	7,342,181	7,342,181	-
June	6,922,233	6,922,233	-
July	7,343,480	7,343,480	-
August	7,337,665	7,337,665	-
September	7,261,272	7,261,272	-
October	6,930,134	6,930,134	-
November	6,185,092	6,185,092	-
December	6,471,860	6,471,860	-
Total	83,142,347	83,142,347	-

Source: data presented in the table was reported by the respective entities (MOC and MoO)

Extracted Crude Oil Quantities (Barrels)



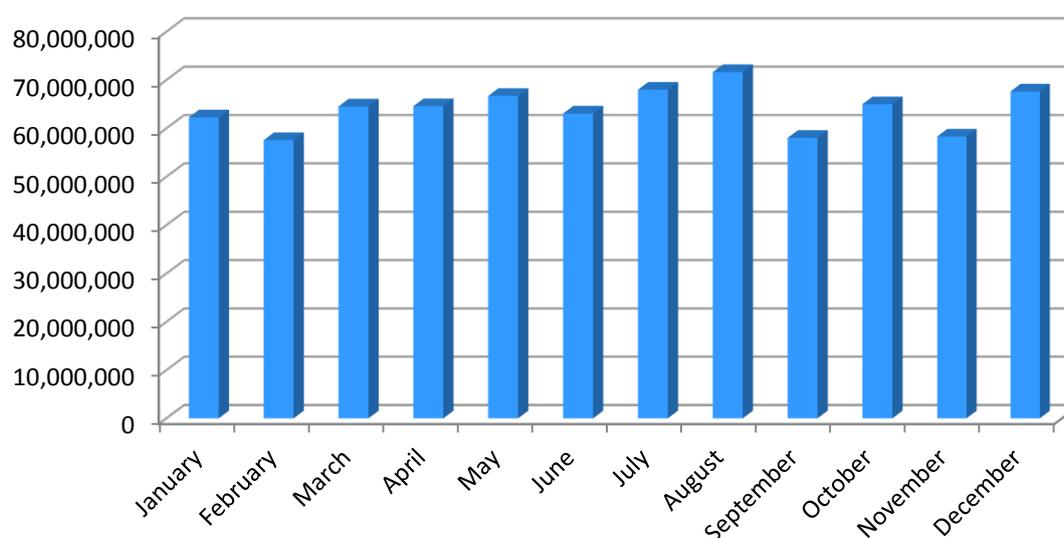
3. Reconciliation of Reported Data (continued)

3.17 Reconciliation of extracted crude oil quantities between Ministry of Oil and South Oil Company

Month	SOC (Barrels)	MoO (Barrels)	Variances (Barrels)
January	62,268,109	62,268,109	-
February	57,571,029	57,571,029	-
March	64,545,841	64,545,841	-
April	64,583,498	64,583,498	-
May	66,717,484	66,717,484	-
June	63,074,008	63,074,008	-
July	68,000,799	68,000,799	-
August	71,643,670	71,643,670	-
September	58,044,448	58,044,448	-
October	64,991,780	64,991,780	-
November	5,8313,543	5,8313,543	-
December	67,636,109	67,636,109	-
Total	767,390,318	767,390,318	-

Source: data presented in the table was reported by the respective entities (SOC and MoO)

Extracted Crude Oil Quantities (Barrels)



Source: the chart was prepared based on the data provided by the MoO

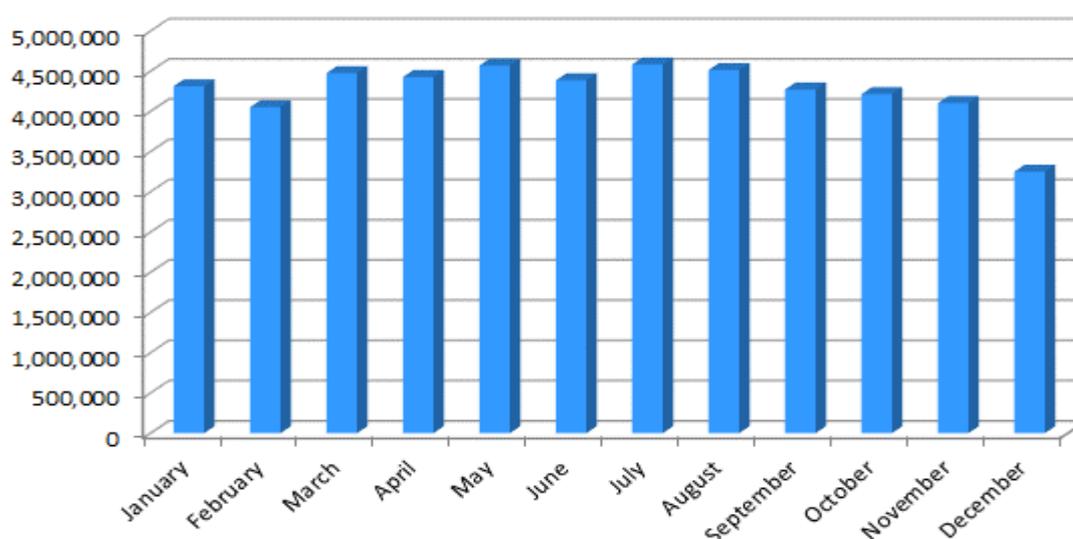
3. Reconciliation of Reported Data (continued)

3.18 Reconciliation of extracted crude oil quantities between Ministry of Oil and Midland Oil Company

Month	MdOC (Barrels)	MoO (Barrels)	Variances (Barrels)
January	4,310,154	4,310,154	-
February	4,050,149	4,050,149	-
March	4,474,464	4,474,464	-
April	4,424,862	4,424,862	-
May	4,568,309	4,568,309	-
June	4,384,692	4,384,692	-
July	4,581,415	4,581,415	-
August	4,512,942	4,512,942	-
September	4,270,084	4,270,084	-
October	4,213,255	4,213,255	-
November	4,102,853	4,102,853	-
December	3,249,631	3,249,631	-
Total	51,142,810	51,142,810	-

Source: data presented in the table was reported by the respective entities (MdOC and MoO)

Extracted Crude Oil Quantities (Barrels)



Source: the chart was prepared based on the data provided by the MoO

3. Reconciliation of Reported Data (continued)

3.19 Corporate tax reconciliation between Ministry of Oil and International Oil Companies for year 2013

Differences in tax reconciliation is mainly attributed to the fact that corporate income tax for the year 2013 was deducted by the Ministry of Oil during year 2014, while deductions were recorded by most providers during the year 2013. This is illustrated in the table below. According to the existing tax law, payments would be made in the following year.

Furthermore, it is worth mentioning that although IOCs related taxes had been withheld by the MoO, yet it had not been transferred to the General Commission of Taxes.

Field	Company Name	Tax / MoO USD	Tax / IOC USD	Variance USD	Notes
Rumaila	BP	112,567,681	112,567,681	-	
	PetroChina				
West Qurna (Phase1)	ExxonMobil	39,183,427	39,103,843	79,585	A
	Shell				
Zubair	ENI	19,282,016	15,310,795	3,971,221	B
	Occidental				
	KOGAS				
Halfaya	Petro China	6,877,175	6,447,351	429,824	C
	Total				
	Petronas				
Ahdab	AL WAHA PETROLEUM CO.LTD.	105,475,094	105,475,094	-	
Total		283,385,393	278,904,764	4,480,629	

Source: data presented in the table was reported by the respective entities (Ministry of Oil and International Oil Companies)

- A) Awaiting justifications from contractor.
- B) Awaiting justifications from contractor.
- C) Awaiting justifications from contractor.

3. Reconciliation of Reported Data (continued)

3.20 Reconciliation of crude oil quantities supplied to Electricity Generation Directorates (EGD). Reconciliation performed between Ministry of Electricity and Oil Pipeline Company (OPC) for year 2013*.

Product type	Quantities/OPC	Quantities/EGD Basrah	Variance
Crude Oil (Barrel)	7,982,989	7,982,989	-

Product type	Quantities/OPC	Quantities/EGD Al Furat Middle	Variance
Crude Oil (Barrel)	11,651,559	11,651,559	-

Product type	Quantities/OPC	Quantities/EGD Middle Region	Variance
Crude Oil (Barrel)	5,300,750	5,300,750	-

Production type	Quantities/OPC	Quantities/EGD Nasiriyah	Variance
Crude Oil (Barrel)	2,072,518	2,072,518	-

Source: data presented in the table were reported by the respective entities (Oil Pipeline Company and Ministry of Electricity/EGD)

* A three way reconciliation was supposed to be performed for oil and gas quantities supplied to power station between National Oil Companies, Power Plants, and MoO. However, a reconciliation of the oil and gas quantities locally supplied to electricity generation directorates was performed by the electricity generation directorates and the Oil Pipeline Company and handed to us. Although receiving this data was an achievement, not receiving it directly and separately from the concerned entities jeopardies the credibility of data reported by these entities and ultimately its reconciliation.

3. Reconciliation of Reported Data (continued)

3.21 Reconciliation of the net revenue from the sale of oil products to the local market. Reconciliation performed between Ministry of Finance and Oil Products Distribution Company for years 2013 and 2014*

It is noted in the below table that the revenue from the sale of oil products to local market had decreased in year 2014 comparing to year 2013, which was mainly due to the decrease in oil products prices in addition to the decrease in quantities produced during year 2014.

Year	Amount reported by Ministry of Finance for treasury share **	Amount reported by Oil Product Distribution Company**	Variances
2013	8,822,191,146	8,822,191,146	-
2014	6,965,331,006	6,965,331,006	-
Total	15,787,522,153	15,787,522,153	-

* Figures in this table were provided by the respective entities on accrual basis.

** The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1,166 IQD as an exchange rate.

3. Reconciliation of Reported Data (continued)

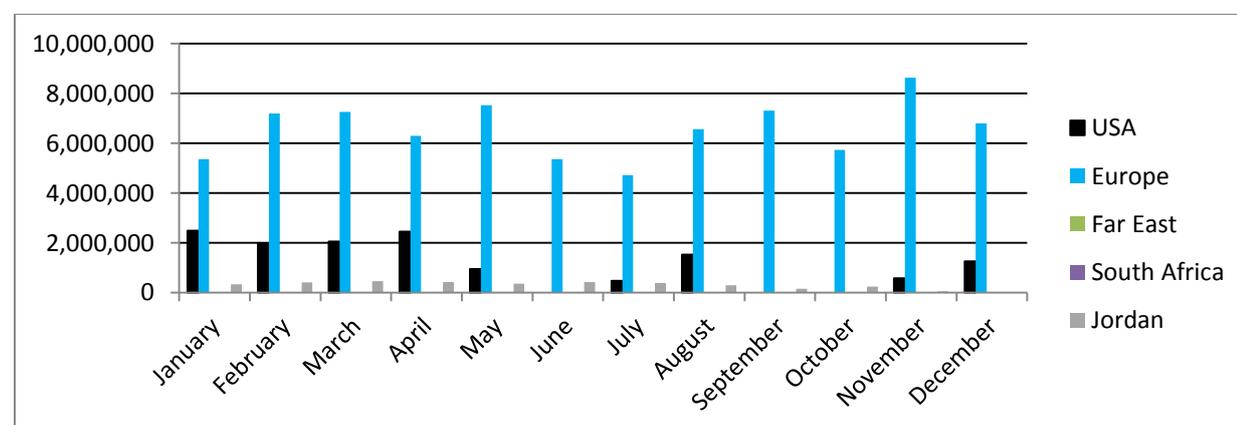
3.22 Monthly export quantities and average price of exported crude oil for the year 2013 with regard to the American, European and Asian Markets, and the quantity exported through Ceyhan Port & Seniya Depot by SOMO

Crude oil export average barrel prices differ from a month to another since they are based on international crude oil barrel prices markets.

Month	Ceyhan Port and Seniya Depot (Barrel)					Monthly Average Price in (US\$)				
	USA	Europe	Far East	South Africa	Jordan	USA	Europe	Far East	South Africa	Jordan
January	2,491,256	5,356,282	0	0	334,352	102	109	0	0	95
February	1,957,523	7,189,968	0	0	419,781	105	111	0	0	98
March	2,048,117	7,249,865	0	0	464,938	106	103	0	0	90
April	2,447,978	6,298,969	0	0	423,003	102	95	0	0	84
May	953,631	7,521,454	0	0	357,132	98	97	0	0	84
June	0	5,361,947	0	0	423,350	0	0	0	0	85
July	476,271	4,720,835	0	0	389,217	97	105	0	0	90
August	1,531,510	6,560,276	0	0	296,976	102	107	0	0	93
September	0	7,307,339	0	0	155,768	0	0	0	0	94
October	0	5,737,308	0	0	243,329	0	0	0	0	91
November	574,560	8,628,052	0	0	57,482	90	103	0	0	90
December	1,257,347	6,792,012	0	0	24,122	90	108	0	0	93
Total	13,738,193	78,724,307	0	0	3,589,448					

Source: data presented in the table was reported by SOMO

Quantity exported through Ceyhan Port & Seniya Depot in barrels/month

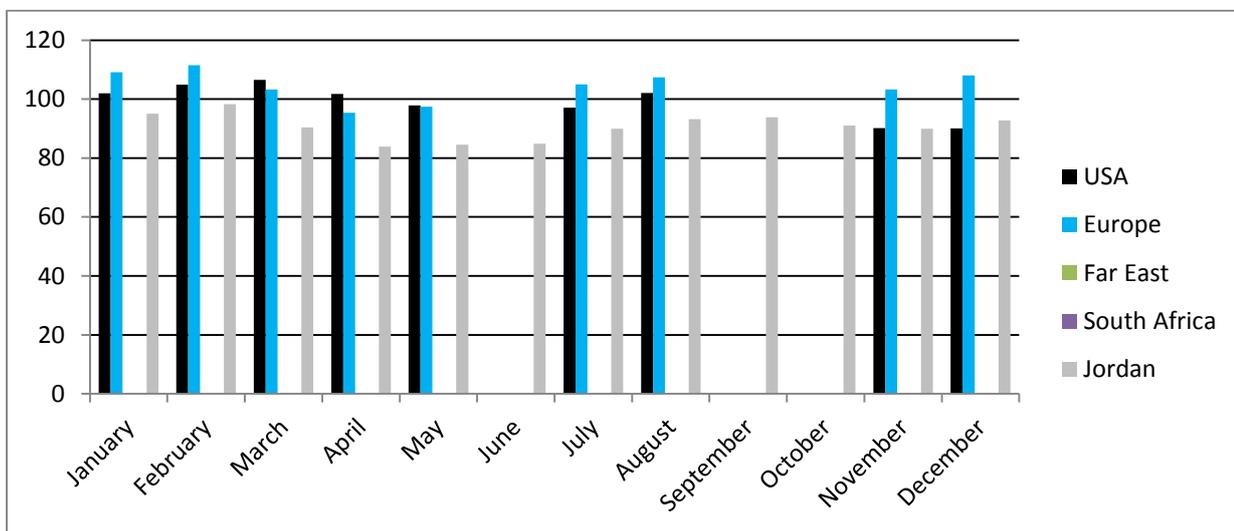


Source: the chart was prepared based on the data provided by SOMO

3. Reconciliation of Reported Data (continued)

3.23 Monthly export quantities and average price of exported crude oil for the year 2013 with regard to the American, European and Asian Markets and the quantity exported through Ceyhan Port & Seniya Depot by SOMO

Monthly export price average (US\$)



Source: data presented in the table was reported by the respective entity (SOMO)

3. Reconciliation of Reported Data (continued)

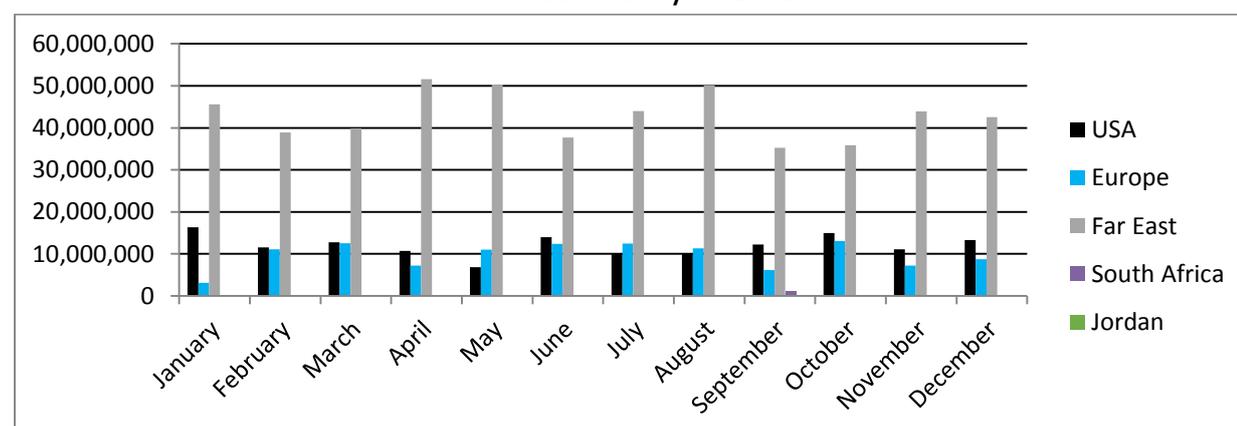
3.24 Monthly export quantities and average price of exported crude oil for the year 2013 with regard to the American, European and Asian Markets and the quantity exported through Basrah and Khor Al-Amaya ports by SOMO

Crude oil export average barrel prices differ from a month to another since they are based on international crude oil barrel prices markets.

Month	Basrah Port and Khor Al-Amaya Port (Barrels)					Monthly Average Price in (US\$)				
	USA	Europe	Far East	South Africa	Jordan	USA	Europe	Far East	South Africa	Jordan
January	16,283,235	3,104,551	45,554,531	0	0	101	110	106	0	0
February	11,504,999	11,042,592	38,910,870	0	0	104	105	109	0	0
March	12,716,883	12,530,693	39,913,980	0	0	106	99	104	0	0
April	10,692,600	7,194,044	51,606,151	0	0	100	95	99	0	0
May	6,811,576	11,018,551	50,314,995	0	0	96	95	98	0	0
June	13,947,374	12,391,358	37,713,074	0	0	95	97	98	0	0
July	10,071,283	12,405,581	43,981,207	0	0	100	103	100	0	0
August	10,109,913	11,320,040	50,128,220	0	0	101	109	104	0	0
September	12,236,703	6,163,396	35,247,131	996,674	0	100	104	106	104	0
October	14,956,398	13,064,136	35,831,799	0	0	95	102	106	0	0
November	11,048,424	7,173,856	43,949,712	0	0	91	103	105	0	0
December	13,243,425	8,693,453	42,563,836	0	0	89	103	107	0	0
Total	143,622,813	116,102,251	515,715,506	996,674	0					

Source: data presented in the table was reported by SOMO

Quantity exported through Basrah&KhorAl-Amaya Ports in barrels/month

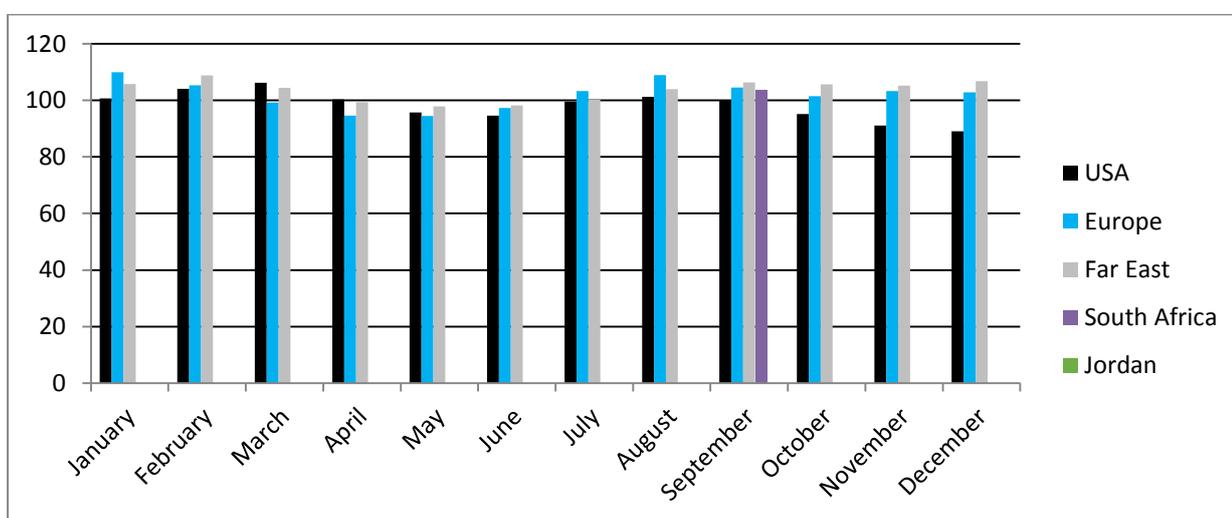


Source: the chart was prepared based on the data provided by SOMO

3. Reconciliation of Reported Data (continued)

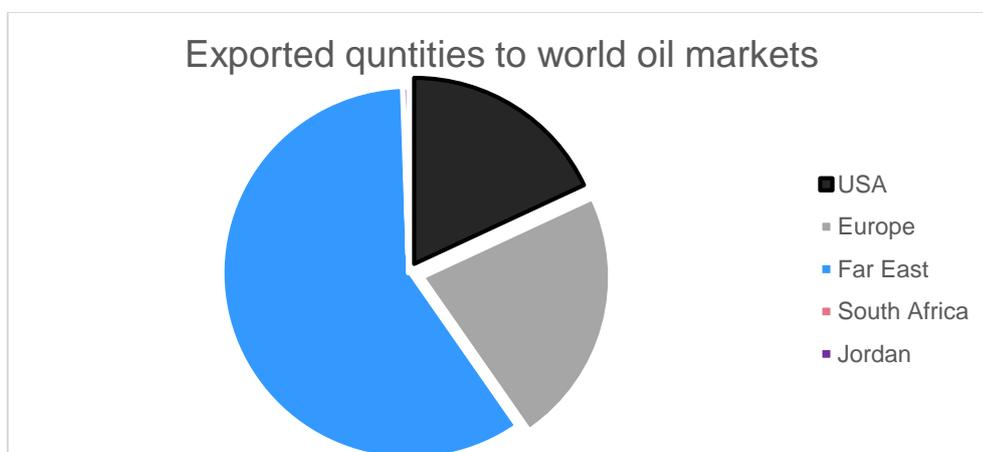
3.25 Monthly export quantities and average price for exported crude oil for the year 2013 with regard to the American, European and Asian Markets and the quantity exported through Basrah and Khor Al-Amaya ports by SOMO

Monthly export price average (US\$)



Source: the chart was prepared based on the data provided by SOMO

3.26 Quantities exported by North Oil Company, Missan Oil Company and South Oil Company to world oil markets



Source: the diagram was prepared based on the data provided by SOMO

3. Reconciliation of Reported Data (continued)

Third Party Inspectors

Third party verifiers' responsibility is to calibrate meters and to endorse oil quantities loaded onto vessels. In case of any discrepancy between the terminal meters and the vessels' meters, the third party verifiers measure the loaded oil quantity through the ullage method of measurement.

The table below includes details of the measurement meters installed at the southern oil terminals.

Location	Meter Type	Calibration Frequency	Number of Meters	Third Party Inspector
Basrah Oil Terminal	Daniel Turbine Meters (US/UK)	Subsequent to each loading process	24	INTERTEK (from 1 January 2013 till 16 September 2013) / SGS (from 17 September 2013 till the end of the year of 2013)
Al Umayyah Oil Terminal	Daniel Turbine Meters (US/UK)	Subsequent to each loading process	12	

As for the northern oil terminal (Ceyhan Terminal), it is owned by the Turkish party, while the third party inspector during year 2013 was Bureau Veritas "Inspectorate".

3.27 Reconciliation of natural gas quantities supplied to gas companies. Reconciliation performed between North Oil Company, Ministry of Oil and North Gas Company for year 2013.

Natural Gas (m3)			
Quantities/NGC	Quantities/NOC	Quantities/MoO	Variance
3,597,450,000	3,597,450,000	3,597,450,000	-

Source: data presented in the table was reported by the respective entities (NGC, NOC and MoO)

3. Reconciliation of Reported Data (continued)

3.28 Reconciliation of natural gas quantities supplied to gas companies between South Oil Company, Ministry of Oil and South Gas Company for year 2013.

Natural Gas (m3)			
Quantities/SGC	Quantities/SOC	Quantities/MoO	Variance
3,387,647,302	3,387,647,302	3,387,647,302	-

Source: data presented in the table was reported by the respective entities (SGC, SOC and MoO)

3.29 Reconciliation of natural gas quantities supplied to Electricity Generation Directorates (EGD). Reconciliation performed between Ministry of Electricity and Oil Pipeline Company (OPC) for year 2013*.

Product type	Quantities/OPC	Quantities/EGD Basrah	Variance
Natural Gas (m3)	1,046,662,397	1,046,662,397	-

Product type	Quantities/OPC	Quantities/EGD Al Furat Middle	Variance
Natural Gas (m3)	742,162,027	742,162,027	-

Product type	Quantities/OPC	Quantities/EGD Middle Region	Variance
Natural Gas (m3)	717,778,270	717,778,270	-

3. Reconciliation of Reported Data (continued)

3.29 Reconciliation of natural gas quantities supplied to Electricity Generation Directorates (EGD). Reconciliation performed between Ministry of Electricity and Oil Pipeline Company (OPC) for year 2013*.

Production type	Quantities/OPC	Quantities/EGD Salah AlDin	Variance
Natural Gas (m3)	1,550,000	1,550,000	-

Production type	Quantities/OPC	Quantities/EGD North Region	Variance
Natural Gas (m3)	1,426,077,260	1,426,077,260	-

Production type	Quantities/OPC	Quantities/EGD Nasiriyah	Variance
Natural Gas (m3)	71,510,685	71,510,685	-

Source: data presented in the table were reported by the respective entities (Oil Pipeline Company and Ministry of Electricity/EGD)

* A three way reconciliation was supposed to be performed for oil and gas quantities supplied to power station between National Oil Companies, Power Plants, and MoO. However, a reconciliation of the oil and gas quantities locally supplied to electricity generation directorates was performed by the electricity generation directorates and the Oil Pipeline Company and handed to us. Although receiving this data was an achievement, not receiving it directly and separately from the concerned entities jeopardies the credibility of data reported by these entities and ultimately its reconciliation.

3.30 Reconciliation of natural gas quantities supplied to Ministry of Industry and Minerals' companies that consumed natural gas. Reconciliation performed between Ministry of Industry and Minerals and the ministry's companies for year 2013.

Natural Gas (Cubic Meters)				
No.	Company Name	Quantities/ MIM	Quantities/ companies	Variances
1	The State Company of Fertilizers South Region	390,886,000	390,886,000	-
2	State Co. for Fertilizers North Area	140,854,000	140,854,000	-
3	State Company for Petrochemical Ind.	115,759,000	115,759,000	-

Source: data presented in the table was reported by the respective entities (Ministry of Industry and Minerals and the ministry's companies)

Further Transparency

4. Further Transparency

We had obtained from the Ministry of Oil – Technical Directorate – Matching Department Crude Oil flows for each of the National Upstream Companies, and one combined crude oil flow table for all National Upstream Companies.

The inclusion of such flow may enhance the understanding for the common readers of the Iraqi crude oil flow in major aspects.

4.1 North Oil Company Crude Oil Flow (in barrels - rounded)

Month / Reporting Items	Available Crude Oil (in addition to Refineries Surplus and Gasoline)				Total Available Crude Oil (in addition to Refineries Surplus and Gasoline)	Crude Oil (in addition to Refineries Surplus and Gasoline) Utilisation				Total Utilisation	Ending Balance
	Beginning Balance	Crude Oil Produced	Received Refineries surplus and Gasoline	Crude Oil Received from KRG		Refineries	Supplied to Midland Oil Company	Waste*	Export Sales		
January	3,297,461	16,907,224	2,444,381	5,799	22,654,865	9,285,194	106,764	175,970	8,187,264	17,755,192	
February		14,989,209	2,090,023	38,659	17,117,891	8,669,848	-	175	9,580,688	18,250,711	
March		16,563,686	1,926,189	-	18,489,875	8,672,416	63,156	200,900	9,772,046	18,708,518	
April		15,847,990	1,983,270	-	17,831,260	8,822,687	-	33,518	9,180,963	18,037,168	
May		16,536,618	1,877,659	-	18,414,277	9,911,065	-	175,090	8,847,907	18,934,062	
June		15,426,238	1,953,761	-	17,379,999	8,740,748	87,492	257,025	5,799,780	14,885,045	
July		12,199,156	2,370,388	-	14,569,544	9,693,387	230,703	531,130	5,595,079	16,050,299	
August		15,934,240	2,727,305	-	18,661,545	9,889,560	331,746	910,225	8,402,741	19,534,272	
September		15,407,732	2,349,844	-	17,757,576	9,848,234	193,552	260,050	7,473,448	17,775,284	
October		15,751,223	2,097,437	-	17,848,660	9,609,607	136,977	96,030	5,986,154	15,828,768	
November		14,577,764	1,927,377	-	16,505,141	8,461,118	79,218	190,305	9,271,057	18,001,698	
December		15,698,556	1,991,933	-	17,690,489	9,305,373	405,120	280,220	8,080,192	18,070,905	3,089,200
Total	3,297,461	185,839,636	25,739,567	44,458	214,921,122	110,909,237	1,634,728	3,110,638	96,177,319	211,831,922	3,089,200

* Waste is resulted from pipelines spills and sabotages



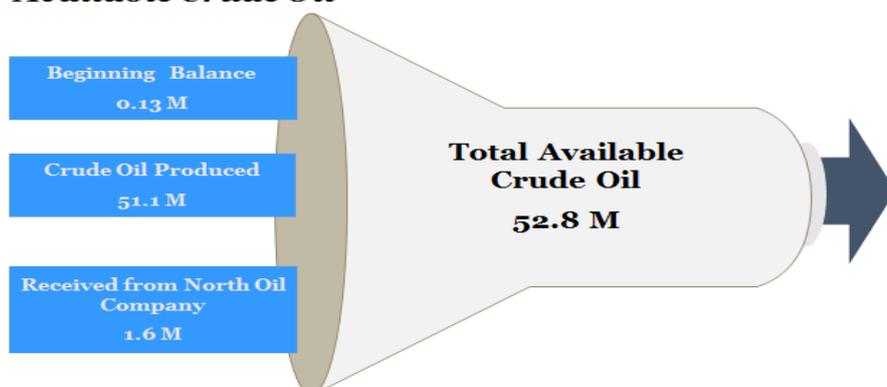
4. Further Transparency (continued)

4.2 Midland Oil Company Crude Oil Flow (in barrels - rounded)

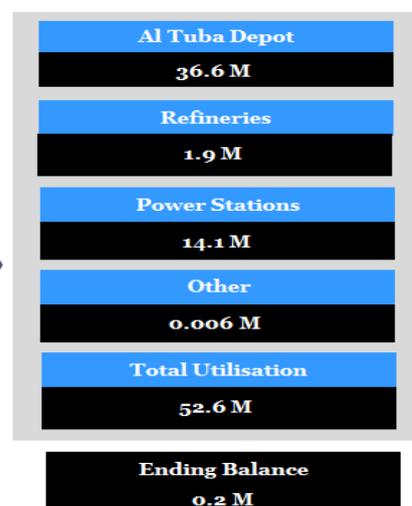
Month / Reporting Items	Available Crude Oil			Total Available Crude Oil	Crude Oil Utilisation				Total Utilisation	Ending Balance
	Beginning Balance	Crude Oil Produced	Quantities Received from North Oil Company		Al Tuba Depot	Refineries	Power Stations	Other*		
January	135,159	4,310,154	106,764	4,552,077	3,306,942	375,071	672,839	2,018	4,356,870	
February		4,050,149	-	4,050,149	2,999,095	371,476	666,148	(273)	4,036,446	
March		4,474,464	63,157	4,537,621	3,367,722	271,087	917,088	431	4,556,328	
April		4,424,862	-	4,424,862	3,523,539	110,484	794,822	(208)	4,428,637	
May		4,568,309	-	4,568,309	3,515,350	103,641	951,207	7,533	4,577,731	
June		4,384,692	87,492	4,472,184	3,194,637	92,044	1,189,786	7,736	4,484,203	
July		4,581,415	230,703	4,812,118	3,036,948	102,927	1,657,852	(3,747)	4,793,980	
August		4,512,942	331,746	4,844,688	3,075,464	100,280	1,667,917	(9,940)	4,833,721	
September		4,270,084	193,552	4,463,636	2,907,740	91,016	1,447,165	10,746	4,456,667	
October		4,213,255	136,977	4,350,232	2,994,041	94,440	1,276,217	#####	4,352,025	
November		4,102,853	79,218	4,182,071	2,792,399	91,905	1,237,791	1,707	4,123,802	
December		3,249,631	405,120	3,654,751	1,913,390	100,877	1,714,531	3,478	3,732,276	180,012
Total	135,159	51,142,810	1,634,729	52,912,698	36,627,267	1,905,248	14,193,363	6,808	52,732,686	180,012

* Other includes quantities supplied to Al Waha Oil Company

Available Crude Oil



Crude Oil Utilisation

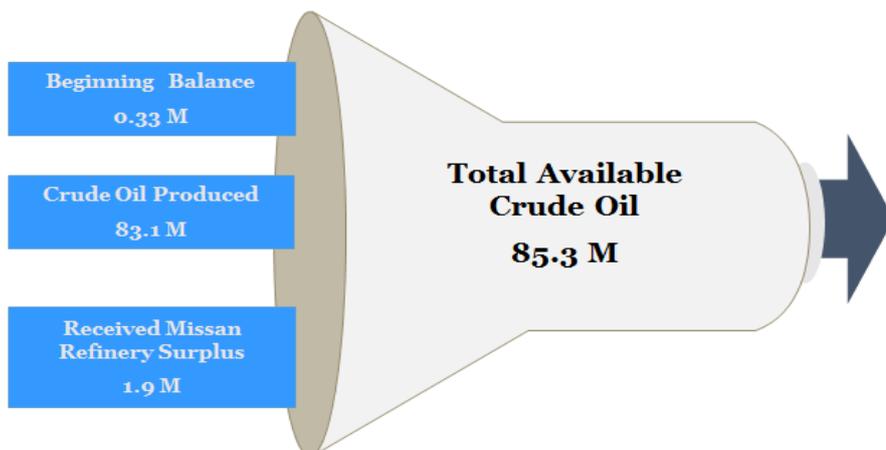


4. Further Transparency (continued)

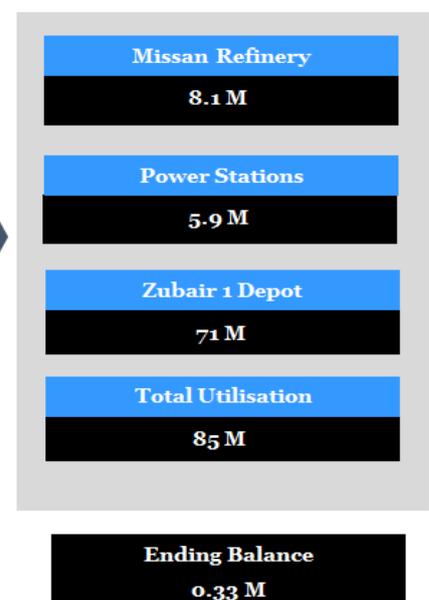
4.3 Missan Oil Company Crude Oil Flow (in barrels - rounded)

Month / Reporting Items	Available Crude Oil (in addition to Refineries Surplus)			Total Available Crude Oil (in addition to Refineries Surplus)	Crude Oil (in addition to Refineries Surplus) Utilisation			Total Utilisation	Ending Balance
	Beginning Balance	Crude Oil Produced	Received Missan Refinery surplus		Missan Refinery	Power Stations	Zubair 1 Depot		
January	330,042	7,032,072	27,065	7,389,179	568,157	434,627	6,156,834	7,159,618	
February		6,305,110	106,343	6,411,453	581,468	523,326	5,318,280	6,423,074	
March		7,034,538	78,289	7,112,827	646,539	509,314	6,014,677	7,170,530	
April		6,976,710	48,917	7,025,627	447,206	309,997	6,149,228	6,906,431	
May		7,342,181	48,202	7,390,383	511,270	456,999	6,329,973	7,298,242	
June		6,922,233	114,104	7,036,337	609,183	590,428	5,980,422	7,180,033	
July		7,343,480	242,331	7,585,811	781,756	653,423	6,197,320	7,632,499	
August		7,337,665	340,467	7,678,132	872,215	626,847	6,158,553	7,657,615	
September		7,261,272	326,600	7,587,872	864,497	566,909	6,100,124	7,531,530	
October		6,930,134	340,851	7,270,985	844,137	401,330	5,835,803	7,081,270	
November		6,185,092	119,073	6,304,165	710,822	279,208	5,538,903	6,528,933	
December		6,471,860	206,983	6,678,843	761,404	558,051	5,245,642	6,565,097	336,742
Total	330,042	83,142,347	1,999,225	85,471,614	8,198,654	5,910,459	71,025,759	85,134,872	336,742

Available Crude Oil



Crude Oil Utilisation



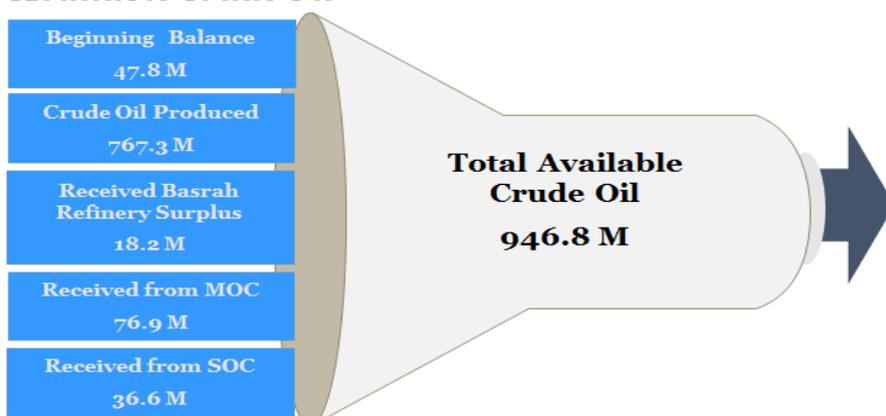
4. Further Transparency (continued)

4.4 South Oil Company Crude Oil Flow (in barrels - rounde)

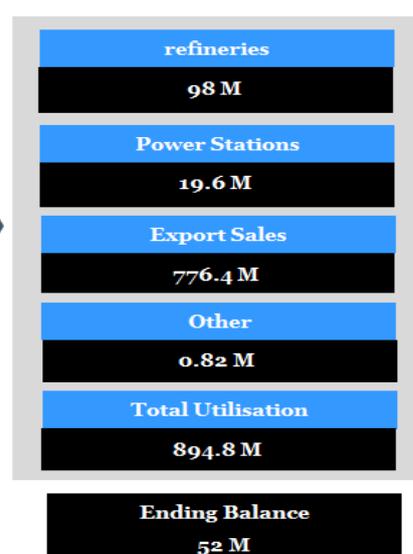
Month / Reporting Items	Available Crude Oil (in addition to Refineries Surplus)					Total Available Crude Oil (in addition to Refineries Surplus)	Crude Oil (in addition to Refineries Surplus) Utilisation				Total Utilisation	Ending Balance
	Beginning Balance	Crude Oil Produced	Received Basrah Refinery Surplus	Quantities Received from Missan Oil Company	Quantities Received from South Oil Company		Refineries	Power Stations	Export Sales	Other*		
January	47,887,779	62,268,109	1,321,699	6,391,461	3,306,942	121,575,990	8,886,717	1,152,917	64,942,317	(2,041)	74,979,910	
February		57,571,029	814,282	5,841,606	2,999,095	67,226,012	5,629,794	807,073	61,458,461	-	67,895,328	
March		64,545,841	904,892	6,523,991	3,367,722	75,342,446	7,163,475	887,986	65,161,556	237,087	73,450,104	
April		64,583,498	1,611,776	6,459,225	3,523,539	76,178,038	7,953,065	878,784	69,492,795	-	78,324,644	
May		66,717,484	1,762,410	6,786,972	3,515,350	78,782,216	8,709,197	1,452,839	68,145,122	18,058	78,325,216	
June		63,074,008	1,716,544	6,370,850	3,194,637	74,556,039	8,946,422	1,483,675	64,051,806	(101,773)	74,380,130	
July		68,000,799	1,336,372	6,850,743	3,036,948	79,224,862	8,804,152	2,478,713	66,458,071	-	77,740,936	
August		71,643,670	1,284,053	6,785,400	3,075,464	82,788,587	8,562,588	2,838,780	71,558,173	7,438	82,966,979	
September		58,044,448	1,354,474	6,667,033	2,907,740	68,973,695	8,117,451	2,204,572	54,643,904	662,144	65,628,071	
October		64,991,780	1,818,500	6,237,133	2,994,041	76,041,454	9,295,621	1,766,898	63,852,333	-	74,914,852	
November		58,313,543	1,925,897	5,818,111	2,792,399	68,849,950	7,464,529	1,376,293	62,165,632	-	71,006,454	
December		67,636,109	2,225,730	5,803,693	1,913,390	77,578,922	8,510,672	2,305,989	64,500,714	5,604	75,322,979	52,182,608
Total	47,887,779	767,390,318	18,276,629	76,936,218	36,627,267	917,118,211	98,043,683	19,634,519	776,430,884	826,517	891,935,603	52,182,608

* Other includes quantities included in pipelines for January, August and September, in addition to reconcile crude oil export sales differences related to years 2011 and 2012.

Available Crude Oil



Crude Oil Utilisation



4. Further Transparency (continued)

4.5 Overall National Upstream Companies (NOC, Midland, Missan and SOC) Crude Oil Flow (in barrels - rounded)

Month / Reporting Items	Available Crude Oil (in addition to Refineries Surplus and Gasoline)				Total Available Crude Oil (in addition to Refineries Surplus and Gasoline)	Crude Oil (in addition to Refineries Surplus and Gasoline) Utilisation					Total Utilisation	Ending Balance
	Beginning Balance	Crude Oil Produced	Received Refineries surplus and Gasoline	Quantities Received from KRG		Refineries	Power Stations	Export Sales	Waste	Other*		
January	51,650,441	90,517,559	3,993,145	5,799	146,166,944	19,115,139	1,825,756	73,129,581	175,970	(23)	94,246,423	
February		82,915,497	3,010,648	38,659	85,964,804	15,252,586	1,473,221	71,039,149	175	(273)	87,764,858	
March		92,618,529	2,909,370	-	95,527,899	16,753,517	1,805,074	74,933,602	200,900	237,518	93,930,611	
April		91,833,060	3,643,963	-	95,477,023	17,333,442	1,673,606	78,673,758	33,518	(208)	97,714,116	
May		95,164,592	3,688,271	-	98,852,863	19,235,173	2,404,046	76,993,029	175,090	25,591	98,832,929	
June		89,807,171	3,784,409	-	93,591,580	18,388,397	2,673,461	69,851,586	257,025	(94,037)	91,076,432	
July		92,124,850	3,949,091	-	96,073,941	19,382,222	4,136,565	72,053,150	531,130	(3,747)	96,099,320	
August		99,428,517	4,351,825	-	103,780,342	19,424,643	4,506,697	79,960,914	910,225	(2,502)	104,799,977	
September		84,983,536	4,030,918	-	89,014,454	18,921,198	3,651,737	62,117,352	260,050	672,890	85,623,227	
October		91,886,392	4,256,788	-	96,143,180	19,843,805	3,043,115	69,838,487	96,030	(12,673)	92,808,764	
November		83,179,252	3,972,347	-	87,151,599	16,728,374	2,614,084	71,436,689	190,305	1,707	90,971,159	
December		93,056,156	4,424,646	-	97,480,802	18,678,326	4,020,520	72,580,906	280,220	9,082	95,569,054	55,788,561
Total	51,650,441	1,087,515,111	46,015,421	44,458	1,185,225,431	219,056,822	33,827,882	872,608,203	3,110,638	833,325	1,129,436,870	55,788,561

Available Crude Oil



Mining Industries in Iraq

5

5. Mining Industries in Iraq

The below context was prepared by the Iraqi Ministry of Industry and Minerals.

5.1 Mining Industry in Iraq

In addition to Iraq's oil and gas resources, it possesses substantial mineral resources and some of the world's richest reserves including sulfur and phosphate. Up until recently, Iraq's Civil Society was not informed of, nor could it participate in debates regarding oil, gas and mineral production. The Iraqi public was not able to set production, exploitation and marketing policies with regard to Iraq's mineral resources, since sector-specific information was not public knowledge, and private participation to invest in such sectors was not open to Iraqi Nationals. After 2003, it became imperative to develop such policies, in order to regulate the exploitation of such resources in a manner that guarantees transparency and hence attracts investment that could further develop the industry through improving the image of Iraq in terms of being a reliable business partner and a safe destination for Foreign Direct Investments. The following data was provided by the Ministry of Industry and Mining (MIM).

5.2 Vision

Iraq will become a competitive regional player in the mining industry and it will make the industry a base for industrial growth and a mean for satisfying local market needs, and creating jobs for Iraqis. In addition it will be a leader in infrastructure and social development in remote areas in Iraq, which contributes to the sustainable development of the country.

5.3 Strategy

Short Term - Institutional Development (2017)

- Adopting legislations, policies and regulations that encourage and support mineral investments
- Establishing Iraqi Minerals Board and formulating a law stipulating its responsibilities
- Integrating the role of the central government with the local governments of mineral producing provinces with regards to mineral investments and allocating the greater portion of investment returns to those provinces
- Enabling private sector investment in the Minerals Sector
- Initiating communications with mining economic entities across the world, and updating standards and frameworks based on international experiences that are consistent with the Iraqi environment
- Providing the necessary funds from investment budgets for the continuation of geological mapping and mineral exploration, as well as the continuation of developing state-held companies related to the Minerals Sector and expanding their production activities
- Restructuring governmental mining industries in order to increase its economic effectiveness as well as boosting its social returns, and promoting private-public partnerships as well as joint ventures with international companies
- Setting up mineral research & development centers throughout academic institutions in Iraq
- Meeting higher standards for education in geological and mining engineering fields, as well as, enhancing the Geological Survey and Mining Company's relations with universities and scientific research centers
- Activating methodologies to obtain reliable information regarding the sources of Iraqi mineral wealth
- Studying investment obstacles of the mining sector and working on overcoming such obstacles
- Developing policies and regulations to attract investors and international companies to invest in the Iraqi Minerals Sector

5. Mining Industries in Iraq (continued)

Medium Term - Expand the Investment of Mineral Resources (2022)

- Reinforcing the role of the Iraqi Geological Survey and Mining Company in leading mineral exploration and drilling operations, with the involvement of the private sector in mineral investment
- Activating the role of the Iraqi Geological Survey and Mining Company's branches in provinces to strengthen relations with local governments, the private sector, and the society as a whole. This in turn increases awareness regarding the economic significance of mineral investments and its impact on society
- Adopting clear business frameworks for dealing with investors in the mining industry which guarantees the preservation of national interests, routine minimization, and the creation of a dependable and sustainable investment environment
- Improving living standards through the creation of direct and in-direct job opportunities, and developing the infrastructure of mineral deposit areas
- Supporting the establishment of mineral-producing clusters to increase competitiveness and enhance economic value chains
- Reinforcing raw mineral reserves, constructing new mines, and expanding mineral production through joint projects and private sector investments
- Reinforcing governmental support to the mining industry (central and local governments) through investments in infrastructure enhancements (energy sources, transportation routes, and water sources), and through initiating public-private partnerships
- Concentrating on industries relevant to the existing variety/diversity of mineral materials and their specifications, mainly construction, chemical, silicon, and drilling mud industries
- Meeting industry production specifications to guarantee competitiveness in international markets
- An evident growth in the role of the provinces' local governments in attracting investment in the Minerals Sector that complies with the relevant local policy
- Increasing the private sector's contribution in minerals production to play a significant and an influential role in the economic value of such activity

Long Term - Sustainable and Competitive Growth (2030)

- Achieving sustainable and environment-friendly growth in Iraqi mineral resources in which the private sector has an influential role
- Accomplishing a significant contribution to the Minerals Sector's GDP and improving the standards of living especially in remote areas through the creation of job opportunities and developing the infrastructure
- Creating an accurate scientific database specialized in the field of mining and mining productions in Iraq
- Dominating foreign markets through exports
- Building cultural awareness and solid links between the society and mineral projects through common interests
- Licensed mines operating on full capacity
- Developing extraction sites in desert areas into residential communities serviced by a dependable infrastructure
- Maintaining an effective monitoring system for mining operations which guarantees transparency and environmental sustainability, and at the same time ensuring optimal and responsible investment in mineral resources
- Creating a reliable mining research database which develops and improves through technology
- Strengthening economic and social value chains through the creation of direct and in-direct workforce, and assisting sustainable and responsible growth

5. Mining Industries in Iraq (continued)

5.4 Summary of Iraq's main mineral resources and areas of use

Mineral Ore	Recorded Reserve	Extractive Status	Production and Uses
Sulfur	900	Not operational since 2013	Phosphatic fertilizers and export
	(million ton)		
Phosphate	9500	Operating on low capacity	Phosphatic fertilizers industry
	(million ton)		
Silica Sand	400	Operating on low capacity	Glass, ceramic and refractories industries
	(million ton)		
Kaolin	1150	Operating on low capacity	Ceramic and refractories industries
	(million ton)		
Bentonite	385	Operational	Production of Bentonite for the Oil industry
	(million ton)		
Iron	80	Operational	Cement industry
	(million ton)		
Limestone	9500	Operational	Brick and cement industry
	(million ton)		
Glaubente Salt	35	Not Operational since 2013	Sodium sulphate production
	(million ton)		
Bauxite	1.2	Not Operational	Refractories industry
	(million ton)		
Flint Clay	9	Operating on low capacity	Refractories, and white cement industries
	(million ton)		
Feldspar Sand	3.2	Not Operational	Ceramic industry
	(million ton)		
Salt	43	Operational	Chemicals, nutritional, textile, and drilling industries
	(million ton)		
Gypsum	195	Operational	Construction
	(million ton)		
Attapulgate clays	0.5	Not Operational	Drilling mud
	(million ton)		
Porcellanite	1.4	Not Operational	Filtration substances
	(million ton)		
Dolomite	675	Not Operational	Production of magnesia and building materials
	(million ton)		
Metals	2.7	Under construction	None
	(million ton)		
Recent/New Clays	685	Operational	Brick and cement industries
	(cubic meter)		
Gravel and Sand	1630	Operational	Raw materials for construction
	(cubic meter)		

5. Mining Industries in Iraq (continued)

5.5 Targeted extracting capacities

Mineral Ore	Year			Uses
	2017	2022	2030	
Phosphate (million ton)	5	13	25	Phosphatic Fertilizers
Free Sulfur (million ton)	2	4	10	Chemical Industries
Limestone (million ton)	20	30	50	Cement Production
Silica Sand (million ton)	0.5	1	3	Silicon, Glass, and Ceramics
Kaolin (million ton)	0.2	0.5	3	Alumina and Ceramic Industries
Bentonite (million ton)	0.1	0.3	0.8	Drilling mud for oil wells & Concrete Pillars
Salt (million ton)	0.3	0.8	3	Petrochemical and Chemical Industries, Nutritional, Textile, and Drilling Industries
Gypsum (million ton)	0.5	1	3	Construction Materials
Iron (million ton)	0.1	0.3	0.5	Cement Production
Brick Clay (million cubic meters)	10	20	50	Construction Materials
Gravel and Sand (million cubic meters)	50	100	200	Construction Materials

5. Mining Industries in Iraq (continued)

5.6 Iraq's mineral resources production and local consumption for the years 2013 & 2014

No.	Commodity	2013		2014	
		Production (Ton)	Local Consumption / Sales (Ton)	Production (Ton)	Local Consumption / Sales (Ton)
1	Industrial Salt / Samawa	181,928	154,697	200,148	162,418
2	Raw Salt / Basra	0	5,500	0	1,900
3	Iron (Al Hussainiat)	0	10,565	0	6,464
4	Iron (Jeed Al Abed)	0	25	0	0
5	Kaolin (White)	0	1,230	0	375
6	Kaolin (Colored)	0	0	0	0
7	Kaolin (Al Wadi Al Safi)	0	0	0	0
8	Silica Sand (Glass & Ceramic)	615	615	89	89
9	Silica Sand (White Cement)	12,267	12,267	2,983	2,983
10	Silica Sand (Black Cement)	0	0	60	60
11	Bauxite	0	439	0	0
12	Flint Clay	0	14,711	0	0
13	Bentonite	6,288	6,176	255	266
14	Recent/New Clays	30	51	39	34
15	Feldspar Sand	0	0	0	0
16	Gravel and Sand	577	577	24	24
17	Phosphate	193,000	325,000	34,320	49,250
Total		394,705	531,851	237,918	223,863

It can be noted from the above table that for certain items there were no production during the years 2013 & 2014 while there was local consumption. This was explained by the Ministry of Industry and Minerals through having old inventory.

KRG Extractive Industry

6

6. *KRG Extractive Industry*

- 6.1 Since no data was provided by KRG, IEITI Stakeholder Council has requested the inclusion of information about the extractive industry in KRG based on publicly available information. IEITI Stakeholder Council assumes no responsibility for the information contained in this chapter.
- 6.2 This chapter is dedicated to providing an insight on the extractive industry in KRG. For that purpose all information included in this chapter are based on information obtained through searches made on public websites and resources with references included as footnotes. Accordingly, this information was not subject to the data collection and reconciliation processes adopted for purposes of this report.
- 6.3 The chapter provides a general overview of the extractive industries (including oil and gas) in Kurdistan Region through the use of excerpts from governmental and public websites. It briefly describes the nature of extractive industries and activities currently taking place in Kurdistan Region. It includes information regarding estimated oil and gas reserves, current and projected oil and gas production and export figures. It also provides a brief description about oil and gas transportation pipelines in Kurdistan which has a significant impact on the future of the Region's oil and gas industry. In addition, it provides information regarding current and projected gas discoveries and exploration activities.
- 6.4 In addition, this chapter illustrates the reported operating revenues from crude oil and oil product sales for the years 2012 and 2013. It also includes a comprehensive list of operational oil fields in Kurdistan Region. Moreover, a brief description of the workforce and infrastructure in the oil and gas industry is provided.
- 6.5 Finally, it demonstrates all licensed and open areas in Kurdistan Region, in addition to refineries, power plants and export facilities.

6.6 *Kurdistan Region extractive industries - Overview*

- 6.6.1 “In 2007, the Kurdistan Region passed its landmark oil and gas law, which is fully in line with Iraq's permanent federal Constitution of 2005. Since then, MNR has presided over the impressive growth of oil and gas industry in the Region¹.”
- 6.6.2 Below is a brief description of oil, gas and mining industries in Kurdistan Region

6.6.2.1 *Oil*

- 6.6.2.1.1 “With 45 billion barrels of estimated oil reserves, the Kurdistan Region is poised to become a key part of Iraq's renaissance and a major actor on world oil markets ²”. “Further exploration has uncovered the possibility of another 25 billion potential barrels in unproven reserves³.”

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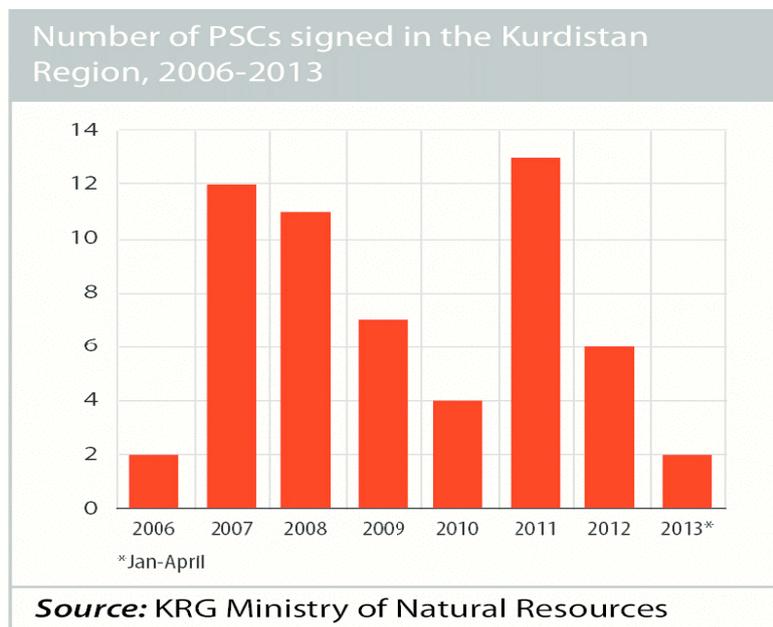
¹<http://mnr.krg.org/images/FinancialReports/MNR-KRG%20Annual%20Financial%20Report%202013.pdf>

²<http://mnr.krg.org/index.php/en/oil/vision>

³<http://www.talascend.com/global/middle-east-and-africa/iraq/kurdistan-iraq-oil-and-gas-jobs>

6. *KRG Extractive Industry (continued)*

- 6.6.2.1.2** “Delineated in Chapter 10 of the Kurdistan Oil and Gas Law, the production-sharing contracts establish a sliding scale for royalties and profits. There is a standard royalty payment of 10 percent of the total oil produced, and the contractors are entitled to a maximum of 40 percent of the oil produced, to offset their costs. The contracts offer an initial five-year exploration term with the possibility to extend the contracts to seven years. When a discovery is achieved, a 20-year period for continued development is granted with further extensions negotiable 4.”



6.6.2.2 Gas

- 6.6.2.2.1** “The Kurdistan Region could hold as much as 200 tcf (5.67 bcm) of natural gas reserves, around 3% of the world's total reserves. This positions Kurdistan for a prominent role in regional and global gas markets. Since 2003, large gas discoveries have been made. As exploration activities are intensifying, it is certain that more gas will be discovered 5.”

6.6.2.3 Mining

- 6.6.2.3.1** “The mountainous region bordering Turkey and Iran could hold significant mineral deposits, including iron, chromium, nickel, cobalt, platinum, copper, zinc, lead, pyrite, silver, gold, talc, asbestos, barite, coal and marble, and igneous rocks such as sulphur, phosphorus, gypsum and limestone 6.”

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⁴<http://mnr.krg.org/index.php/en/the-ministry/contracts/new-psc>

⁵ <http://mnr.krg.org/index.php/en/gas/vision-gas>

⁶<https://eiti.org/files/IEITI%20Final%20Report%202012%20%20English.pdf>

6. KRG Extractive Industry (continued)

6.6.2.3.2 “The Ministry is working to draft a mining law to generate interest in the mining sector, and to ensure that when it is developed it will be managed according to international standards of practice ⁷.”

6.6.2.3.3 “A draft non-metals mining law is awaiting ratification by the Kurdistan parliament, and a metals mining law will be drafted at a later stage⁸ .”

6.7 Oil and Gas Sector

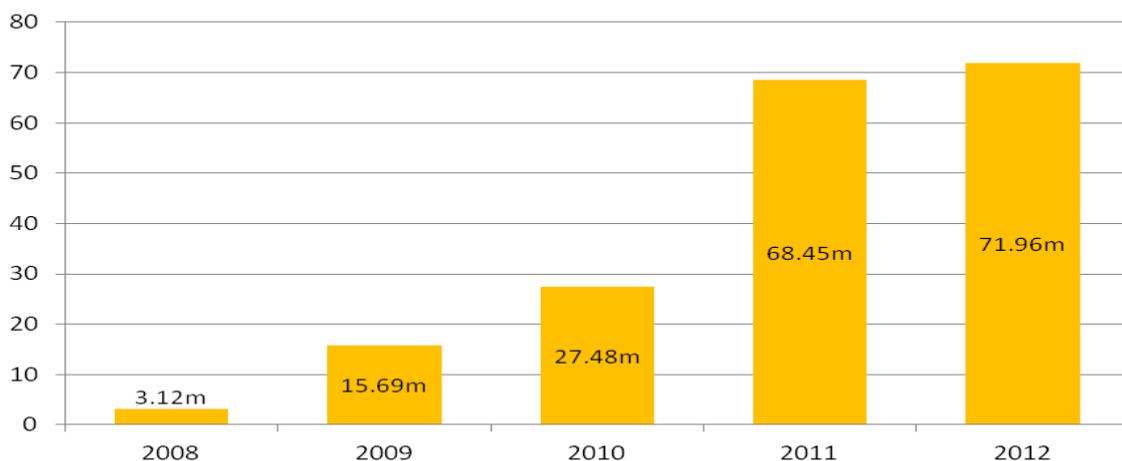
6.7.1 Oil and gas sector in Kurdistan Region is in the development phase. The following paragraphs provide a brief description of oil and gas production, exports, transportation, consumption and revenues. Moreover, a brief description of the workforce and infrastructure in the oil and gas industry is provided, in addition to the identification of the operational oil fields and licensed areas.

6.7.2 Production and Exports

6.7.2.1 “As exploration campaigns continue, the region has shifted to a development phase. Oil production increased from 75,000 barrels in February 2011 to 200,000 barrels today. The target is to reach 1 million barrels of daily production by 2015 ⁹.”

6.7.2.2 “By 2019, the region is aiming to produce 2 million barrels daily ¹⁰.”

Oil production in Kurdistan Region, millions of barrels



Source: Ministry of Natural Resources, KRG. Figures rounded for clarity

Source: <http://mnr.krg.org/index.php/en/oil/vision>

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⁷<http://mnr.krg.org/index.php/en/mining/mining-vision>

⁸<http://mnr.krg.org/index.php/en/mining/mining-vision>

⁹<http://mnr.krg.org/index.php/en/oil/vision>

¹⁰ <http://mnr.krg.org/index.php/en/oil/vision>

6. *KRG Extractive Industry (continued)*

- 6.7.2.3** According to Dr. Hawrami (Minister of Natural Resource, KRG) on the topic of oil exports in Kurdistan “the Kurdistan Region started exporting again a few months ago. This led to the September 13th agreement with Baghdad, which commits the KRG to an average of 200,000 barrels per day of exports by the end of this year, and an average of 250,000 barrels per day in 2013. The agreement is binding on both sides, it was signed by the Council of Ministers in Baghdad and approved by the KRG 11.”
- 6.7.2.4** However, as per data provided by the Technical Department of the Iraqi Ministry of Oil, crude oil production in Kurdistan Region for the first nine months of 2012 totaled 46,174,603 barrels, while crude oil quantities handed for export amounted to 22,345,069 barrels.
- 6.7.2.5** With estimated gas reserves in the region reaching 200 tcf, investment by the regional government and international companies has spurred the growth in capacity and has increased the production of gas, thereby generating a much needed electricity supply to the locals.
- 6.7.2.6** “KhorMor, the Kurdistan Region’s only active commercial gas field, is operated by a consortium led by Dana Gas 12.”
- 6.7.2.7** “The daily production includes 340 million cubic feet of gas per day and 15,000 barrels per day of condensate liquids, and there are plans for further expansion. In total, over 279 billion cubic feet of gas and 13 million barrels of condensate liquids have been produced by the companies since the start of production in October 2008, with the gas supply to local power stations enabling 1,750 MW of new electricity supply locally. This has ensured almost continuous power supply for 4 million people in the Kurdistan Region13 .”
- 6.7.2.8** “The KRG expects the region’s gas supply to expand until it can meet all domestic demand for electricity, industrial processes and residential heating and cooking. An additional 6 GW of mostly gas-fired generation capacity is in the works, according to Hawrami 14.”
- 6.7.2.9** The gross production which refers to the quantity of oil and gas produced by IOCs operating assets belonging to the KRG during year 2013 was 78,463,518 Barrel per day 15 .
- 6.7.2.10** According to the Ministry of Natural Resources’ production report 16 total oil and gas export amounted to 11,291,462 barrels, of which 11,282,860 barrels were exported by trucks out of the Kurdistan region and 8,602 barrels were exported through SOMO.
- 6.7.2.11** With the significant increase in oil production in the Kurdistan Region and the construction of the new oil pipeline to Turkey, KRG plans to increase exports to international markets. Oil exports are expected to be between 300,000 and 400,000 barrels per day by 2015. Kurdistan Oil Marketing Organisation (KOMO) is responsible for the regulation and marketing of crude oil in the Region.

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11 <http://www.krg.org/a/d.aspx?s=040000&l=12&a=46031>

12 <https://eiti.org/files/IEITI%20Final%20Report%202012%20%20English.pdf>

13 <http://www.gulfoilandgas.com/webpro1/MAIN/Mainnews.asp?id=23516>

14 <https://eiti.org/files/IEITI%20Final%20Report%202012%20%20English.pdf>

15 <http://mnr.krg.org/images/monthlyreports/Final%20Version%20Jan%20-%20Aug%20Production%20Report.pdf>

16 <http://mnr.krg.org/images/monthlyreports/Final%20Version%20Jan%20-%20Aug%20Production%20Report.pdf>

6. *KRG Extractive Industry (continued)*

6.7.2.12 According to article 12 of the Oil and Gas Law of the Kurdistan Region “The Kurdistan Oil Marketing Organisation (KOMO) is hereby established as a public company being a legal entity with independent finance and management 17.”

6.7.2.13 “KOMO may market or regulate the marketing of the production from Petroleum Operations, and may, with the agreement of a Contractor to a Production Sharing Contract, market the Contractor’s share of Petroleum 18.”

6.7.3 Oil Transportation Pipeline

6.7.3.1 “Situated at the crossroads of the Middle East and Europe, the Kurdistan Region is ideally positioned to become a significant contributor to the world’s energy supply. As an increasing number of companies transition from exploration to production, Kurdistan is set to become an oil production hub for global energy markets¹⁹ .”

6.7.3.2 “The Kurdistan Regional Government (KRG) in northern Iraq has announced a plan to construct an oil pipeline to Turkey with a volume of 1 million barrels per day (bpd), move hinting at tectonic shifts in the geo-economics and associated geopolitics of greater Southwest Asia. The oil is intended to be sold onto international markets 20 .”

6.7.3.3 “Running from Khurmala to Fish Khabur at the Turkish border, the pipeline is expected to open at the end of September 2013, and initially will transport 150,000 barrels of oil per day. Acting as a strategic partner in the region, revenue from Kurdistan’s energy exports will be able to benefit all of Iraq 21.”

6.7.3.4 “Tying into the export infrastructure, a major new domestic 81-kilometre pipeline from TaqTaq to Khurmala has been completed. Up to 150,000 barrels of oil per day are set to flow from TaqTaq, one of the earliest fields to go into production, to Khurmala where it can link to the Erbil refinery and the export pipelines. The TaqTaq-Khurmala pipeline will help the Kurdistan Region to realise the full production and export potential of the producing TaqTaq field 22.”

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¹⁷[Kurdistan Business Law Handbook: Strategic Information and Laws.” P.69](#)

¹⁸[Kurdistan Business Law Handbook: Strategic Information and Laws.” P.69](#)

¹⁹<http://mnr.krg.org/index.php/en/oil/oil-pipeline>

²⁰http://www.atimes.com/atimes/Middle_East/NE24Ak01.html

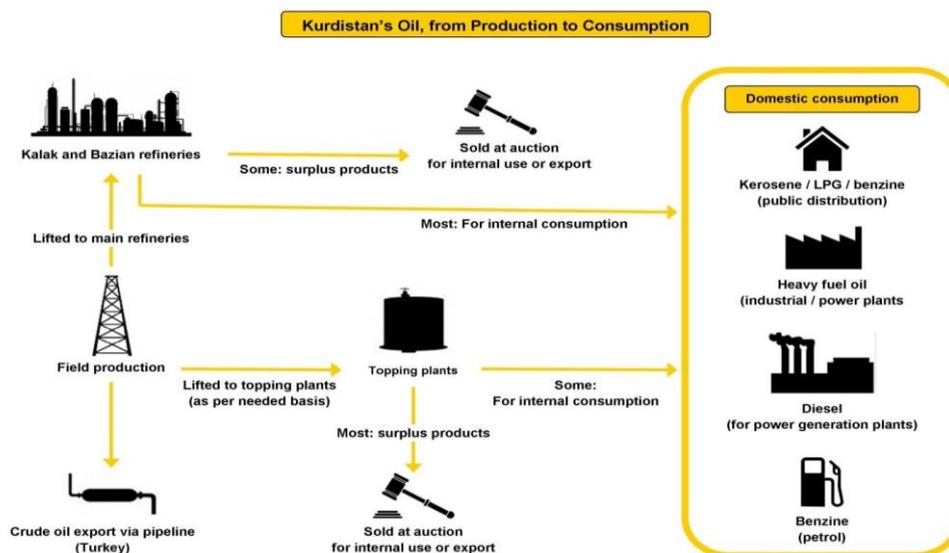
²¹<http://mnr.krg.org/index.php/en/oil/oil-pipeline>

²² <http://mnr.krg.org/index.php/en/oil/oil-pipeline>

6. KRG Extractive Industry (continued)

6.7.4 Oil production and consumption process

6.7.4.1 The following diagram summarizes the oil sales process beginning with oil production and ending at consumption of oil quantities produced (both local and international)



Source: <http://mnr.krg.org/index.php/en/oil/vision>

6.7.4.2 “In addition to developments in exploration, the Region is also expanding its refining capabilities, with two major facilities already in place. The Kalak Refinery, which is located in the Erbil governorate and is operated by KAR Group, currently has a capacity of 100,000 bpd. However, with the help of American engineering firm Ventech, the company hopes to expand that capacity to 200,000 bpd in the near future. In the Slemani governorate, the Bazian refinery has been operated by Qaiwan Group since 2009. The facility will soon have a refining capacity of 34,000 bpd after its own expansion, which is also being assisted by Ventech. The Bazian refinery is currently producing kerosene and diesel, and will start producing gasoline for the domestic market this year 23.”

6.7.5 Crude oil and products revenue

6.7.5.1 All figures in the following two paragraphs have been obtained from the Ministry of Natural Resources' Annual Financial Report for 2013, 24 which is a first of its kind report.

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²³<http://www.investingroup.org/publications/kurdistan/overview/energy/>

²⁴<http://mnr.krg.org/images/FinancialReports/MNR-KRG%20Annual%20Financial%20Report%202013.pdf>

6. *KRG Extractive Industry (continued)*

- 6.7.5.2** Total operating revenue from crude oil sales as well as oil product sales, totaled US\$2,335,554,678 for 2012 (the breakdown of this revenue figure is not available). The report provides comparative figures for the six previous years, however, only provides detailed breakdowns for year 2013. Operating oil revenues for 2013 totaled US\$2,830,009,352 of which \$779,129,719 of local sales of crude oil, US\$1,229,452,540 of oil product sales, US\$743,639,794 of bonuses received by the Ministry of Natural Resources and US\$77,787,299 mainly as other income.
- 6.7.5.3** “Overall, total operating revenues from sales of crude oil and products equaled \$4,900,053,537 for the years 2007-2013”²⁵ .

6.7.6 Kurdistan Region operational oil fields

- 6.7.6.1** The following is a list of operating oil fields in Kurdistan Region obtained from the Ministry of Natural Resources’ website

1. AinSifni	2. Garmian	3. Shaikan
4. AkriBijeel	5. Harir	6. Shakrok
7. Arbat	8. Hawler	9. Sangaw North
10. Atrush	11. Kurdamir	12. Sangaw South
13. Baranan	14. Mala Omar	15. Sarta
16. Barda Rash	17. Miran	18. Shakal
19. Bazian	20. Piramagrun	21. Sheikh Adi
22. Ber Bahr	23. Pulkhana	24. Shorish
25. Bina Bawi	26. QalaDze	27. SindiAmedi
28. Central Dohuk	29. QaraDagh	30. Sulevani
31. Chia Surkh	32. Qush Tapa	33. TaqTaq
34. Dinarta	35. Rovi	36. Tawke
37. Duhok	38. Safen	39. Taza
40. Erbil	41. Sarsang	42. Topkhana

Source:<http://mnr.krg.org/index.php/en/the-ministry/contracts/pscs-signed>

6.7.7 Workforce and Infrastructure

- 6.7.7.1** With the rapid pace at which the Region’s natural resources are being exploited, foreign investments, expertise and labor have been heavily needed.
- 6.7.7.2** “The Kurdistan Regional Government (KRG) has received approximately \$16.2 billion in international investment over the past five years. Major developments in the region’s logistical infrastructure have grown in stride, with the oil and gas industry and human resources front and centre ²⁶.”

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²⁵<http://mnr.krg.org/images/FinancialReports/MNR-KRG%20Annual%20Financial%20Report%202013.pdf>

²⁶<https://eiti.org/files/IEITI%20Final%20Report%202012%20%20English.pdf>

6. KRG Extractive Industry (continued)

6.7.7.3 “The Kurdistan Region’s oil and gas industry currently has an employment distribution of 29-percent local and 71-percent expatriate. The Ministry of Natural Resources aims to raise local employment in the oil and gas industry to 90 percent by 2016 27 .”

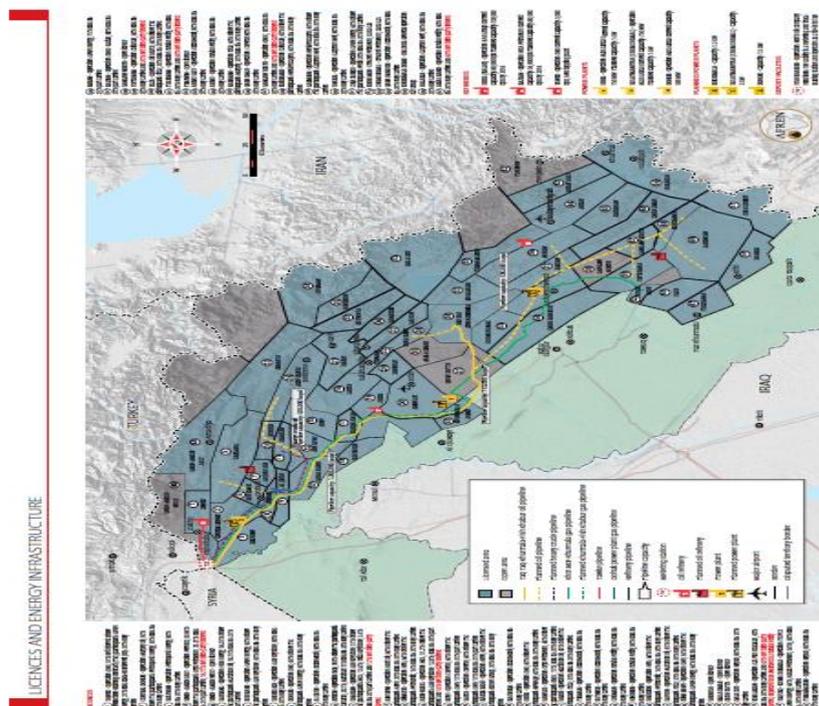
6.7.7.4 “The KRG’s policy of localization involves promoting the transfer of knowledge from skilled expatriates to the local workforce through training programmes and local workshops 28 .”

6.7.8 Licensed areas

6.7.8.1 “The number of licenses in the region is 57 while the number of operating oil companies operating in the Kurdistan region is 33 29 .”

6.7.8.2 The map below illustrates licensed and open areas in Kurdistan Region, in addition to refineries, power plants and export facilities across Kurdistan.

Source: http://mnr.krg.org/images/pdfs/Licences_and_energy_infrastructure_TOGY_2013_1.pdf



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 27<https://eiti.org/files/IEITI%20Final%20Report%202012%20%20English.pdf>
 28<https://eiti.org/files/IEITI%20Final%20Report%202012%20%20English.pdf>
 29<https://eiti.org/files/IEITI%20Final%20Report%202012%20%20English.pdf>

6. KRG Extractive Industry (continued)

The table below includes some of the International Oil Operators in KRG

AFREN	Hunt Oil Middle East Limited
Chevron	Marathon Oil Corporation
Dana Gas	MOL Group
DNO	Oil Search (Iraq) Limited
DNO	OMV
Exxon Mobil	Oryx Petroleum
Gazprom Neft	Repsol
Genel Energy	Talisman Energy
Gulf Keystone Petroleum LTD.	Total
HESS	Viking International
HKN Energy	Western Zagros

Lessons learned from this reconciliation

7. *Lessons learned from this reconciliation*

Irrespective of how much planning has been carried out, there is always room for improvement and lessons learned from each reconciliation conducted. Experiences from the initial implementation of the EITI in Iraq are summarised below, noting that most of them are recurring from previous years

7.1 *Materiality*

The materiality threshold was set by the Stakeholder Council at 0.5%. Although the materiality threshold was defined, explanations were sought for all differences.

Recommendation:

Adherence to the materiality threshold being a percentage of the caption reviewed and setting a fixed threshold amount below which further review/explanations are not sought.

7.2 *Reporting deadlines*

The reconciliation process entails data gathering, processing and validation which requires a considerable amount of time, effort and follow up. This is challenging taking into consideration the set tight deadlines, noting that the IEITI has been ongoing for several years and reporting entities are expected to respond in a timely manner due to existence of previous experiences in this regard.

Recommendation:

It is recommended that the IEITI Stakeholder Council engage the reconciler at an earlier time of the year in order to have more time to perform the reconciliation tasks.

7.3 *Quality of reporting templates*

Based on the Instructions for Completion of Templates, reporting templates need to be properly signed by the reporting entity. It was noted that some of the reporting templates were not properly signed, however, the forms were received through the official emails of the reporting entities.

Buyers were requested to provide the information using the templates approved by the Stakeholder's Council. It was noted that some of the reporting entities did not use these templates, instead, data was reported using self-developed templates, taking into consideration that most of these reporting entities had previous experiences in reporting under EITI framework.

Recommendation:

Joint efforts be exerted by the reconciler and IEITI, through communication channels, to stress on the fact that adherence to the proper completion of reporting templates is strictly required by all reporting entities and that includes using approved templates and its proper signoff.

7.4 *Signatures*

Based on the guidelines, the reporting templates should be signed by the related personnel at the reporting entity. It had been noted that some of the templates were not signed, however the forms were received through the official emails of the reported entities.

Recommendation:

Future guidelines need to emphasise on the importance signing off the submitted templates.

7. Lessons learned from this reconciliation (Continued)

7.5 Auditor's report

Buyers were requested to submit the auditor's report along with completed templates. Some companies failed to submit the audited reports along with the templates where the reconciler had sent reminders in this regard. Due to the current regulatory context in Iraq and the structure of the oil and gas industry, national oil companies are audited by the Iraqi Board of Supreme Audit (BSA) based on local Iraqi accounting standards. These Iraqi standards, when originally developed in the 1980's, were based on International Accounting Standards (IAS). However, these standards were not updated consistently in accordance with the International Accounting Standards. Accordingly they will create a gap between national oil companies as compared with the industry practice.

Recommendation:

It is recommended that buyers provide its audited financial statements to SOMO annually. Moreover, National Oil Companies should be audited in accordance with International Accounting Standards and International Financial Reporting Standards.

7.6 Field work facilitation

The process of gathering data from the different Iraqi reporting entities requires extensive efforts. These efforts should be complemented by more extensive and direct involvement of the different members of the Stakeholders' Council, especially that most of these members had work involvement with these Iraqi reporting entities which can facilitate the data gathering process in a more efficient manner.

Recommendation:

It is recommended that Stakeholder Council members have more extensive and direct involvement, each in its respective group, for the facilitation of data gathering and commitment to deadlines.

7.7 Authorisation

Difficulties occurred during obtaining the data from concerned parties due to bureaucracy or lack of authorisation, which delay data collection efforts.

Recommendation:

It is recommended that appropriate management level at each entity to authorise full access of data for IEITI team at early stages to avoid delays and miscommunications in this regard.

7.8 Liaison officers and workshops

Although that the Iraqi Extractive Industry Transparency Initiative is not a new initiative, yet many entities need to its awareness about it.

Recommendation:

It is recommended that Stakeholder Council assign liaison officers with the different reporting entities with the responsibility of bringing their counterparts at these entities into a better understanding of the initiative and to build rapport which would ultimately facilitate the process of data reporting and increases the accuracy of the reported data.

It is also recommended that workshops be conducted for the purpose of educating the different related parties/entities about the activities and mission of the initiative.

7. Lessons learned from this reconciliation (Continued)

7.9 Contacts

The Iraqi Extractive Industry Transparency Initiative involves dealing with many parties/entities many of which have high employee turnover and accordingly change in contact details, that would miss knowledge accumulation opportunities.

Recommendation:

It is recommended that IEITI Secretariat keep an updated list of the related parties/entities with updated contacts lists which would highly facilitate the communication processes and the collection of data, and to try to maintain the related contact persons or to establish a smooth hand over plans.

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