



Prof. Dr. H. Güntekin KÖKSAL

Established in 1990 as a member of the Turkish PET Holding group of companies, Petoil was the first entrant to the Kurdistan Region of Iraq. Petoil is actively drilling on the Shakal Licence, with Houston-based Prime Natural Resources. The company also holds a 50 percent interest in the Bina Bawi licence. The licence is shared with Hawler Energy, a wholly-owned subsidiary of Prime Natural Resources

The Oil & Gas Year: You were the first foreign company to look at the Kurdistan Region of Iraq. Tell us how you got a foothold in this province.

Dr Güntekin KÖKSAL: Before coming to Iraq we were heavily involved in Azerbaijan where we had two oil fields with 720 wells, 367 of them producing and the rest abandoned. In 2002 Mr. Talabani visited the Chamber of Commerce in Ankara where he expressed an interest in having an oil company explore for oil in northern Iraq. The Kurdish problem was a hot issue in Turkey at the time but we saw an opportunity there. With the blessing of all related Turkish authorities, we went into the region. After seven or eight months we signed our first agreement on the 14th of January 2003 and were allocated a huge area! The first time I visited the site I found it very interesting notably because of the surface structures. We thought we would be able to export within two years. But the war and the subsequent uncertainties prevented that. Now, seven years later, we are witnessing exports to go through this year (2009).

Despite many problems, we drilled our first well in Pulkhana and found oil and gas, but then we were told it was a disputed area and we had to leave. We moved to the Shakal area which is an extension of the same structure. We were also given the Bina Bawi structure, which is another good prospect. However we could not find any service companies in those days that were willing to move their equipment into the region; especially finding wireline services became a big problem. The war and the security situation in the rest of Iraq made it very hard to find contractors. Again, despite all difficulties, we managed to drill two wells in Bina Bawi. We are the operators there and we still have interests in Shakal. A great deal has happened between the Americans the Arabs and the Kurds, but we are stubborn and we did not leave the country.

The real pioneer

TOGY talks to

Prof. Dr Güntekin KÖKSAL, President
PET HOLDING,

Ayşe KÖKSAL ÇETİN, Board Member
PET HOLDING

and

Dr. Ali AK, General Manager
PETOIL

TOGY: When you arrived in the Kurdistan Region of Iraq you were alone. Now there are over 35 foreign companies investing there. How has the sector changed in the seven years you have been there?

Dr GK: The early years were difficult times. Our operations were frequently interfered with and sometimes the borders were closed for weeks when the relations between Turkey and the KRG were not good. Now it is getting much better. We have done a lot to help relations between the Kurdistan Region and Turkey, and the situation is now safe and profitable for both sides. We are happy to be there.

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TOGY: How has the quality of your dialogue with the KRG and the local authorities evolved over the years?

Dr GK: We always maintained a positive dialogue with our Kurdish counterparts. They were always friendly and hospitable. After Dr Ashti came on the scene we found a man who knows and understands oil and gas business and companies. He is a very talented person and has done great work for the Kurdistan Region. But, he is a very tough negotiator.

Dr Ali AK: It is a blessing that a person with his background came onto the scene. He and his team changed everything for the better. Of course the merger of the region's two political parties into a single government played a role

too, it was a good move for the Kurds and everything is now much better and much more serious. At first, our agreements were too good to be true and we didn't believe that they would survive for long. Now we have world standard PSCs which are fair to both sides. As the pioneers we suffered from not having services support. We could not find qualified personnel to send to Iraq; the oil price was high and there were attractive job opportunities everywhere. No one wanted to go to the Kurdistan Region of Iraq. At the time security was the main concern. Today virtually every service is available, except perhaps banking services which are still lacking. Besides, people started to realise that security in Kurdistan is a much different story compared to the security situation in the rest of Iraq. Hence, overall business conditions are much more favourable for foreign companies than before.

Dr GK: In northern Iraq, there is no bribery, no under-the-table business. The people, all the way up to Dr Ashti are very pleasant.

Ayşe KÖKSAL ÇETİN: And that is very rare in the oil sector!

Dr GK: I can remember when doing oil business in other countries, where the oil industry had been established for many years that it was not so transparent and clean. Dr Ashti established a proper way of working and we have to appreciate that.

TOGY: That is very true but, saying that, there are still large signature bonuses and companies have to show some commitment to social projects. Do you find that these schemes and charges are properly regulated and transparently allocated?

AKC: In the past four or five years, since Dr Ashti and his team started working in the ministry, all of the PSCs have been changed in favour of the local side. The contractors lost their previously too high production shares and the signature bonuses were assigned to the public benefit. It may not be hundred percent visible yet because projects are still strating but I am sure we will see

Ayşe KÖKSAL ÇETİN



The Petoil team at work: Third from the left is Erdal Ahiska, Regional Manager A&T, 4th is Pr. Dr Guntekin Koksai, president Pet Holding and 5th is Dr. Ali Ak, General Manager Petoil.

the funds generated by the changes in the PSCs and bonuses being invested in the region. We already see such a difference compared to 2003. The region has prospered. In 2003 there were not even any roads. I visited in October of last year (2008) and I was impressed. There are proper dual carriageways and the locals have better cars. The houses have improved too. In fact the Kurdish side is prospering better than the Arab side.

TOGY: What are the main shortcomings for doing business in this region that still remain to-date?

Dr AA: Uncertainty over exports is the main issue today. However, there are developments and every sign indicates that it will be solved within 2009. The first June exports start from Tawke and Taq Taq was a great event.

TOGY: You spudded your first well in Shakal at the end of 2008. Can you give us a run down on your work programme for 2009 for Petoil in Northern Iraq?

Dr AA: We will drill another well in Shakal and two wells, back to back, in Bina Bawi; we expect to spud the first one in October this year and the second in early 2010. That is our short-term work programme.

TOGY: There have been recent diplomatic breakthroughs in Turkey-KRG relations. Can Turkey now play a role in unlocking the situation between Baghdad and the KRG?

Dr AA: Relations are developing very favourably and we believe that our company has played a role in that by working in the Kurdistan Region. Turkey could influence the situation. It can decide to buy Kurdish oil directly by accepting a "certificate of origin" provided by the KRG. Although it doesn't seem very likely in the near future, it would put pressure on Baghdad to solve this issue as soon as possible.