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SUBJECT: CANADIAN NIKO SIGNS OIL CONTRACT IN KURDISTAN  
REGION

¶1. (U) Canadian oil company Niko Resources, Ltd., announced May 20 that it has entered into its first production-sharing contract (PSC) with the Kurdistan Regional Government (KRG) as a consortium operator. The PSC will cover the exploration, development, and production of petroleum in the Qara Dagħ block. The Calgary-based multinational firm, which operates the majority of its primarily offshore interests in India, Bangladesh, and Thailand, will operate and manage a 27 percent interest under the PSC terms.

¶2. (U) Niko announced that obligations under the PSC include a one-time signature bonus and a capacity-building bonus paid to the KRG within 30 days of executing the contract. The lead member of the consortium is Vast Exploration (Kurdistan) Inc., a wholly owned subsidiary of the Calgary-based oil and gas exploration company, Vast Exploration.

¶3. (U) The Qara Dagħ block is located about 60 kilometers south of Sulaimaniyah city, west of Darbandikhan. It spans 846-square kilometers, and runs from the northwest to the southeast along existing discoveries, immediately north of the Western Zagros field. Vast Exploration noted that there remain some 20 open blocks, mostly in northern Erbil and southern Sulaimaniyah governorates, awaiting exploration.

¶4. (SBU) A politically well-connected Sulaimaniyah-based consultant working for Toronto-based merchant bank Forbes Manhattan, which represented Niko on the pSC deal, indicated to RRTOff that negotiations had been underway on the Qara

Dagh PSC for some time.

¶5. (C) EMBASSY COMMENT: This is a new Kurdish contract, which the KRG appears to have chosen not to publicize itself, contrary to its past practice. The calculation behind the timing of this contract is unfortunate, given KRG PM Barzani's expected return to Baghdad within the next two weeks to attempt to finalize with PM Maliki a long-delayed deal on the hydrocarbons framework law, in which the Kurdish PSCs remain a bone of contention.