



Helge EIDE

**D**NO is an independent E&P company. Headquartered in Oslo, Norway, with worldwide activities, DNO serves as operator or active licence partner in several E&P assets in the UK offshore, Yemen, Equatorial Guinea, Mozambique and Syria. In the Kurdistan Region of Iraq, the company is developing the Tawke, Dohuk and Erbil licences together with its partners. On June 1st 2009, the company became the first ever to export crude oil from the region.

## Making history

TOGY talks to

**Helge EIDE**, Managing Director  
**DNO**

**The Oil & Gas Year:** *Could you tell us a little bit about the origins of DNO and how it became such a versatile company?*

**Helge EIDE:** I've been with DNO for 12 years but the company is actually very old. It was formed in 1971 as one of the first Norwegian E&P companies, but never became a big player. In 1996, the current chairman and a couple of others decided to take over DNO to form a new company focusing more on the mature assets in the North Sea. We carried out our strategy with an aging asset in the UK, the Heather field, and started building a portfolio in Norway. But then, in 2002-2003, we decided to move away from that type of asset, focusing more on exploration and looking for new opportunities in the Middle East.

In summary we can say that the "new DNO" has been growing in three cycles; the first one with mature assets, the second with the higher focus on exploration and the third expanding our business in the Middle East.

**TOGY:** *On June the 1st, you made history by becoming the first company to export crude oil from the Kurdistan region of Iraq. Can you share your sense of achievement and what this represents for DNO with the readers of The Oil & Gas Year?*

**HE:** The commencement of export of crude oil from the Tawke field represents the most important milestone for DNO to date. This is a product of a successful joint efforts and cooperation between the KRG and DNO. We also appreciate the technical assistance and cooperation from the North Oil Company (NOC) during the installation of the facilities to prepare for the tie-in of the Tawke pipeline to the Iraqi-Turkey pipeline. I also believe that this historic moment is important to the Kurdistan Region of Iraq and the rest of the country.

**TOGY:** *In recent months, Turkey's Genel Enerji has become your partner in the Tawke and Duhok fields,*

*after having become a noteworthy shareholder of DNO. Can we foresee further collaboration between your company and Genel in the region or globally and what is Genel Enerji, also an export forerunner for the Kurdistan region of Iraq bringing to the table?*

**HE:** We have had a good contact with Genel Enerji over some years as they are also a pioneer in the region. We welcome their entrance to the Tawke project as well as the Dohuk concession and we are looking forward to work with Genel Enerji in these two important projects. What this will lead to in any other future cooperation is yet to be seen but I believe that both companies have many exciting opportunities ahead in the region and from DNO's perspective our primary focus in the short term will be to further develop our projects in the Kurdistan Region of Iraq.

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**TOGY:** *You have a very entrepreneurial approach to this business. What were the pros and cons of investing in the Kurdistan Region of Iraq?*

**HE:** Before 2004, when we first went into Iraq, we spread out a map of the country and you could see oil fields coming up from the south suddenly stopping. We all knew the reason why there were no fields in northern Iraq: there had been almost no exploration. We had been gaining a strong technical expertise and track record from our operations in Yemen, which we could transfer into the highly prospective area in the Kurdistan Region of Iraq. We considered the political uncer-

tainty an advantage to us because it limited the competition. As a frontrunner, with a high probability of finding oil, we were ready to take the political risk.

**TOGY:** *What was the biggest challenge in the early days of your exploration?*

**HE:** One big challenge we had was to attract service companies; we needed to contract for seismic services and drilling rigs. In fact we did our first seismic with equipment that we purchased and using a small service company to operate it ourselves.

**TOGY:** *What was the initial reaction of the investment community with the decision to enter Iraq and start exploring there?*

**HE:** There wasn't much interest when we first announced it. They said, "we'll have to wait and see what happens". That was in June 2004 and only ten months later we were on the ground acquiring seismic data.

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**TOGY:** *Why and how was it so quick in a place where there was absolutely no infrastructure available for exploration work?*

**HE:** It is simply the way we work. Also, during our strategic change in 2003 we divested all our material assets, so we didn't have to go to the market to fund the move into Iraq. We were able to make quick decisions and we didn't need external funding.

**TOGY:** *What would you consider the breakthrough moment of your actions in the Kurdistan Region?*

**HE:** Starting the seismic was the first big milestone for us. The second was when we commenced drilling which was also marked with a big event by the KRG. This was also seen as a major event by the market and investors became more interested in our operations in Kurdistan. The third and most important milestone to date was when we commenced test production from Tawke in June 2007 – only one year after we made the discovery.

**TOGY:** *You have had success in Tawke and have started developing the Erbil licence. Can you tell us about the development in these areas?*

**HE:** Looking at Tawke first, we made the discovery from the first well and immediately thereafter we initiated a 3D seismic survey; the first of its kind in Iraq. We then brought in a second drilling



*DNO's central processing facilities in Tawke.*

rig and started a very aggressive appraisal drilling programme. In parallel with that we ordered processing facilities, which were installed in a very short period of time. The Tawke development is indeed an ultra fast-track development.

The discovery in the Erbil contract area was made in early 2008 and we are currently looking for possible development of this.

**TOGY:** *Moving on to the Tawke field, what total production do you expect to bring onstream in the near to medium term?*

**HE:** The processing facilities we have installed can handle 50,000 barrels of oil per day (bopd) but in terms of the total initial aggregate well capacity we are in excess of 100,000 bopd. However it will not be prudent to produce these wells at full ca-

*Early movers, early benefactors: local communities are expecting to reap the rewards of the first oil exports from Kurdistan, led by DNO's Tawke operations.*





The success of DNO's first oil exports is drawing attention from the global E&P industry.

capacity. We are implementing a step-up plan agreed with KRG and NOC to reach the full capacity of the facilities as quickly as possible. To build higher production capacity we will need to drill more wells and to install new facilities, and this will be considered after gaining some experience from full scale production.

We have installed a pipeline from the Tawke field to the connecting point to the Iraqi-Turkey pipeline system and are flowing the oil directly into the pipeline; however with our volume of 50,000 bopd we wouldn't be able to fill the pipeline if it was empty. To that end we set up a tank farm, which allows us to pump oil at the necessary pressure by batches. However, there has been a regular flow now for a considerable time in the Iraqi-Turkey pipeline system and we might not need this system. However, our tank farm facilities could serve as an export hub for future oil fields to be brought on stream in the area.

**TOGY:** *What do you make of the situation between the KRG and the central government?*

**HE:** We have taken the position not to make any comments about the political process.

**TOGY:** *There has been a very interesting collaborative effort on the side of the operators, what do you make of these attempts to work together?*

**HE:** So far we have not been making too much of it ourselves as it's going to be more important for the new companies coming in to learn from us. The question we would have to ask ourselves is how much should we give away from our early lessons and experience.

**TOGY:** *At the moment there are a number of operators in the region that are having difficulties because of the collapse in the stock markets. Do you see opportunities for acquisitions?*

**HE:** I think it's fair to say that there is an inquisitive trend in today's market. So of course we'll watch that carefully ourselves, but our key priority is now to get into export.

**TOGY:** *All the companies operating in the Kurdistan Region of Iraq have been required to make significant investments towards developing local communities. Can you give us an idea about what sort of work you have undertaken in this regard?*

**HE:** So far we have made contributions to schools and hospitals. However, the most important contribution to date is that the majority of the people who are working with us are locals.

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**TOGY:** *If you were to do things differently, what would you have changed in the last four or five years that you've been involved in the Kurdistan Region?*

**HE:** On the ground, probably not too much but I would have tried to minimise the public profile. This is, however, not always under our control.

**TOGY:** *There are already 25 operators in the KRG area. What would you like to tell contractors looking to move into the area?*

**HE:** I am sure that these companies have already discovered the uniqueness of opportunities here and that this is one of the few remaining frontier areas where you can find world-class assets.