United States Department of State

Washington, D.C. 20520

OCT 18 2007

Dear Mr. Chairman:

Thank you for your letter regarding the recent signing of an oil production sharing agreement (PSA) between the Hunt Oil Company, its partner Impulse Energy, and the Kurdistan Regional Government (KRG).

Hunt Oil's General Manager for Europe, Africa and the Middle East met with our Regional Reconstruction Team (RRT) in Irbil on September 5 to discuss Hunt's intention to sign a contract with the Kurdistan Regional Government (KRG). Our RRT informed Embassy Baghdad and Washington agencies on September 6. The contract was signed on September 8.

The RRT made clear to Hunt Oil's General Manager the same concerns that we have raised with all companies that have spoken with the U.S. Government about investment in Iraq's oil sector. Specifically, the RRT stated that we continue to advise all companies that they incur significant political and legal risk by signing contracts with any party before the Hydrocarbon Framework Law is passed by the Iraqi Parliament and that signature of such contracts would needlessly elevate tensions between the KRG and the Government of Iraq (GOI). We have expressed the same concerns to all companies that have contacted the U.S. Government about investment in Iraq's oil sector, regardless of size or nationality. We have also made the point publicly several times over the last year.

As we have said publicly, the Hunt Oil deal is not helpful because it was signed before the adoption of the Hydrocarbon Framework Law and

The Honorable
Edward J. Markey, Chairman,
Select Committee on Energy Independence,
and Global Warming,
House of Representatives.

prior to the delineation of authority over fields and exploration blocs. The Iraqi Federal Government and the KRG have not agreed on the number of exploration blocs, at which locations, nor on the issue of which party has the authority to manage which fields. The KRG's signing contracts before passage of these federal laws complicates the negotiations meant to address these questions. Iraq's political leaders need to resolve the issue of who has the authority under Iraqi law to negotiate, sign, and approve oil contracts. We believe it is in the best interest of Iraq for all interested parties to agree to a single central approver of contracts so that Iraq's oil and gas resources can be developed in accordance with a rational plan. The GOI and KRG will need to discuss what should be done with the numerous contracts already signed by the KRG.

Our understanding is that the draft federal Revenue Sharing Law, a separate piece of legislation from the Hydrocarbon Framework Law, will develop a single national account for the deposit of hydrocarbon revenues. This account would then divide money between national projects, the Federal Government, regions, and provinces. This law has not yet been vetted fully by the Iraqi cabinet, but if passed it would be a trust-building step to ensure that Iraq's oil wealth will be spent to help all areas of Iraq, and not just Baghdad.

Regarding your questions on the President's Foreign Intelligence Advisory Board, the Department of State is not the appropriate agency to respond to these questions. We suggest that you direct these questions to the White House.

We share your interest in the sustainable development of Iraq's oil and gas sector. The U.S. strongly supports the Iraqi Government's policy to reform this sector with the goal of maximizing oil revenues for the benefit of all Iraqis.

Sincerely,

Jeffrey T. Bergner

Jeffrey T. Bergner
Assistant Secretary
Legislative Affairs