

# THE OIL CONCESSIONS IN THE OTTOMAN EMPIRE (END OF THE 19<sup>th</sup> CENTURY – BEGINNING OF THE 20<sup>th</sup> CENTURY)

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The Ottoman Empire was a world power extending over three continents. Therefore, it was quite natural to possess vast territories rich in oil and natural gas reserves. The existence of rich oil beds in the Ottoman soils had been probed by foreign explorers since the early 1870s. This paper will look at the terms of oil contracts, the conditions for concession, and the struggle of the Great Powers over the Ottoman oil resources.

**Keywords:** oil; natural gas; Ottoman Empire; Germany; Great Powers; Abdülhamid II; Wilhelm II; railways

The word “petrol” is derived from the Latin words “*petra*”, which means “rock”, and “*oleum*”, which means “oil.” The word “*oil*” was first recorded in the book *De re metallica (About Metals)*, written by the German mineralogist Georgius Agricola in 1556. While oil was known as “*naft*” in Arabic and Persian, it was called “*neft*” in Ottoman. Oil has been known since ancient times and has been used for several purposes. In Mesopotamia and Persia it was used for inlaying jewelry and mosaics, processing guns and tackles, building ships and roads, and making medicine for the skin and purgative illnesses. The first war for oil in history was between Babylon and the Assyrian states to control the oil springs located around Hit (today in Baghdad). This place used to have natural gas seeps which burned continually and caused fire which was worshipped. It is known that the bituminous substance used in the embalmment process in ancient Egypt was produced in the Libyan deserts. Furthermore, the Greeks used the first known petroleum-based weapon, “the Greek fire,” against the Roman Empire between 193 and 211.<sup>1</sup>

Oil beds within the borders of the Ottoman Empire started to be prospected in the early 1870s by foreign specialists. However, the first oil exploration activities on Turkish soil were made by Ahmet Necati Efendi, one of the military contractors during the time of Sultan Abdülhamid II, in İskenderun. As a result of the prospecting activities undertaken in the village of Çengen (near İskenderun),

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<sup>1</sup> Suat Parlar, *Barbarlığın Kaynağı Petrol* (Istanbul: Anka, 2003), 11–12.

the first oil reserves were found in the Ottoman territory. The specimen taken from there was sent to Istanbul so that it could be analyzed by chemist Moreau.<sup>2</sup>

After having carried out oil explorations in İskenderun, Ahmet Necati Efendi applied to the Ottoman Empire for the right to take over the exploitation of oil wells. In 1889 he requested permission to undertake oil explorations, set up production facilities in case oil was found, and transport the oil from the port of İskenderun via pipelines.<sup>3</sup>

The Ottoman Empire placed emphasis on oil exploration in its territories after the end of the nineteenth century, when the value of oil started to increase. Therefore, Ahmet Necati Efendi's request was analyzed thoroughly by governmental bodies such as *Şûrâ-i Devlet* (the State Council) and *Meclis-i Vükelâ* (the Ministerial Cabinet). The seventeen-article list of conditions was examined by the State Council on 23 March 1889 (H. 21 Receb 1306) and it included the delimitation of borders of the oil production area providing security for the region, the designated tax amount to be paid by the management team, and the obligation to keep a distance of 150 km between the oil exploration sites and water resources and railways. Then, the State Council examined the eleven-article terms and conditions drafted for Ahmet Necati Efendi, who would manage the İskenderun oil sites. This contract designated the borders of the oil exploration concession and the legal and economic liabilities to the government. The essential point of the contract was the article compelling the operator to open the oil well within two years after the issuance of the sultan's firman which stated that the contract was approved. Otherwise, the contract would be cancelled by the government.<sup>4</sup>

The seventeen-article list of conditions and eleven-article contract approved by the State Council started to be debated in the Ministerial Cabinet on 30 March 1889. The Cabinet objected to the article granting exemption from customs duties and fees, and returned it to the State Council. The objection of the Cabinet was accepted by the State Council, which made the necessary amendments. Grand Vizier Mehmed Kamil Pasha submitted the last version of the contract to the sultan on 13 June. The following day, on 14 June 1889, the contract granting the İskenderun oil exploration rights to Ahmet Necati Efendi was approved by Abdülhamid II's *irâde-i seniyye* (sultan's decree).<sup>5</sup> During the same year, besides the İskenderun oil finds, there was natural gas found in the area called Senlice

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<sup>2</sup> İdris Bostan, "Osmanlı Topraklarında Petrolün Bulunuşu ve İskenderun'da İlk Petrol İşletme Çalışmaları," *Coğrafya Araştırmaları* 1, no. 2 (1990): 129.

<sup>3</sup> Volkan Ş. Ediger, *Osmanlı'da Neft ve Petrol* (Ankara: ODTÜ Yayıncılık, 2005), 134.

<sup>4</sup> Bostan, "Osmanlı Topraklarında Petrolün Bulunuşu," 130.

<sup>5</sup> Başbakanlık Osmanlı Arşivi, Istanbul (hereafter: BOA), İ.MMS, 105/4493.

Farm of Ioannina (today in Greece). The concession of this natural gas deposit was given to the *Hazine-i Hassa* (the sultan's Private Treasury) by order of the sultan.<sup>6</sup>

After obtaining the oil exploration concession, Ahmet Necati Efendi, who was obliged to start exploiting the oil reserves within two years, handed over his rights to businessman Hasan Tahsin Efendi seven and a half months later, on 26 January 1890.<sup>7</sup> According to the terms of the *irâde-i seniyye* which approved the İskenderun oil concession, the oil wells were supposed to be exploited after 14 June 1889. Otherwise, the concession was to be cancelled.<sup>8</sup> Hasan Tahsin Efendi did not have sufficient capital to open these oil wells, and therefore he wanted to use his privilege as capital into the newly established Anadolu Petrol Gazı Company.<sup>9</sup> Hasan Tahsin Efendi's request was examined by the Ottoman Empire, and it was determined that there was no contradicting stipulation in the list of conditions of the concession contract. Eventually, the takeover of the concession from Hasan Tahsin Efendi by the Anadolu Petrol Gazı Company was completed on 2 June 1891.<sup>10</sup>

The Anadolu Petrol Gazı Company, which was granted the oil concession in the region of İskenderun, was not able to attain the desired results during explorations made after 1892 and the company left the region. Therefore, 26 years after the agreement for the İskenderun oil exploration was made, on 11 February 1916, it was announced that the contract was rescinded by the decision of the State Council.<sup>11</sup>

One of the concession solicitations made to the Ottoman Empire after that of Ahmet Necati Efendi was the one submitted for the province of Van by the Van mayor, Galip Pasha, on 28 December 1896.<sup>12</sup> It is known that Galip Pasha asked for permission from the Ottoman government for a two-year exploitation of the Van oil sites after 1895, but he never received any reply. Galip Pasha first wrote to the Ministry of Forests and Mines and then to the prime ministers of the relevant periods. However, he was not able to make any progress. The first oil concession in the province of Van was granted to the German Karl Rayzer for the oil beds in Bargiri District (province of Van), to explore and operate the site, in 1899.<sup>13</sup>

The oil concession in the province of Van, four years after it was given to the Private Treasury for the first time, was offered to Müşir Fuat Pasha for 99 years

<sup>6</sup> Ibid., İ.DH, 1093/85687.

<sup>7</sup> Ibid., İ.MMS, 105/4831.

<sup>8</sup> Ibid., İmtiyaz Defteri, no. 2, fols. 140–141.

<sup>9</sup> Ibid., İ.MMS, 105/4831, doc. nos. 1, 3–5.

<sup>10</sup> Ibid., İmtiyaz Defteri, no. 2, fol. 220.

<sup>11</sup> Ibid., MV, 241/236.

<sup>12</sup> Ibid., Y.EE, 132/3.

<sup>13</sup> Ediger, *Osmanlı'da Neft*, 146–148.

by order of the sultan following the approval of the Ministerial Cabinet on 13 February 1913. However, as can be seen in the report which was sent by the *Dâhiliye Nezareti* (Ministry of Internal Affairs) on 24 January 1914, the Van oil sites were not opened for several reasons, and it was urgent to start the operations for the benefit of the local people, who were suffering from poverty. Finally, the last concession of the Van oil sites was granted to Emil Mayen from France, on 1 April 1924.<sup>14</sup>

When the Van mayor, Galip Pasha, asked for the privilege to explore the Van oil sites in 1896, it was the first time this had happened in Ottoman history. During the same year, Halil Rifat Pasha, who became prime minister, obtained the concession for oil exploration on the oil sites around Edirne on 29 September 1896.<sup>15</sup> Halil Rifat Pasha, whose close relationship with the sultan was known, obtained the concessions of oil and lignite sites located in Polotnaz Creek, Koçali, Kalcak and Eksemil villages (Şarköy District, within the borders of Gelibolu County, province of Edirne).<sup>16</sup>

Halil Rifat Pasha, after obtaining the privilege of oil exploration in the province of Edirne, started operations right away. The first drilling activities in Thrace were performed using equipment and workers from Romania in 1898. In an oil well drilled near Gaziköy (Ganos), some oil and natural gas traces were found at a depth of 108 m. However, there were not sufficient oil reserves found as a result of these drilling operations. As costs were increasing and no oil beds with rich reserves could be found, Halil Rifat Pasha started to consider ending his explorations. At the end of 1898, it was clear that the oil reserves in Edirne were not remarkable, and the drilling operations were stopped and explorations ended.<sup>17</sup>

Besides Halil Rifat Pasha, the Ottoman Bank and a French company carried out explorations in the province of Thrace. In Şarköy at a depth of 82 m and in Mürefte at a depth of 74 m traces of oil were found. In addition, they drilled oil wells at a depth of 350 m and 443 m, which could be considered quite deep for that period. From these oil wells initially two tons of oil were extracted daily. From the Şarköy and Mürefte oil wells a total of 47 tons of oil was obtained until the end of the year 1901.<sup>18</sup> In addition to these explorations, the concession of tar and oil sites located in Müslim village (Edirne) was given to Mustafa Hayri Efendi on 20 June 1910.<sup>19</sup>

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<sup>14</sup> Ibid., 150–152.

<sup>15</sup> BOA, İ.İMT, 1314 R–1.

<sup>16</sup> Ibid., Y.A.HUS, 517/114.

<sup>17</sup> Niyazi Acun, *Dünya Petrol Tarihi ve Türk Petrolü* (Istanbul: Saka Matbaası, 1949), 135.

<sup>18</sup> *İlk Elli Yıl (1954–2004)* (Ankara, 2004), 22–23.

<sup>19</sup> BOA, İ.OM, 1328 C–3.

Besides the Van and Edirne oil contracts, two oil concessions in Erzurum are significant in 1898. According to the concession contract dated 12 August 1898, the exploitation of oil beds in Pulk village (Tercan County, province of Erzurum) was granted to Ahmet Celaleddin Pasha, whereas the concession for all the oil beds in the province of Erzurum except the village of Pulk was granted to a German citizen, Karl Rayzer, for 99 years.<sup>20</sup> On 11 September 1898, the contract for the Erzurum oil sites exploitation was submitted to the approval of Sultan Abdülhamid II, and then it came into force.<sup>21</sup> By giving exploitation rights over the insignificant oil reserves in Erzurum to a German citizen, the Ottoman government was sending a friendship message to the German emperor, Wilhelm II, who was to visit Istanbul in October for the second time.<sup>22</sup>

The Ottoman government was aware of the existence of rich oil beds and so were the Great Powers and the people who were aiming at getting exploitation privileges. The Private Treasury found rich oil beds in the province of Mosul as a result of prospecting operations it had ordered. Therefore, the Private Treasury sent a bill to Sultan Abdülhamid II, seeking the approval to obtain the oil exploration and exploitation concession in Mosul on 6 February 1889. The permission requested by the Private Treasury was approved by the sultan, and it was announced that the concession of the vast amount of oil reserves in Mosul was granted to the Private Treasury.<sup>23</sup> There are different opinions about the Ottoman Empire's inclusion of the province of Mosul, the most significant oil region even today, into the Private Treasury before granting concessions for oil exploration in İskenderun, Van, Edirne and Erzurum. This was the second time the concession for oil exploration and exploitation in Mosul had been granted to the Private Treasury by the approval of the sultan in 1898.<sup>24</sup> According to Hikmet Uluğbay, as a result of this arrangement, the income of the sultan would increase. Furthermore, in case the exploration and exploitation of Mosul oil reserves were given to third parties, the negotiations which would be carried out with third parties could be performed by authorized persons as trustees and under the control of the sultan, securing thus the Mosul oil reserves.<sup>25</sup>

In addition, the Ottoman Empire was aware of the fact that the Great Powers had different interests in the oil sites under its control. However, from the second half of the nineteenth century, the Ottoman Empire did not have sufficient power to

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<sup>20</sup> Ediger, *Osmanlı'da Neft*, 166–167.

<sup>21</sup> BOA, Y.A.RES, 2/22.

<sup>22</sup> Ediger, *Osmanlı'da Neft*, 167–169.

<sup>23</sup> BOA, İ.DH, 87615.

<sup>24</sup> Ibid., İ.HUS, 1316 Ca–7.

<sup>25</sup> Hikmet Uluğbay, *İmparatorluktan Cumhuriyete Petropolitik* (Ankara: Turkish Daily News Yayınları, 1995), 17–18.

guarantee the unity of its territory. Although the territorial unity of the Ottoman Empire was in the interest of Britain and France, they changed their policy after the Treaty of Berlin in 1878. Britain occupied Cyprus in 1878 and Egypt in 1882. France occupied Tunisia in 1881 for several reasons. The real agenda of Britain and France was to obtain rich oil sites in Syria and Mesopotamia from the Ottoman Empire. During these occupations, the Ottoman Empire started to develop close political and economic relations with Germany, which had its own interests in the Middle East. Furthermore, during this period, the Great Powers started the competition for railway construction, which also enabled them to obtain rights over the rich oil beds in the proximity of railroads. In this period when countries viewed railroads as a means to reach oil reserves, the Ottoman-German agreements commenced, and with the visit of Emperor Wilhelm II to Istanbul in 1889, the relationship between the two countries acquired a different dimension.<sup>26</sup>

Besides Wilhelm II's visit, as a result of the railroads built by Germans in Anatolia, the Ottoman-German relations developed quickly. The German railroad operations on the Ottoman territory started with the granting of the concession for the İzmit-Ankara line to Deutsche Bank. The Anatolian Railway Company, which was operating under the control of Deutsche Bank, completed the İzmit-Ankara line on the promised date of 27 November 1892 and earned the trust of the Ottoman government. Therefore, concessions for planned lines from Ankara to Eskişehir and to Konya were again given to Deutsche Bank, in spite of British and French pressures. After finishing these projects in 1896, a race for obtaining the contract to build the railroad from Konya to Baghdad started among the Great Powers. However, Emperor Wilhelm II made sure that the railroad project was given to Deutsche Bank on his second visit to the Ottoman Empire in 1898.<sup>27</sup>

Wilhelm II's visit to Istanbul in 1898 was highly effective regarding the railroads issue. As a result, the concession for the railroad to Baghdad was granted to Germany in principle. Officially, the agreement was concluded between the Ottoman Empire and the German Anatolian Railway Company on 5 March 1903. The agreement with Germany opened up opportunities in the Middle East, Mesopotamia and the Persian Gulf through the Berlin-Istanbul-Baghdad railroad. Thus, this result would ensure Britain's roads in India, the French penetration in Syria and Russia's expansion of interests towards the insecure Middle East.<sup>28</sup>

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<sup>26</sup> A. L. Macfie, *Osmanlı'nın Son Yılları 1908–1923* (Istanbul: Kitap Yayınevi, 2003), 106–107.

<sup>27</sup> Murat Özyüksel, *Hicaz Demiryolu* (Istanbul: Türkiye Ekonomik ve Toplumsal Tarih Vakfı, 2000), 21–23.

<sup>28</sup> For more information about the effects of railroads concessions on the Ottoman-German relationship, see Murat Özyüksel, *Osmanlı-Alman İlişkilerinin Gelişimi Sürecinde Anadolu ve Bağdat Demiryolları* (Istanbul: Arba, 1988).

According to the Baghdad Railroad Agreement between the Ottoman Empire and Germany, the Germans were given the right to prospect for mines and reserves within an area of 20 km on each side of the railway line, to build the required infrastructure and to use water reserves whenever they needed them. Thus, Germany found an opportunity to take advantage of the richest oil beds of that period, in Mesopotamia, by means of the Baghdad railroad project. Indeed, before having the approval of the Ottoman government, Deutsche Bank carried out prospecting activities in the region, and all the mines and oil sites along the railroad were explored. Especially in Mosul and Kirkuk, substantially rich oil reserves were identified by the German engineers. As a result of these initial prospecting activities, the Germans received the concession for oil exploration and exploitation in the region on 5 March 1903.<sup>29</sup>

The Germans obtained the Baghdad railroad construction contract although they were in difficulties as a result of the Great Powers' reaction to the project and because the completion of the infrastructure along the railroad required capital. Deutsche Bank planned to include companies from Britain, France and Russia into the project so as to diminish their pressure and the financial load. The other Great Powers, which did not want Germany to enter the Middle East oil market, did not take into consideration the German offer. Therefore, Germany was not able to meet the deadline included in the concession contract of 5 March 1903, which required them to start operations within a year. However, they obtained an extension period from the Ottoman government. Moreover, together with the development of the constitutional monarchy for the second time in 1908, there was a growing anti-German attitude in the capital city of the Ottoman Empire. Furthermore, starting with the large British oil explorations in Iran, Germany was to be excluded from the Middle East.<sup>30</sup>

The Baghdad railroad project, which was interrupted after the second constitutional monarchy period, resumed in 1911. However, because of Germany's financial problems, it did not reach the expected results.<sup>31</sup> The construction process of the Baghdad railroad had shown too many fluctuations. Although it continued for a while after the beginning of World War One, at the end of the war Germany had to hand over all of its railroad rights to the Allies. The government of the Republic of Turkey purchased the Anatolian Railway Company so that it could be nationalized in 1928 after the end of the Turkish independence war.

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<sup>29</sup> İlber Ortaylı, *II. Abdülhamid Döneminde Osmanlı İmparatorluğu'nda Alman Nüfuzu* (Istanbul: Alkım Yayınevi, 2006), 132–133.

<sup>30</sup> Ediger, *Osmanlı'da Neft*, 241, 279.

<sup>31</sup> Marian Kent, ed., *Osmanlı İmparatorluğu'nun Sonu ve Büyük Güçler* (Istanbul: Tarih Vakfı Yurt Yayınları, 1999), 136.

Apart from Germany, Britain and the United States were also among the countries which wanted to receive oil concessions on Ottoman soil. The British company D'Arcy and the American company Chester conducted negotiations with the Ottoman government to obtain oil concessions in Mesopotamia. There was a significant milestone for the Middle East oil history in 1901. On 28 May 1901, the British entrepreneur William Knox D'Arcy signed an oil concession contract with the shah of Iran for 60 years. This development conferred the regional oil reserves an important strategic position in world politics. In addition, following this concession, the D'Arcy Company would continue to play an important part in the history of Turkish oil.<sup>32</sup> After obtaining the oil concession from Iran in 1901, the D'Arcy Company started oil explorations on the Ottoman-Iranian border. At the beginning of 1903, a representative of the Baghdad governor notified the Yıldız Palace that Britain was carrying out oil explorations in Kasr-ı Şirin on the Iranian border.<sup>33</sup> After the discovery of vast amounts of oil reserves in Iran, Britain went one step further than the other western countries in the oil competition in the Middle East, and intensified its efforts to obtain oil concessions. On 25 August 1904, the British citizen Kavut Kallerbert succeeded in obtaining an exploitation concession from the Ottoman government for the tar and asphalt reserves in Beirut, Lazkiye, Bayar County, Kaferiye village for 99 years.<sup>34</sup> On the other hand, the D'Arcy Company, with the support of the British ambassador, started negotiations with the Ottoman government in 1907. Marriot, the representative assigned by the company to Istanbul, was not able to conclude the negotiations successfully after eighteen months. Then H. Edward Nichols, who replaced the previous representative, was promised the concession. However, in 1908, when the İttihat ve Terakki Cemiyeti (Committee of Union and Progress) took control of the government, the Mosul-Kirkuk oil site, which was the personal land of Sultan Abdülhamid II, was transferred to the Ministry of Finance. After that, the attempts of the D'Arcy Company to obtain concessions from the Ottoman Empire did not have any results.<sup>35</sup>

The effort of the American Chester Group to secure concessions started in 1909. Admiral Chester made an agreement with the Ottoman government to build a port in Yumurtalık, a three-lane railroad from Harput to Ergani, Diyarbakır, Bitlis, Van and Mosul to Kirkuk. According to the concession contract, the Chester Group was given the right to prospect for mines within an area of 20 km on each side of the railway line. The Chester Group gave 20,000 Turkish liras as deposit payment

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<sup>32</sup> Uluğbay, *İmparatorluktan Cumhuriyete Petropolitik*, 30.

<sup>33</sup> BOA, Y.PRK.UM, 63/44.

<sup>34</sup> Ibid., İmtiyaz Defteri, no. 3, fol. 156.

<sup>35</sup> Kemal Melek, *İngiliz Belgeleriyle Musul Sorunu 1890–1926* (Istanbul: Üçdal Neşriyat, 1983), 13.



to the Ottoman government. However, the outbreak of the Italo-Turkish War in 1911 and then of World War One prevented the project from starting. After the Turkish independence war, negotiations between Turkey and the United States were resumed, and Turkey approached the project in a positive way, as the government considered that it would be beneficial for the reconstruction of Turkey. Although the Chester Project – the first direct foreign investment of the new republic period – was approved in April 1923, it was not put into practice, because Mosul and Kirkuk were no longer part of the Turkish territory. Then, the Grand National Assembly of Turkey announced that the agreement was cancelled.<sup>36</sup>

The last oil concession granted by the Ottoman government was the one obtained by an American citizen, Lucian I. Tomas, in 1922, for the oil beds in Mürefte and Şarköy (Gelibolu County, province of Edirne), for 60 years in exchange of payment of the required taxes.<sup>37</sup>

From the fact that the Ottoman Empire gave its last concession to an American citizen and the Grand National Assembly of Turkey granted the first oil concession to an American company, it can be observed clearly that the country competing with Britain, which was the dominant power in the Middle East after the fall of the Ottoman Empire, would be the United States. The developments occurring after World War Two confirmed this hypothesis.<sup>38</sup>

At the end of World War One, the Ottoman Empire was shattered. The areas rich in oil reserves were occupied by Britain and France. At the same time, Anatolia was invaded by the forces of the Allies. Besides, although it was included within the borders established in the *Misak-ı Milli* (National Plan), Mosul was taken from Turkey and given to Iraq, which was a British colony as a result of British activities in the League of Nations. Thus, the new Turkish state did not inherit any oil reserves from the Ottoman Empire.

Although in the beginning the new Republic of Turkey was not an industrial country, the demand for oil was rather high. According to a statistical report published in 1928, Turkey imported 4,904 kg of oil in 1923, 10,320 kg in 1924, and 20,402 kg in 1925.<sup>39</sup> Up to the present, Turkey's need for oil has gradually increased and it has recently become a most important issue.

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<sup>36</sup> For more information about the Chester project, see Bilmez Bülent Can, *Demiryolundan Petrole Chester Projesi (1908–1923)* (Istanbul: Türkiye Ekonomik ve Toplumsal Tarih Vakfı, 2000).

<sup>37</sup> BOA, MV, 256/63.

<sup>38</sup> Ediger, *Osmanlı'da Neft*, 385.

<sup>39</sup> *1925 Senesine Mahsus Ticaret-i Hariciye İstatistiği* (Istanbul: Devlet Matbaası, 1928), 465.