



## Some concerns on Saudi production may be answered

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I remember one time taking a bus up to the Arctic Circle in Sweden, and being cautioned on the way not to ask the local Lapp how many reindeer they had. It was considered impolite. Gerald Posner notes in *Secrets of the Kingdom*, that the Saud family feel much the same way when asked about Saudi oil. Which makes it a little more difficult to discern exactly what is going on with production over there at the moment. However, in a relatively unreported [remark by their oil minister](#) in San Francisco last weekend he mentioned that they planned on becoming more open.

"The IEF Secretariat, based in Riyadh, can serve a useful and productive role in fostering greater dialogue and cooperation between producers and consumers of oil. The Joint Oil Data Initiative (or JODI) is now working to complete its global database of oil statistics. When it is released this summer, the JODI database will help improve oil market data transparency where we need it most - in fast growing, developing economies."

This would be very useful since there are some increasing worries about current Saudi production beginning to emerge.

For example he also said

"Saudi Arabia can produce 11 million barrels per day, of which 1.5 million is considered a cushion over and above demand. Total capacity should increase to 12.5 million barrels by 2009."

But there are the occasional rumors that there is a slight discrepancy between what is being said and what is actually happening. Consider today's article in [Rigzone](#). They report a difference between Saudi production claims to have produced this year, some 848 million barrels, and an outside count.

But OPEC estimates based on secondary sources put the total at 839 million barrels. And the International Energy Agency pegs it at 814 million barrels - a 34 million barrel difference.

When things are getting this tight, this is a disturbing difference, of about 360,000 bd in the wrong direction. This is particularly true since there are no signs of any additional production coming on line between now and the Haradh development next year.

There are also concerns with depletion rates and oil replacement from the older fields. Consider this from [al Jazeera](#):

The IEA notes in its November report that Riyadh has "increased drilling to offset anticipated decline". Much of the current steadying of Saudi supply has been from two reasonably small new fields, Qatif and Abu Sa'fa.

The decline, which this 800,000 bd production is offsetting is coming from the depletion of Abqaiq, Ghawar and Berri. Which while very realistic, does not agree with the remarks made [at the CSIS meeting](#) in February 2004, when they gave rates of 2.8% for Abqaiq and 4.1% for Berri. Since they equate this to 4.3% for Yibal (which went down a lot faster than that), this is a worry. The only way to sustain production at that level would be to drill more wells, and since in that area they are apparently getting only 3,000 bd from their wells (source - same meeting) they don't have enough drilling rigs.

Speaking of little reported news I was surprised not to see the [Moscow power outage](#) given more coverage over here. With over 20,000 people trapped in subways and 1,500 in elevators it is a warning to us all of our vulnerability and reliance on perhaps too centralized a power system. Incidentally the article refers to Tula as a nearby city, having also been there (it is where Tolstoy is buried) it is not exactly next door - its actually some 193 km away and gives some idea of the size of the problem since they are also powerless. (But [the Energy Bulletin](#) caught it.)

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