



Saudi Aramco expansion plans

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Because the demand for oil is continuing to grow, Saudi Arabia is making plans to attempt to meet the growing need. At the 14th Middle East Oil and Gas Show in Bahrain, the senior vice president for exploration and production for Aramco, [Abd Allah Al-Saif](#) provided information on the planned increases in production that the company is anticipating. They are:

major projects that Saudi Aramco is undertaking to ensure meeting future demand:

• The Abu Sa'fah and Qatif projects came on stream in 2004 adding 650,000 bpd.

• 300,000 bpd of Arabian Light will come on stream in the Haradh field in mid-2006.

• 500,000 bpd of Arabian Light will be added to capacity through the Khursaniyah development, planned for 2007.

• 2008 is the target date of approved expansion plans that would add 300,000 bpd of lighter crude at Shaybah and central Arabian fields.

• A Khurais increment of 1.2 million bpd of Arabian Light will be commissioned in 2009.

"This is a very aggressive program that will require the mobilization of immense resources, such as rigs, material and manpower, but which we are confident to successfully execute, as we have done for the past 70 years," he said.

The concern is two-fold, the first as he recognized earlier in his speech is that world demand went up 3.5 million barrels a day in 2004, and a conservative estimate for this year is that it will go up 2 mbd. And as I mentioned in my post yesterday, Saudi Arabia is just about the only country that can provide sufficient increase in production to have any impact on that demand.

The second is that these increases mask the fact that some of the larger and older fields are now in decline (Ghawar for example appears to be dropping at around 300,000 barrels a day each year). Thus what appears to be an increase in overall Saudi production may, in fact, end up just maintaining current production.

UPDATED (4/8)

There was an article in the Washington Post last week that gave the following information from the Saudi oil Minister giving some indication of what they think the size of the problem might be and where an additional increase in oil is anticipated to come from.

Global crude consumption is expected to hit 86.1 million bpd during the seasonal demand peak of the fourth quarter, up from 83.7 million bpd on average for the first nine months of 2005, according to projections from the Paris-based International Energy Agency.

Naimi said Tuesday Riyadh had already raised production by 250,000 bpd in anticipation of the deal with more to come next month. Kuwait said it would add

120,000 bpd in April.

Adding 2 million bpd from Iraq, exempt from a quota, total OPEC supply will be above 30 million bpd and close to September's 25-year production high.

What is interesting, apart from the fact that World demand is now expected to grow by 2.4 mbd (higher than earlier estimates) is that, if Saudi Arabia, UAE and Kuwait have increased their overall production, and the rest are producing at their current maximum, then if the total is less than it was last September, then this recognizes that some of the other members of OPEC are seeing a decline in their overall production capabilities.



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