



## Houston ASPO - the Workshop day

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Seven am breakfasts in O'Hare are not a habit I plan on developing but there was I, for the second day running, at the same table even at Wolfgang Pucks.. But all in a good cause, as I headed off to Houston for ASPO. Going to the hotel - very new and needed, as the cabby proudly told me,- he asked which Convention I was here for (there is an Olympics meeting of some sort down the hall). I explained about Peak Oil and though initially he had not heard about it, he then mentioned a Houston City Council effort to have the cab companies use hybrids. This is now on hold, since it did not appear to be a well-received suggestion. Concerns that he brought up included the small size of the cars, that they were only 4-cylinder and would not stand the wear that a cab life would impose, and that the cabbies, who have to buy the cabs, could not afford the \$3,000 to replace the batteries. Apparently the cab companies had suggested that they would comply right after the police Department bought theirs. Talking at an ASPO break about this, apparently Denver are experimenting with the process, but have only just introduced it with a few cabs., and a quick Google shows that [a number of cities](#) have already bitten that bullet.

With getting here a little late I walked into the first joint sessions after they had started, and, as with the ASPO in Cork, the atmosphere immediately conveyed that the meeting would be a success. (Though the initial judgment was made because I had to drop my bag and lean against the wall since there were no free seats, and when more were brought they were still not enough). The audience was obviously knowledgeable and the questions were technical, as were the answers. For the first "Workshop" day the sessions were divided, with TOD stalwarts [Stuart Staniford](#) and Euan Mearns giving the story of their incredible detective work in, as an audience member put it, developing the story of Saudi oil with virtually none of the resources or computing power of Aramco, and yet coming very close to what has to be the real story. Stuart explained how the numbers that he, and others at TOD, had put together and painted the picture of Ghawar depletion, (which is in the citation so I won't repeat it) and Euan put this in the broader context of Saudi Arabia in general. [Gail Tverberg](#) acted as moderator to the session and the discussion. Perhaps the crux of the issue is that the authors do not think that Saudi Aramco can produce the volumes that they claim for Ghawar since, in part they assume a higher recovery factor that has been historically true for this type of rock, and with around half the production gone, things are not looking all that good. Reference was made in questions to other papers coming in the meeting that will bring further light to the topic, including such a comment from Matt Simmons.

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When the discussion gets lively I also have a bad habit of listening, rather than taking proper notes, and so since all this afternoons material was intensely informative I would recommend not just downloading the powerpoints, that will be posted soon after the meeting (if not sooner) but

also getting the DVD's – the discussion and comments don't make it to the slide presentations, and this is where a lot of the value lies. This was also true (though I only sat in a bit of it) for the concurrent sessions, which dealt with Investing – and which are going to force me to get a DVD copy for myself. The discussion when I dropped in was very lively (another full room) and very informed. There was a comment from one of the speakers that they had met with the Navy Admiral concerned with nuclear power, who expressed significant concern over the coming lack of skilled manpower in the civilian industry, just at the time when the old plants need to be replaced. The issues covered ranged over the spectrum, and though I did come in to the comment “that's why we call it Deathanol,” which suggested that the discussions were a bit along the lines of some of the comments in Dubuque, I, like you, am going to have to wait until my DVD copy arrives before I know the rest.

After the break the investment session continued in the one session, and in the other [the Millennium Institute](#) and [Charles Hall](#) with staff and students, talked about the Threshold 21 model that it is described in more detail at the Millennium site. The program that has been developed is interactive and free, so that you can visit the web site, download the model, and input your own assumptions and see where the results will lead you. It deals with the complex interactions that occur in fuel use, and with the ability to enter data it helps those who try the model to better understand some of the strategies and what they might lead to, in trying to address the coming events.

Back in the investment group the discussion had changed to the need for LNG capabilities, the decision for Qatar to apply a moratorium, and the concern as to where US sites, such as the one in Freeport, TX, will get their supplies as they come on stream over the next two years. Contracts they might have, but not, perhaps, the wherewithal at this time to meet them (while Asian customers have all been committing to long-term contracts in buying up the available supply.)

There was a very tasty Mexican buffet, old and new friends were met and made, and then in a more relaxed mood we migrated to the Ballroom, where [David Strahan](#) began a session on “Views from Europe.” (And I had left the ubiquitous yellow pad upstairs, though there were many in the audience taking notes). He began with a slide showing a surfer on the Houston Ship Canal riding the bow wave from a ship. The record for this “free ride” is apparently 4.5 nautical miles in 22 minutes, since unlike the natural sea waves, the bow wave is relatively stable as is the canal water, as the ship, and surfer progress. But all free rides end, and so our travel on the cheap oil of the past is over. This is recognized more in European press than in the US, though he ended his remarks with a note from the current British Prime Minister “the UK does not anticipate a problem in the foreseeable future.” (Not defining foreseeable).

He was followed by [Aage Figenchou](#) of Simmons and Co, who could be said to have “done a number” on the USGS survey and the optimistic forecasts of folks such as CERA. He noted that the USGS had made a correction to their original forecasts of discoveries, (which are the basis of many predictions from other nations) based on ten years of experience, and that they had revised the annual discovery rate down from 22 billion barrels to 9 billion barrels (I may have these units wrong the slides went by fast). When this correction is applied to both crude and NGL projections and taken with demand growth, he computes a total drop from 3,300 gb to 2,800 gb worldwide and this leads to a peak in production in 2017. He then went on to comment on the projections made by other sources, including BP, IEA and CERA pointing out the growing discrepancies between the volumes forecast, and what then came to be. He had titled his talk “The Road to Damascus” with the underlying suggestion of a late life conversion by the IEA, and repeated a comment they made relative to Saudi Aramco predictions that “there was no ‘official’ reason not to believe the KSA data.” It is worth downloading the slides for this since the incremental change

in numbers through sequential slides show better than I can convey, the disparities that grow between projections and reality, and the appearance in the CERA figures, of a magical transformation in around 2009 to bring everything back to the old situation. In looking at the total world surplus capacity (an expensive luxury that cannot be too high because of cost) the number is difficult to project but where it was once counted in the millions (Ed. Note which usually included the unrefinable Manifa oil) it is now down to around 350,000 bd which ain't much.

[Jeremy Gilbert](#) and [Chris Skrebowski](#) then joined the group on stage for a question and answer period, talking about an industry “that knows well that they are in deep trouble,” with Big Oil going nowhere, and with suggestions that it is time for some companies to just fold their tents. (In his remarkd Jeremy did demur at Aare's description of the BP data).

Well the official conference starts tomorrow, if it is as good as today's prequil, come early, grab a seat, and be prepared for – Hmm! Well it is going to be some pretty grim news, I suspect.

As usual my apologies to speakers that I may have misquoted, blame an unsteady hand, and presentations that were sufficiently full of information that I listened too much and wrote not enough – and so I too will get the DVD's.



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