



Dueling Editors

Posted by [Stuart Staniford](#) on September 28, 2005 - 3:48am

Topic: [Supply/Production](#)

Heading Out offers some support for the integrity of our beloved Mr al-Naimi [here](#). I differ strongly. En garde, sir! Here are some of the things one has to believe in order to believe Mr al-Naimi:

- A consortium of world class oil companies with over 40 years free rein over the province and extensive production experience in it, grossly under-estimated the original oil in place (they said 530 bbls, implying Mr al-Naimi's 460bbl reserves plus 110bbl cumulative production to date would represent a greater than 100% recovery rate), or in the alternate, lied under oath to the US Senate about it for unknown reasons.
- That in realizing the errors of the Americans, the Saudi's made that realization in two giant leaps, one in 1988 and one in 2005, but did not attribute these sudden massive realizations to any particular cause, or in the alternate, that they maintained internal estimates of reserves different than the external estimates between those giant leaps, but despite this misleading behavior, are now telling the truth.
- That, more specifically, Saudi Arabia must have been telling the truth last year when it said it's reserves were 260bbl, but Mr al-Naimi must also be telling the truth now that it's new reserves estimate will be 460bbl. These are honest guys, right? So the wonderful technological advances must have been made this year, or at least the work of re-estimating reserves based on the wonderful new technology must all have been done this year. Ditto for 1988.
- That, despite the fact that cumulative production is less than 1/5 of (cumulative production + claimed reserves), the Saudis cannot readily increase production very much now, even though they were able to raise it readily in the past.
- That, despite the fact that cumulative production is less than 1/5 of (cumulative production + claimed reserves), the Saudis are increasingly producing heavy sour oil that they have to discount, implying they are able to produce less light oil than in the past. Since light oil produces very readily, we would have to believe that most of the 460bbl remaining reserves were heavy oil. But the pre-Saudi Aramco believed most of the OOIP was light.
- That, despite the fact the Saudis are less than 1/5 of the way into reserves, they have had to rework most of their big fields with horizontal MRC wells because of water breakthrough into the original vertical well developments, and increasingly need to start doing water-control downhole even in those wells.
- That, despite the fact that the Saudis are less than 1/5 of the way into reserves, it was financially rational to develop the Shaybah field under very difficult conditions in the middle of massive sand dunes hundreds of miles from anywhere in the empty quarter, or in the alternative that the Saudis use Tarot cards to decide what project to do next.
- That, despite the fact that they are less than 1/5 of the way into reserves, it was worthwhile to develop the Manifa field which has oil too contaminated with vanadium and sulphur for anyone to refine it, or in the alternate that Allah made them do it.
- That, despite the fact that they are less than 1/5 of the way into reserves, production is

depleting at 5% to 12% per year.

- That, despite the fact that they are less than 1/5 of the way into reserves, and despite the fact that even heavy sour oils are selling in the range of \$50/barrel, they are warning us that production will drop next month.

To believe Mr al-Naimi is not telling the truth, we have to believe:

- That an authoritarian Middle Eastern government is not truthful (like Iraq under Saddam, like Iran about it's uranium enrichment, and like Palestine under Arafat).
- That the Saudi government has a motive to mislead people that there is more oil than there really is (such as that the US won't protect them if they don't have much oil left, and their own people will be outraged if they discover the regime sold most of the oil cheap to the West).

A little cloud of baby piglets is fluttering about your ears, HO!

My gut feeling is that this development is extremely worrying. It has a flavor of desperation about it. When you combine that they are now explicitly saying their **production is about to decrease**, along with [insider anecdotes like this one](#) (thanks Nihilist), it does indeed have a flavor of the Iraqi Information Minister becoming even more delusional as the situation deteriorated (as Dave has suggested).



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