And as we watched Louisiana and Washington . . . 3 items to note

Posted by Heading Out on September 29, 2005 - 9:53pm
Topic: Supply/Production

As the short term issues as to whether we will have enough heating oil this winter begin to be a growing concern in the US, and over in Europe they are starting to fear the impact of an abnormally cold winter, the rest of the world is looking a little further into the future.

Recently the Chinese have become quite successful in buying assets in places such as Kazakhstan and Ecuador, seemingly more in competition with India rather than anyone else. Well it seems that the Indians haven't given up. I noted the other day that they were aggressively pursuing the Vankorskoye field in Russia, now we learn that they are also chasing possible oil production in Cuba.

> Oil & Natural Gas and its partners, Spain's Repsol YPF SA and Norsk Hydro ASA, are waiting for approval from the Cuban government to go ahead with exploring for oil in six areas on the Caribbean island, R.S. Butola, Oil & Natural Gas's managing director for overseas operations, said in an interview in Johannesburg, South Africa on Sept. 27.
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> ``We will explore more extensively in the area, which may prove quite promising,'' Butola said while attending the World Petroleum Congress. Based on an initial estimate by Repsol, the six areas could hold 4 billion barrels of oil, Butola said.
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> Oil & Natural Gas needs to raise output to retain its position as the largest supplier of crude oil and gas in the country. Oil imports by India, Asia's third-biggest consumer of the fuel, are set to rise as refiners expand capacity to meet fuel demand. India imports 70 percent of its crude oil.

This on the day that the Russian company Gazprom bought it's competitor Sibneft. And so

> The deal has given the Russian Government direct control of almost 25 per cent of the country's 9.5 billion barrel per day (bpd) oil output - amid continuing record-high oil prices.

And that reserve is adjudged quite large

> According to BP PLC's annual statistics review published in July, Russia is the world's No. 6 in terms of oil reserves with 72 billion barrels, and is No. 1 in terms of gas reserves with 1,700 trillion cubic feet. Saudi Arabia has most crude with 263 billion barrels, while Iran is the world's No. 2 in terms of gas reserves with 950 trillion cubic feet.

And speaking of Saudi Arabia, my comment yesterday about the oil rigs they were renting was a little premature. As Business Week notes

> The Saudis are already vying for a limited number of rigs. Aramco will be paying Houston-based Rowan Cos. $100,000 to $105,000 per day for each of four large offshore rigs slated to begin exploring for oil and reworking wells in the Arabian Gulf for a three-year period beginning in early 2006.
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> The Saudis originally contracted for five Rowan rigs but one is missing following Hurricane Rita. Rowan hasn't found work in the kingdom since 1981. "It's a nice way to go back," says William C. Provine, an investor relations vice-president. Another participant is Bermuda's Nabors Industries Ltd., which has 10 rigs in the kingdom.

The article also recognizes a concern expressed here, in earlier posts, about the simple arithmetic of the drilling operation.

> According to one industry source in the region, the Khurays field, the largest expansion planned, will need an estimated 400 wells drilled to produce the target of 1.2 million barrels. If each rig drills six to seven wells per year, that would require some 20 rigs at the site for three years. The field will also need 2 million barrels per day of water injection, facilities to process the water, and pipelines.
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> Given all that, getting production up even to 12.5 million barrels per day seems a tall order, especially considering the Saudis need to add enough capacity to offset declines of 400,000 to 500,000 barrels. per year in existing fields. "Clearly Aramco has allocated the funds and set up the contracts for the expansion. The challenge will be for the contractors to mobilize the materials, drilling equipment, and human resources to meet the kingdom's very tight schedules," says Sadad Husseini, a former Aramco executive vice-president for exploration and production.

On which two comments. First that 1.2 million divided by 400 equates to 3,000 bd/well which is a drop from the 3,500 bd/well we have previously been using as Aramco well productivity. Secondly that the Saudi's themselves have admitted to twice the depletion rate quoted here, so what will that do to the arithmetic of overall production?