



Making up the difference

Posted by [Heading Out](#) on January 11, 2006 - 2:59pm

Topic: [Supply/Production](#)

Tags: [deepwater](#), [ngl](#), [peak oil](#) [[list all tags](#)]

Kjell Aleklett has an excellent article in [World Watch](#), which I read at the [Energy Bulletin](#) giving a broad view of the developing problem. He begins with the changes that he saw in Sweden in the small village where he was born. Oil was not used in the village when he was born, and its impact has been dramatic on Swedish life.

His comment reminded me of the village in South-West Scotland where my grandfather was the village blacksmith. The impact of oil is such that this attractive little community has changed from a farming village to a place where the houses are largely owned as vacation homes, and the locals are no longer able to afford to live there. The local economy also suffered through mad cow and foot and mouth diseases, and thus the small, self-sufficient community of my youth (with the baker at the bottom of the street) has gone, and the skill levels largely with it. When I was a kid we harvested peat to heat the house, now they use gas.

Today's energy headlines are focusing on the announcement, by [Jeffrey Rubin](#) that conventional crude peaked in 2004, leaving the increased demand to be met by Deepwater and NGL increases, as the ASPO Ireland [predictive curve](#) suggests on page 2 of the current newsletter. Currently China is anticipating [8.5 - 9% growth](#) with major investments in energy and transport. US demand is anticipated to increase this year, and by some magic apparently US Gulf production is going to return to at least pre-Hurricane levels despite the loss of rigs and platforms that it will never be economic (according to those that know and have commented here) to re-establish. There is still 400,000 bd of oil and 1.8 bcf of gas that has not been [restored](#).

(You should also note that ASPO USA is starting a weekly publication to overview issues as an e-mail, and the address to send for a copy should be posted on their [website](#) today.)

There has been significant discussion about the production from Deepwater resources, and the evidence seems to be that these will, on average, come in later than anticipated, and at higher cost. Nevertheless ASPO considers that they will increase production from 3.6 mbd today to around 12 mbd in 2010. NGL are expected to increase from 6.9 to 9 mbd, and thus these are likely to be the sources that keep us out of worse trouble over the next five years, before Deepwater begins to decline.

NGL are the liquids that are extracted with natural gas, and separated from it before distribution. Volumes can be quite significant, with [Hawiyah](#) being a part of the planned Khursaniyah project.

The Khursaniyah Oil and Gas Program will develop oil and gas production facilities for the onshore Abu Hadriya, Fadhili and Khursaniyah oil fields near Jubail Industrial City in the Eastern Province, with daily capacity reaching 500,000 barrels of crude oil by the

end of 2007. The Hawiyah NGL Recovery Program will produce an additional 310,000 barrels of ethane and NGL products per day through the Hawiyah NGL Plant near the Ghawar Field and the Ju'aymah Gas Fractionation Plant near Ras Tanura (this is also undergoing expansion); this project is expected to be completed in early 2008.

In some of the discussion that we have on future oil supplies this additional resource is sometimes counted and sometimes not. If my memory serves I believe it is one of the legs upon which CERA build their argument for adequate supply. Given this, it is probably appropriate that we include this more in our discussions.



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