



Tech Talk - Iranian Potential and the Caspian Disputes

Posted by [Heading Out](#) on December 23, 2012 - 1:40am

As we come to the end of the year, [Leanan](#) continues to point to the many stories that now fill the media reporting on the perception that the time to worry about peak oil is over. However, as [Darwinian](#) perceptively points out, the global supply of oil (crude and condensate) is not going up with the celerity that most commentators are envisaging.



Figure 1. EIA reported global crude and condensate production through September 2012, ([Darwinian at The Oil Drum](#))

The global balance between available supply and demand is in a balance, where the amount of oil remaining available to meet a surge in market demand is quite small. OPEC (and largely Saudi Arabia), by adjusting their production, ensures that the balance is maintained and prices remain at a level with which they are comfortable.

In the [December 19th TWIP](#), the EIA has explained, without endorsing the statement that the US might surpass Saudi Arabia in global fuel production, why that is a less important statistic than folk are generally making it out to be.

The EIA note, in their review, that this balance is predicated on a sustained production from the Middle East. Yet, for several years now, reliance on maintaining current supplies, and guaranteeing adequate supplies in the future has assumed a steadily growing production from Iraq. The EIA notes that it is in the combined production from Iran, Iraq and Saudi Arabia that contains the additional oil needed for significantly greater production. (Venezuela is also mentioned, though there are more obstacles to overcome before their oil production can increase).

There is, unfortunately, a down-side to the glee which many commentators have greeted the

news of potential US production gains. With the assumption that North America (and for this Mexico and Canada are included) can reach the higher targets projected, there is less concern with ensuring that alternate supplies remain available, as world demand continues to rise. This failure to ensure “insurance” may well cause some significant changes in the global market in the non-too-distant future, should the existing projections prove overly optimistic. (And [Leanan](#) referenced [Kurt Cobb’s more realistic assessment](#), on Friday).

China, for example, is aware of the Iraqi potential to increase production and is moving to [take over Exxon’s stake](#) in the West Qurna oilfield, as part of their ongoing program to increase the reserves available to China in coming years. This comes as relations between the US and Iraq seem to be cooling, as Iraq becomes more friendly with Iran. Iranian exports are [continuing to increase](#), despite the sanctions, although there are some problems arising with [repatriating the payments to Tehran](#). The EIA note that Iran has some [137 billion barrels of proved reserves](#), some 9.3% of global reserves, and over 12% of total OPEC reserves. However, as with many countries, its internal consumption is [keeping pace with](#) or growing faster than overall production.

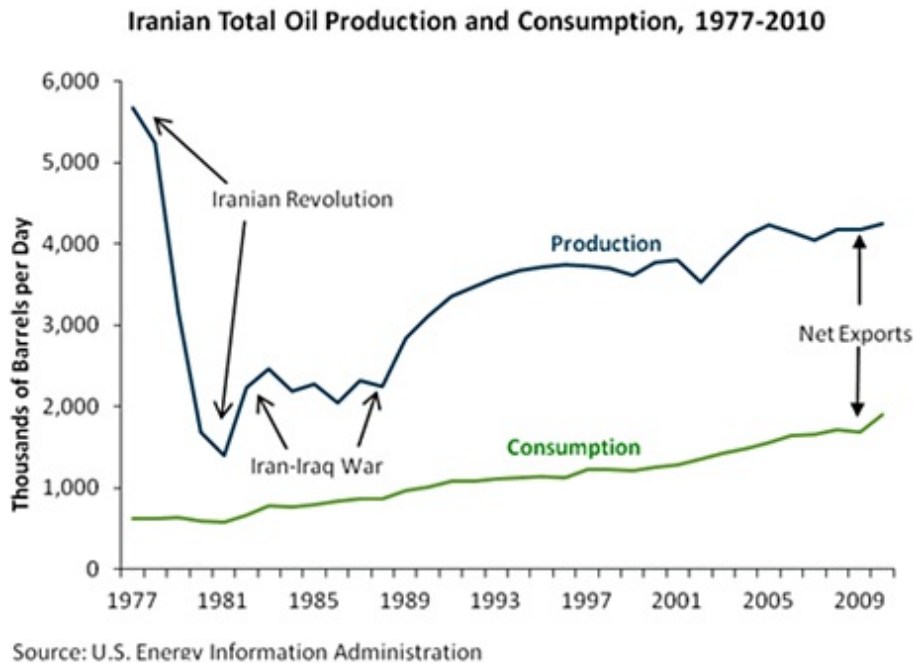


Figure 2. Iranian Production and Consumption ([EIA](#))

In a recent post on Iraqi oil, [Euan included a map](#) showing the main distribution of fields in Iran.

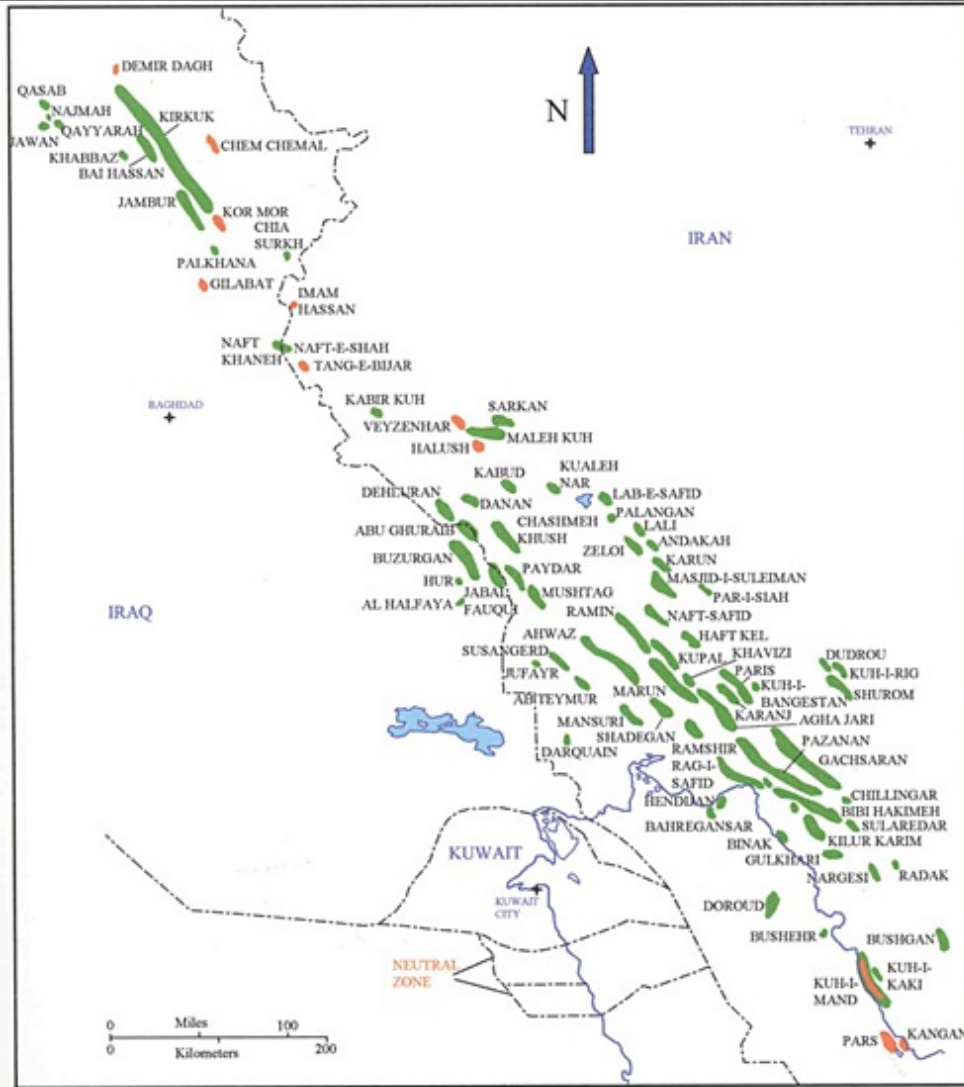


Figure 3. Map showing the oil and gas fields of the Zagros fold belt. (Greg Croft via [Euan Mearns](#))

Nevertheless, Iran has significant potential reserves outside of this strip, as well as further discoveries within it. As the [EIA notes](#):

There were a number of new discoveries in Iran over the past couple of years. In May 2011, NIOC announced a discovery of a deposit of light oil (35° API gravity) in the Khayyam field, offshore in the Hormuzgan province. The field had been discovered in 2010 but was originally classified as a gas field. According to the NIOC, the volume of in-place oil at this field is 758 million barrels, of which around 170 million barrels are recoverable. Also in May 2011, Iran announced the discovery of new onshore oil fields in its south and west with an estimated half a billion barrels of reserves. In late 2010, Iran claimed the discovery of new crude finds near gas reservoirs in the Persian Gulf, holding total in-place reserves of more than 40 billion barrels of oil, however recoverable reserves could be less than 10 billion barrels.

And just this year, a significant discovery was announced in Iranian waters in the Caspian. The field promises a 10 billion barrel resource, which could add around 7% to the Iranian reserves.

But there is a dispute over the location of the field, with Azerbaijan claiming that the region belongs to them.

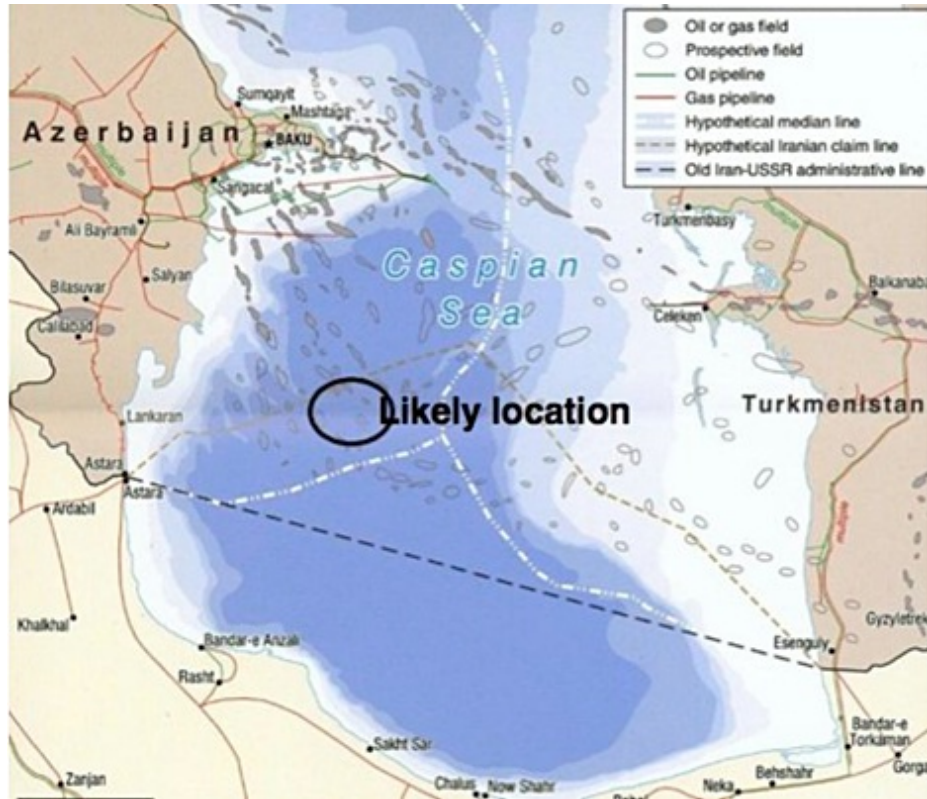


Figure 4. Location of the discovery off Iran ([Eurasia net](#))

Exploration in the southern end of the Caspian has been somewhat sporadic, given the territorial disputes as to who owns which part of the seabed, and this discovery is not likely to ease those tensions. Azerbaijan and Turkmenistan are both concerned over their individual territories, and are now in dispute over the [Kyapaz \(Serdar\) field](#). And as the size of the field becomes more evident the dispute is [continuing to raise tensions](#) in the area.



Figure 5. Sunset over an Iranian drilling rig in the Caspian (rashidiqu on Google Earth).

And so, as we come to the end of 2012, disputes seem to be the order of the day in this part of the Middle East. Not forgetting the conflict in Syria, the disputes in Iraq over who gets to control what part of their oil future continues to evolve. Increasingly in the north, the Turkish government is [dealing with the regional government in Kurdish Iraq](#) instead of the Government in Baghdad. These actions do not fill one with confidence that any of the predictions for future production are likely to come through in the time frame projected. Which will, unfortunately, tighten supplies in the non-too distant future.

Oh, and just in case you thought that Gazprom had changed its spots, it turns out that with the current cold spell in Kyrgyzstan, Gazprom has found the opportunity to [take over the state gas company Kyrgyzgaz](#). The company has so many problems that the price will be nominal, given the amount of debt that comes with it. But it also gives Gazprom access to some of the Kyrgyz gas fields.



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