The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

The meaning of the Saudi oil mix

Posted by Heading Out on April 24, 2005 - 10:14am

Earlier this month I had commented that I thought that some comments made on the situation in Saudi Arabia were a little alarmist. However I now realize that I misinterpreted one of the critical points of that review. The report was just reviewed in the Christian Science Monitor and the relevant quote is:

> If the field isn't in decline, Coxe asks, why has Aramco been delivering less profitable heavy oil from another field rather than Gharwar's light oil, considered more desirable by most refineries?

It is a good question, although I would re-iterate my earlier comment that Ghawar has been known to be in decline for a number of years since it peaked with a production of some 6.6 mbd and the question now is whether it is down to 5 mbd or 4.5 mbd already.

The Aramco listing of production increases over the near term specifically called out that the new production coming from the Qatif facility, which is 500 kbd of Arabian light and 300 kbd of Arabian medium would only replace declines elsewhere in the country and not be an overall boost in production. (Though I note in checking the figures that they appear to have been only able to get 650 kbd out of that development to date.) The logical places where declines are known to be taking place are at Ghawar and Abqaiq. The big question is really not whether these fields are declining, but at what rate.

Production of oil and gas in Saudi Arabia comes from about a thousand wells. Each year some fall out of production and have to be replaced. With the more complicated technologies that Aramco are now using putting in new wells takes a finite amount of time (about 2 months apparently). They only have a given number of drilling rigs so that, within they short term they can't increase production more than a certain amount, given that some of the rigs are just drilling wells to sustain production. But I think what we are hearing from the upcoming visitor to the Texas White House, is that the Saudi's are going to increase the number of drilling rigs that they will operate.

The catch here of course is that it takes time to get those, and install them, and thus, as Chris Skrebowski commented, it is not going to have any effect on their ability to supply more oil for likely at least two years.

In the meanwhile we still have the question as to just how much of their current claimed additional capacity is actually usable.

Putting all this together, I suspect that when you strip all the rhetoric from Crown Prince Abdullah's trip to the ranch there will be very little substance to help our situation this year.

Edited to add:

LOBG and RandyM77 of Kos both point to this piece today from the WSJ "ringing the bell" of Saudi peak oil.

Also, an Anniversary Note...

Prof G and I have been doing this now for a month, and we are amazedly delighted at the attention that we have already received. For those who follow the site, you will note that apart from his insightful comments, Prof G also plays a second role. You see, my posts generally appear initially in a somewhat klutzy form, and then about a couple of hours later they are neatly formatted and indexed. This is all his doing, and I would be seriously remiss if I did not tell you this, and thank him for it.

edited to add: Glad to do it HO, glad to do it. :) Happy Anniversary! Best, PG

Technorati Tags: peak oil, oil