

## Re: How Much Oil Will the US Lose

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- *From:* "Fritz Schlunder" <[me@xxxxxxxxxxxx](mailto:me@xxxxxxxxxxxx)>
  - *Date:* Fri, 24 Jun 2005 15:05:22 -0700
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"Maximust" <[maxi\\_must@xxxxxxxxxxxx](mailto:maxi_must@xxxxxxxxxxxx)> wrote in message  
[news:aIYue.86967\\$o.66121@xxxxxxxxxxxx](mailto:news:aIYue.86967$o.66121@xxxxxxxxxxxx)

> Tan wrote:

>

>> You need to study Unocal in Brunei, Malaysia and Indonesia in detail.

All

>> those fields are belong to Brunei, Malaysia and Indonesia. Those countries

>> don't need Unocal to operate their fields.

>

> Unocal pays them to operate their fields and pays them for the oil. Hello?

That isn't primarily how the oil industry is aligned. Oil occurs in a wide variety of place including poor and developing countries. These types of countries do not normally have any internal expertise in exploring/producing oil or natural gas deposits. Additionally they do not usually have the capital resources available for developing oil resources. Similarly, oil exploration is a risky business. Large quantities of investment are required merely to discover the existence of oil resources: first to study geological cues to identify a region where oil might have a chance of being found, then to conduct seismic surveys (kind of like baby ultrasounds except for the earth) of underground geology to look for potential oil cap rocks (inverted bowl shape but non-porous to oil, thus trapping the oil in place), and then finally to actually drill wildcat wells to see if any oil actually exists (seismic surveys can't prove the existence of oil, they can only find the cap rocks which are a prerequisite for oil deposits). All of these processes are quite risky (in that they definitely cost money, but may yield absolutely nothing) and require the availability of specialized worker skills and high technology products.

As a consequence the barrier to entry into the oil producing market is usually too large for developing countries to manage by themselves.

So what they do instead is their governments make arrangements to work with foreign oil companies (which have the financial means, skills, and technology/equipment needed) to come up with mutually beneficial and acceptable contracts. What kind of benefits the oil companies receives

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depends on the country and local policies, but often times they end up "owning" some share of the total oil reserves in the ground. In this fashion oil companies (primarily American and western European) all over the world get to own and operate percentage shares of oil fields which are nowhere near their home country. This means even the poorest countries will often have access to all of the latest and most expensive oilfield technologies. This may have some interesting implications as to how the world oil production capability will eventually fall off.

As for Unocal you can learn a bit more about them from their website:

<http://www.unocal.com/aboutucl/glance.htm>

<http://www.unocal.com/aboutucl/uclataglance.pdf>

It would appear worldwide Unocal "owns" about 659 mega barrels of crude oil, condensate, and natural gas liquids. It seems as of 2002 only around 32% of Unocal's oil production comes from the far east, while the majority (56%) comes from US and Canadian oil reserves. On the other hand, 42% of their oil and natural gas reserves (Unocal has more natural gas than oil) are located in the far east.

If all of the world's oil reserves figures are correct, the world has somewhat more than one trillion barrels of oil, so Unocal's reserves are really only a drop in the bucket. On the other hand, a whole bunch of drops equals an ocean.

It is interesting to note that oil companies have been buying each other up like mad over the past several years. One possible interpretation of this market behavior is that oil companies don't know what to spend their earnings on. The world doesn't have many lucrative unexplored (and available, IE: not in the hands of hostile nations) regions left. As a consequence oil company spending on exploration is largely a waste of time/resources (with certain exceptions, but the amount of good prospects is far too small for the number of total profitable oil companies on the world scene looking for places to invest). Instead, one could claim, oil companies are seeking to increase their reserves by buying other oil companies (and consequently acquiring their reserves). This of course does not do anything to increase the total amount of oil available to the world, although it may provide benefit to the companies that are doing the buying. Not only do they get to spend excess cash reserves that would otherwise be laying around idle, but if in the future oil prices rise this could substantially increase their total company value and revenue. It would appear oil companies are betting oil prices will rise in the future since they are still buying each other up even now with oil trading at record high levels.

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