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Reports Hit Aramco Haste on Oil

By Jack Anderson

The final lifting of the Arab oil embargo, according to secret reports from the Saudi Arabian fields, won't bring the promised gush of oil.

The reports have been shown to us by sources inside Aramco, the multinational, multibillion consortium which developed the Saudi fields. There are four Aramco partners — Exxon, Mobil, Standard of California and Texaco — each an oil giant in its own right.

In these reports, which have been withheld from both the Saudi and U.S. governments, Aramco engineers have warned that "severe technical difficulties" have hampered production.

Their best estimate is that production will be "stabilized" at no more than 7.5 million barrels a day. This is less than half the 20 million barrels that the Saudis promised if their political terms were met.

But the real scandal, if the engineering reports are correct, is that the production foul-up was caused by Aramco's greed.

For three decades, Aramco has been pumping oil from under the sands of the sheikhdom and paying the Saudis mere alms.

Not only are the fabulous, one-sided oil concessions of the past now at an end, but the company fears that its whole Saudi operation will be taken over by the government. The secret Aramco memos are full of references to "possible nationalization" and "unstable political conditions."

A year ago, the memos predicted nationalization would come "well before 1980." More recent memos warn that the takeover may be only two or three years away.

Aramco, therefore, began draining every drop of oil that could be sold from its Saudi wells. The daily production was increased from 6.5 million barrels in 1972 to 9 million barrels in 1973. The company had set a 9.3-million-barrel production goal by the end of the year.

The corporate objective, according to the secret memos, was to increase production from existing fields without spending any more money than necessary on developing new wells.

The rush to get the oil out caused technical problems. As early as last June, engineers warned that production was too fast. Their secret reports tell of "huge pressure drops" and "erratic production."

The hurried production, according to the reports, created "tremendous volumes" of natural gas, which simply had to be burned off. At a steadier production rate, the reports state, the gas could be compressed and reinjected into the formation.

This would cost a little development money, but it would increase the pressurization and permit more oil to be pumped through existing wells.

However, the documents make clear that Aramco is not interested in preserving petroleum for the Saudi government to expropriate but only in removing as much as possible before nationalization takes place.

There is no shortage of oil under the Saudi sands. The barren, baked desert virtually floats on a sea of petroleum. The engineering reports, indeed, are highly critical of Aramco's management for failing to conduct adequate "development drilling" and "reservoir analysis."

But plainly, the company is unwilling to invest substantial sums in developing Saudi Arabia's vast oil reserves unless the government makes the risk worthwhile.

One memo estimates that it would cost Aramco $1 billion to increase production. The money is needed for drilling new wells and building more pipelines and storage tanks. Even if this vast investment is made, according to the memo, no substantial increase in production could be expected before 1977.

The Aramco documents show that the company, meanwhile, is concentrating on draining the fields it has already developed. Only 14 of the 20 known fields are now being worked, according to the engineering reports, and substantial production is coming from only 12. Geological surveys indicate that many more fields merely await exploration and development.

When the Saudis offered to increase production to 20 million barrels daily, they evidently didn't know about the technical difficulties that have developed. Their suspicions, apparently, were aroused. But the secret reports indicate they were kept in the dark about the seriousness of the trouble.

This is vigorously denied by an official spokesman for the oil consortium. He assured us that the company is developing Saudi Arabia's oil reserves as fast as feasible and that the technical problems haven't been serious. He specifically denied that the company's carelessness will limit future production to about 7.5 million barrels daily, without heavy investments.

We quoted some of the memos to him, including one which declared the "reservoir pressures" fluctuated so greatly that the engineers estimated the daily production would be held at "no more than 7.5 million barrels."

This memo, said the spokesman, was "all wet, completely erroneous." The welfare of the West may depend, to a large extent, on who's telling the truth — the secret memos or the official spokesman.

For Saudi Arabia is the western world's oil jugular.