Crude Oil Production... How “Crude” Is It?

...an editorial

As a young boy growing up south of Calgary I can still recall asking my mother "what's that funny smell?" and she would say "that's the smell of oil". When we would visit my grandparents at the "tank farm" in the Black Diamond area of southern Alberta, I would ask my mother "what's that rotten smell?" and she would say, "that's the smell coming from the natural gas flare". Of course, that was many years ago but it seems appropriate again today that I ask the question, "what's that funny smell"?

Over the years I have read many opinions and publications on crude oil production (or lack of) and I find myself saying, "something doesn't smell right with global crude oil production information". When I recently reviewed information presented by Matthew Simmons, Chairman, Simmons & Company (www.simmonsco-intl.com) in his February 11, 2009 presentation titled, "The Oil and Gas System is Sick" it stated that, "world crude oil production was 72,847 MMB/day in 2005, while in 2008 only 70,870 MMB/day was produced - a net change of -1,977 MMB/day”. Today, all we read and hear is that global crude oil production is increasing, so what is going on?

Let's look at a couple of organizations who publish crude oil production statistics. The Energy Information Administration (EIA), the organization that produces the Official Statistics for the US Government (www.eia.doe.gov), defines oil supply as, "the production of crude oil (including lease condensate), natural gas plant liquids, and other liquids, and refinery processing gain (loss)". The International Energy Agency (IEA), the intergovernmental organization that acts as energy policy advisor to member countries (www.iea.org), defines Non-OPEC crude oil production as, "comprises crude oil, condensates, NGLs and oil from non-conventional sources". For Non-OECD countries, crude oil production also includes, "fuel ethanol and biodiesel supply from outside Brazil and the US" in determining total Non-OPEC oil production. So what are these other liquids (e.g. condensates and natural gas liquids - NGLs) that get mixed in with the crude oil production statistics?

One definition for condensates is, "condensates are hydrocarbons usually produced with natural gas that is liquid at normal pressure and temperature". The EIA defines natural gas liquids (NGLs) as, "those hydrocarbons in natural gas which are separated from the gas through the process of absorption, condensation, or other methods in gas processing or cycling plants. Generally such liquids consist of propane and heavier hydrocarbons and are commonly referred to as condensate, natural gasoline, or liquefied petroleum gases. Where hydrocarbon components lighter than propane are recovered as liquids, these components are included with natural gas liquids". But, and **this is key, it is not crude oil**, and simply put, it is only crude oil that gives us our multitude of plastic products and is what refineries use to produce such things as gasoline, jet fuel and home heating oil.

The question to be asked is, "how crude is the crude oil production data" that is published? Is Mr. Simmons correct that crude oil production peaked in 2005?

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