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OPEC Seeks to Bridge Gulf Over Venezuelan Oil Output

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Staff from the Organization of Petroleum Exporting Countries have met with officials from member country Venezuela in a bid to bridge the gulf between the country's stated official oil production level and estimates a third lower by news agencies and institutions, a gap that some say has undermined the credibility of the Latin American nation's oil policies.

Fuad Al-Zayer, who leads OPEC's data services department, said Thursday that he and his colleagues were working closely with Venezuelan officials to narrow the differences to the point where OPEC no longer has to use secondary sources, such as energy information provided by Platts, a unit of McGraw-Hill Co. (MHP), or the Paris-based energy watchdog the International Energy Agency.

Dow Jones Newswires is also a provider of estimated oil output by OPEC member countries.

"We are there to provide them with facilities, to show them how they can coincide with what the secondary sources are saying," al-Zayer said after a press conference on OPEC energy data.

"But there is a gap between the two. We are hoping that they gap will become closer."

Venezuela has longed claimed its oil output is far higher than secondary sources suggest, with the official number around 3.2 million barrels a day, against estimates by Dow Jones Newswires, Platts and the IEA of around 2.4 million barrels a day.

Some analysts attribute the difference to the government of President Hugo Chavez covering up sharp oil production losses experienced in the wake of a clear-out of veteran staff from the state-run Petroleos de Venezuela S.A., or PdVSA, following a crippling strike in December 2002 that lasted two months.

The government subsequently said output levels rebounded to pre-strike levels of around 3.1 million barrels a day.

Some analysts have linked the stated production level to Venezuela's reluctance to lose its influence inside OPEC, which has output targets in place for 10 of its 12 members, including Venezuela.

Al-Zayer said Venezuela's production of heavy, tar-like crude oil may have colored the picture of its actual output.

"We know Venezuelan officials are meeting with Platts and the IEA to show them what's happening," al-Zayer said.

"Some of the problems are that heavy oil is produced in Venezuela and maybe

some of the agencies don't count it. So we are trying to iron out this."

However, the International Energy Agency, as an example, clearly breaks out production of Venezuela's Orinoco-derived heavy crude, which it said in Wednesday's monthly oil market report contributed 475,000 barrels a day to Venezuela's output of 2.34 million barrels a day.

OPEC is incorporating secondary-sourced data in its estimates as "that is what the market believes in these days and eventually we hope that we won't do that in the future," Al-Zayer said.

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