

## **60 Minutes Transcript on Saudi Arabia Bullish Oil Future, December 7, 2008**

**(CBS)** The good news is that the price of oil is falling - a lot; it's also the bad news if you're determined that the U.S. should kick its addiction to foreign oil. President-elect Barack Obama says now is the time to do that, even with the economy in recession.

But Saudi Arabia, the world's largest oil supplier - with the U.S. as its number one customer - is pulling all the levers and spending billions to keep the oil age going.

**60 Minutes correspondent Lesley Stahl** went to Saudi Arabia a few weeks ago to meet one of the most powerful men in the world, Ali Al-Naimi, the Saudi oil minister and de facto head of the OPEC oil cartel.

"If most Americans had an opportunity to sit down with the oil minister of Saudi Arabia, the thing they would like to know is where you think the price of oil's gonna be, say, in about six months. Is it gonna be up or down?" Stahl asked.

"You want my classic answer?" Al-Naimi replied.

"No. I want your honest appraisal...and your judgment," Stahl asked.

"My honest judgment is if I were to know what the price of oil six months from now, I would be in Las Vegas. Okay?" Al-Naimi said, smiling.

He may be smiling, but this is a man with serious heartburn and vertigo. The price of oil has been soaring and sinking up and down uncontrollably. Asked why oil prices spiked to \$147 a barrel in July,

Al-Naimi told Stahl, "Basically, there was what's called a 'fear premium.'"

"And the fear was that Saudi Arabia itself had peaked out. That you'd reached your ceiling of how much available oil is left in your overall reserve. So, what's the truth?" Stahl asked.

"The truth is here is the kingdom with more than 260 billion barrels. And I firmly believe that the potential to add another 200 billion barrels of oil are there to be found," Al-Naimi said.

If the oil minister of Saudi Arabia had one message, it was that there is no need for those fears.

And to make the point, the Saudis let **60 Minutes** see facilities that will increase the country's capacity from about 10 million barrels a day to more than 12 million. And they're going to the ends of the Earth to do it.

One of those desolate places is Shaybah, a desert wilderness where temperatures can reach 135 degrees. The Saudis say that 18 billion barrels of oil lie beneath the red sand dunes, more than four times the proven reserves of Alaska.

To tap into it, the kingdom's national oil company, Saudi Aramco, had to build an oasis there. Awayyid Al-Shammari oversees the mega-project at Shaybah, an area of the kingdom known as the "Empty Quarter."

"We're on soft sand. We're not talking about a hard surface here," Stahl remarked.

"Yeah," Al-Shammari acknowledged. "The logistics are impossible. The first thing we had to do is build our own road in order to

access this field."

"Once that was done, we had to remove one hundred million cubic feet of sand just to make the runway that we are currently using," he explained. "We had to remove a sand dune in order to connect two flat areas to do that."

Al-Shammari said they also had to build a pipeline 400 miles in length. "And you can imagine the challenge of building that pipeline in a topography like this."

**(CBS)** But it was nothing compared to accessing the oil at Shaybah itself, which was discovered in 1968. For 30 years, it was considered too hard to extract. "Now with sand dunes this high, it's almost impossible. And the economics just didn't make it at the time until the development of the horizontal drilling," Al-Shammari explained.

Horizontal drilling is where you place a derrick on firm ground and then dig down with a drill bit that snakes horizontally under the sand dunes, with branching tentacles like a fish bone. The drill bits can travel out for as much as five miles.

The Shaybah facility is now being expanded to extract a total of 750,000 barrels a day of high-grade, Arab extra-light crude.

Al-Shammari says the facility is almost done and should go online early next year.

On the other side of the kingdom, there's an even bigger mega project at a field known as Khurais. It is also scheduled to go online next year.

"This is the biggest oil project in history," project manager Khalid Abdulqader said.

He told **60 Minutes** 1.2 million barrels a day will be tapped from that field, more than the entire daily production of some OPEC countries like Qatar and Indonesia.

The oil will be stored in massive tanks, some seven stories high. One of those large tanks is 300 feet across and the length of a football field. And like just about everything at Khurais, even the tanks have the latest bells and whistles.

"This is a floating roof. So, when oil comes in, the whole roof will go up," Abdulqader explained. "And the stair also will rise up with it."

There's more oil in the Khurais field than in the entire United States. It's the largest oil facility to come online anywhere in the world in nearly three decades with, the Saudis say, 27 billion barrels of oil.

Abdulqader said it will take more than 50 years to deplete the field.

Khurais, like the sand dunes, presented a technological challenge. The field has very little natural pressure, which is necessary to bring the oil to the surface. So to force the oil up, they're injecting seawater down deep underground.

"We will inject about 84 million gallon per day of seawater," Abdulqader said.

They built a pipeline from the sea to the field to deliver the water - a distance of about 150 miles.

The complexity and vastness of the project is staggering, with 26

contractors, 106 subcontractors and 22,000 workers from around the world, who have laid thousands of miles of pipeline and cables.

These two mega projects, plus three others are costing Saudi Arabia a total of \$60 billion over five years and they're not borrowing any of it - it's all being paid for in cash.

Still, Saudi costs for producing oil are the lowest in the world: according to Ali Al-Naimi, the cost to produce one barrel is less than \$2.

**(CBS)** Saudi Arabia reportedly needs to sell oil for at least \$55 dollars a barrel to cover the cost of running the country. Fossil fuels finance 75 percent of the country's entire domestic spending budget, but oil is selling for below that breakeven price.

Asked if this drop in price worries him, Al-Naimi said, "Oh, I am not a worrier. I get concerned. But I don't worry."

"The concern is this: any price must be good for the producer, for the consumer, for the investor, the oil companies," he told Stahl.

"So, you're saying if the price goes too low then production will fall. And in the end, we'll be squeezed. We won't have enough oil...to run our country," Stahl remarked.

"Price will skyrocket," Al-Naimi predicted.

What he wants is an end to the wild swings in price, which is why - to keep the price from further plummeting - he agreed to a cut of 1.5 million barrels a day in the October meeting of OPEC.

"The point is that Saudi Arabia wanted the 1.5 [cut of million barrels]. This was not something jammed down your throat?"

Stahl asked.

"No, no, no. By the way, nothing gets jammed down our throats," Al-Naimi replied.

"But Iran wanted more?" Stahl asked.

"Well, I mean, different countries want different levels, different cuts. But in the final analysis, reason prevails," Al-Naimi said.  
"This is Saudi Arabia's influence on OPEC."

It's an influence so strong now that he was able to quash Iran's attempt to double the price of oil, which Tehran needs to support its budget, including its nuclear program and the bankrolling of militias like Hezbollah and Hamas. Still, Al-Naimi says oil is no longer used as weapon.

"Iran tries to keep the price way up; and Venezuela's trying to keep the price way up. You don't consider that oil as a weapon?" Stahl asked.

"If you looked at these countries you just named, every one of them would like to sell every barrel they can," Al-Naimi commented.

"At as high a price as they can get away with," Stahl remarked.

"Right," Al-Naimi said.

"The sense out of the OPEC meeting to a lot of people was by cutting production your purpose was to get the price up again. And that would hurt the world which is suffering an economic crisis. And the world means everywhere," Stahl said.

"I can assure you that price was the least on our mind. I say that in all honesty," Al-Naimi replied.

"But the sense is you were oblivious to the concerns of the world facing this economic crisis. You didn't care about the recession, the credit problems or anything like that," Stahl said.

"That is really a very unfair criticism. What did governments do when the financial crisis happened? They took measures to bring stability back to the financial market. And we see, because of our responsibility, a future crisis in the oil market. Should we not take preemptive measures to prevent it? And I think the answer is yes, we should. It's incumbent on us not to see the oil market destroyed," Al-Naimi said.

The Saudis recently announced the price they would like to see oil selling for, \$75 a barrel. That's about 50 percent higher than the current price.

**(CBS)** Saudi Aramco was originally an American company. It goes way back to the 1930s when two American geologists from Standard Oil of California discovered oil in the Saudi desert.

Standard Oil formed a consortium with Texaco, Exxon and Mobil, which became Aramco. It wasn't until the 1980s that Saudi Arabia bought them out and nationalized the company. Today, Saudi Aramco is the custodian of the country's sole source of wealth and power.

Over 16,000 people work at the company's massive compound, which is like a little country with its own security force, schools, hospitals, and even its own airline.

According to Abdallah Jum'ah, Saudi Aramco's president and CEO, Aramco is the world's largest oil producing company.

And it's the richest company in the world, worth, according to the latest estimate, \$781 billion.

Jum'ah gave **60 Minutes** a tour of the company's command center, where engineers scrutinize and analyze every aspect of the company's operations on a 220-foot digital screen.

"Every facility in the kingdom, every drop of oil that comes from the ground is monitored in real time in this room," Jum'ah explained. "And we have control of each and every facility, each and every pipeline, each and every valve on the pipeline. And therefore, we know exactly what is happening in the system from A to Z."

A large map shows all the oil fields in Saudi Arabia, including Ghawar, the largest on-shore oil field in the world, and Safaniya, the largest off-shore oil field in the world; green squares on the map monitor supertankers on the high seas in real time.

"What you see today is a company that is as professionally sound as any international oil company," Al-Naimi told Stahl.

Before he became oil minister, Al-Naimi ran Saudi Aramco for 11 years. He was the first Saudi president and CEO.

"You have, as you just said, one of the most efficient, cutting-edge 21st century companies in the world...within one of the most religious conservative countries in the world. It's almost a paradox. We were surprised by this?" Stahl asked.

"I don't think there's any real surprise," Al-Naimi replied. "Many people have images of Saudi Arabia, but they really change their views and images when they come and visit Saudi Arabia."

But to western eyes, it is a paradox. Skyscrapers, traffic jams and shopping malls co-exist with ancient tribal customs. The king - and the Koran - reign supreme, and women everywhere are required to cover themselves in black from head to toe; even Stahl had to wear an abaya, a women's garment worn in parts of the Islamic world.

The rules apply everywhere it seems, except for the women at Saudi Aramco. When the U.S. oil companies came to Saudi Arabia in the 1940s and 50s, the Americans moved into the area with their families and developed neighborhoods to suit their tastes and their way of life. They created a replica of American suburbia; you could be in the outskirts of Houston or Los Angeles.

"It's almost like it's an enclave within Saudi Arabia. It's different from the rest of the country," Stahl remarked. "Very different. It kept a lot of the American ways, right?"

"Yes, of course. They are good ways. There is nothing wrong with...these are excellent ways," he replied.

"But, I was so surprised to see the culture there. Because for instance, I saw men and women working side by side. I saw women driving cars there, which you don't see," Stahl pointed out.

Al-Naimi says it's not strange to him: he's a product of that culture, having risen through the ranks. He started out as a 12-year-old office boy in 1947, when it was said that to get oil all you needed to do was ladle it out of the sand.

**(CBS)** It was never that easy, according to Aramco CEO Jum'ah. "It takes a lot of effort. The oil is a gift from God. The recovery of oil is really the work of men. And this is part of it here."

Aramco engineers are making sure that not one drop of oil is overlooked: computers are receiving data, via satellite, from sensors mounted on drill bits that are burrowing deep into the oil fields all over Saudi Arabia. Engineers are sending instant messages that actually guide the drill bits.

"He is now directing that drill bit to go into the best areas of the reservoirs. And suck that oil from it, and not leave any oil behind," Jum'ah explained.

He says the drill bit is a bit like a snake, going down and following where the oil is. "And mind you, this is happening 400 to 500 miles from here geographically. And we are sending that drill bit also two or three miles in the ground."

Jum'ah says that with this technology, they're able to recover ten times more oil than before. But global demand is dwindling, and even Americans, the world's leading gas guzzlers, are buying less.

"In the last ten months American drove 78 billion fewer miles than they did in the 10 months last year, same ten months. This is a quite a dramatic decrease in driving," Stahl remarked.

"Well, to put it in better numbers, I think your consumption dropped by a million barrels," Al-Naimi replied.

He told Stahl he doesn't think this decrease in demand is permanent.

Al-Naimi says the U.S. is Saudi Arabia's number one customer. And the question is: what will Aramco do to keep it that way? One thing is discourage the move toward electric cars by trying to

alleviate our concerns about the environment.

They showed **60 Minutes** their new \$4 million experimental combustion engine they hope will increase gas mileage while it lowers CO-2 emissions.

"What we want to see is that there is an emphasis on also making this oil greener, and making the fossil fuels in general greener, because they're going to be with us for the long haul," Jum'ah said.

**(CBS)** "Let me be blunt, okay? And ask you to be candid: is it Aramco's hope to prevent a switch away from oil? Somebody said, 'The country is the oil business.' You absolutely need to do this for your own survival," Stahl remarked.

But Jum'ah asked what was wrong with that.

"I didn't say anything's wrong with it. But it's a fact. You'd admit it's a fact," Stahl asked.

"Yeah, we admit a fact that yes, we depend on the oil industry. We want it to help us, you know, to develop our economy and develop the economy of the world. So what is good for the wellbeing of Saudi Arabia should be good for the wellbeing of the world, too. So there's nothing wrong with that," he said.

"So what do you say to people out there, like Al Gore and now Mr. Obama, that say we have to devote ourselves, devote ourselves, to reducing our dependence on oil?" Stahl asked.

"My answer to this is we have to be realistic. We don't have the alternatives today," Jum'ah said.

"If there are alternatives, be my guest and come and bring them

in. They are not there."

"You're saying whatever the world does in terms of wind, nuclear, coal, we're still going to need oil, and a lot of it?" Stahl asked.

"You're still going to need oil, and...a lot of it," he replied.

"Politicians use this all the time that. We're addicted, addicted to foreign oil. And addiction has a dark connotation, because if you're addicted, there's a suggestion that there's a drug dealer who's trying to keep you hooked. And it's in the air that you want to keep us hooked," Stahl said to Minister Al-Naimi.

"There is nothing addictive about oil. If you look back 100 years, what would the world be without it?" he asked.

"Even President Bush, who's an oilman, even he has said we're addicted to this, and we have to get off this oil," Stahl pointed out.

"But listen to what the professionals say and what do they advise: it's not going to happen today. It's not going to happen ten years from now. It's probably not going to happen 20 years from now. It's not going to happen 30 years from now. Okay?" Because you are still going to be using fossil fuels," Al-Naimi predicted.

Rather than oil pushers, the Saudis see themselves as good global citizens who are trying to save the world from a catastrophic oil shortage. But, as Al-Naimi told **60 Minutes**, the kingdom is hedging its bets.

He told Stahl the kingdom is doing research on solar energy, as sunshine is more than abundant in Saudi Arabia.

And he says it won't hurt their oil industry, but supplement it.  
"Our vision is that we will be exporters of gigawatts of electricity.  
We will be exporting both: barrels of oil and gigawatts of power."

And so, he says, the kingdom will still be in the energy business  
long after the sun sets on the age of oil.

[Video of 60 Minutes, December 7, 2008](#)