# The World's Biggest Oil Companies

Forbes

Christopher Helman,

What springs to mind when you think of the World's Biggest Oil Companies? BP probably, because these days you couldn't get BP out of your head if you tried. ExxonMobil, definitely, because for so many years before the Deepwater Horizon blowout Exxon was (rightly or wrongly) the embodiment of Big Oil.

Yet you might be surprised that in a list of the top 10 oil producers, none of the other usual suspects made the cut. Publicly traded giants like Royal Dutch Shell, Chevron, ConocoPhillips and Total may be Big Oil, but they are not Biggest Oil.

That moniker goes to the state-owned national oil companies, NOCs for short, that sit on 77% of the world's oil--accumulations so big they make even Exxon's 12 billion barrels of proven oil reserves look meager.

The biggest by far is Saudi Aramco, with the ability to pump 12.5 million bpd and boasting more than 260 billion barrels of proven reserves, much of it easily recovered for less than $3 per barrel. Aramco doesn't venture outside its borders; it doesn't need to. But there are other breeds of NOCs, like China's trio of CNPC, Cnooc and Sinopec that actively reach out to buy assets around the globe, and have already been named as eager acquirers of BP assets.

In the wake of BP's oil spill, it's worth thinking about the differences between Big Oil and Biggest Oil. Ironically, in as much as the spill hurts the publicly traded international oil companies with deepwater prospects in the gulf, it helps many of the NOCs.

How? First, every barrel of oil not pulled out of the U.S. deepwater is one more barrel of market share (and profits) for OPEC--which has dialed back its output since the boom times a couple years ago.

Second, drillers have already been scared out of the Gulf of Mexico, by the post-spill moratorium and the realization that drilling there will be more costly and complicated. Once these big deepwater rigs have left, it will be years before they return. That is good news for NOCs like Angola's Sonangol (1.8 million bpd gross), India's ONGC (550,000 bpd) and Brazil's Petrobras (1.9 million bpd), which have promising deepwater prospects they would like to see developed.

Third--and most interesting to us--with a wounded BP looking around for billions in assets it can sell to cover its spill bills, some NOCs are already circling the carcass looking for tasty morsels to acquire.

On July 7 BP Chief Executive Tony Hayward visited the crown prince of Abu Dhabi to talk about a possible investment. Days earlier came the news that Libya and Kuwait were thinking of buying slugs of BP stock. The NOCs of Abu Dhabi and Kuwait each control roughly 100 billion barrels of reserves. Libya's NOC has contracted BP to drill offshore.

Discussions have been hot and heavy with China's Cnooc, named in early July as likely to pay $9 billion for BP's 60% stake in Argentinian outfit Pan-American Energy. Cnooc's big brother CNPC is BP's partner in redeveloping Iraq's Rumaila field.

Then there's Russia. BP Chief Executive Tony Hayward met with Russia's energy minister, Igor Sechin, in late June. BP has already borrowed $2 billion against its 1.4% stake in Russia's state-controlled Rosneft, and might be looking for buyers for part of its 50% stake in privately owned Russian oil giant TNK-BP.

The Kremlin-controlled Gazprom has also shown interest in BP's 25% stake in the Shah Deniz natural gas field in Azerbaijan--though Hayward on July 6 assured the Azeri state oil company Socar that BP was dedicated to sticking around.

At this point there's little telling what BP will end up selling and to whom. Charley Maxwell, long-time oil analyst at Weeden & Co. thinks BP should take this opportunity to shed nearly all of its North American and European assets--especially big fields like Alaska's Prudeau Bay and in the U.K.'s North Sea that are well past their peak output and in markets with declining gasoline demand.

BP could get in good with a vital growth partner by selling some of those assets to China's Cnooc. The smallest of China's three NOCs (after CNPC and Sinopec) has been looking for a way to gain entry to the U.S. market ever since the politically charged failure of its 2004 bid for Unocal. It would welcome the chance to pick up U.S. deepwater stakes. Could the U.S. trust the Chinese to not have a deepwater blowout of their own? After BP's blowout Cnooc announced it would upgrade the blowout preventers on all its deepwater rigs.

After settling oil spill liabilities, BP should reinvest what's left in markets with ramping oil demand, like Asia and India, says Maxwell. "Even if the Macondo spill never occurred they should give up on Europe," he says. "It's hard to see petroleum demand growth in Europe ever again." Thus, BP has good incentive to sell older assets to NOCs that could grease BP's future investment.

Even among NOCs there are haves and have nots. Cnooc, backed by China's horde of dollars, can afford whatever is politically feasible to buy. Mexico's Pemex, on the other hand, would be an ideal buyer of some deepwater stakes, but is too cash-strapped to consider it. In recent years Pemex has suffered the precipitous decline of its mighty Cantarell offshore megafield. Though its 3.9 million bpd of production still ranks it just below Iran in output, Pemex' revenues support the Mexican government, leaving scant cash for new investment in Mexico's own deepwater prospects.

Kenneth Medlock, oil scholar at Rice University's Baker Institute, says acquiring smaller, non-operating stakes in some of BP's deepwater projects could give Pemex much needed experience that it could someday use in its own fields. It could also pave the way for BP to someday enter Mexico under contract with Pemex.

All of this talk of national oil companies leads to the question: Should the U.S. have one? And if it did, how big would it be relative to those OPEC giants? In the weeks after the Deepwater Horizon exploded some political observers, like former Clinton administration Secretary of Labor Robert Reich, suggested that President Obama should move to nationalize BP's U.S. operations as collateral for the debt it owes America. That would have, in effect, created America's own national oil company.

BP's subsequent $20 billion escrow fund kowtow removed any pressure for nationalization. But given the president's proclivities, it would wouldn't seem that far fetched if his reorganization of the Minerals Management Service into separate divisions eventually included the creation of a federal entity that directed the development of federally owned oil and gas acreage rather than just leasing it and collecting royalties.

How big? Well the U.S. already produces more than 8 million barrels of oil a day, trailing only Saudi Arabia and Russia in output. A report released earlier this year by the National Association of Regulatory Utility Commissioners and conducted by Science Applications International Corp. (SAIC) finds that federally owned lands and waters probably hold more than 2,000 trillion cubic feet of natural gas and 229 billion barrels of oil. If proved out, that could be more oil than any nation but Saudi Arabia.

Though the feds already control General Motors, A.I.G., Fannie Mae and Freddie Mac, those companies already have more-or-less capable managers in place. It would be a nightmare to put novice bureaucrats in charge of a new U.S. National Oil Company. A better alternative that might be politically palatable when the next oil price spike comes: Open more easily drillable federal lands to oil exploration but at higher rates than the one-sixth royalty currently charged.

In this, the U.S. can take some lessons from the likes of the National Oil Company of Libya, where in some fields Occidental Petroleum and Marathon Oil are happy to keep 5 out of every 100 barrels they produce. Terms like that are why the future of the industry belongs to Biggest Oil.

**1. Saudi Aramco**

8.2 million bpd

No other company can even come close to Aramco's 260 billion barrels of proven reserves of conventional oil. In recent months Aramco has been pumping 8.2 million bpd, but has the infrastructure on standby to do 12.5 million if needed. It's Ghawar field is the biggest in the world, capable of 5 million bpd alone. In the U.S. Aramco co-owns three refineries with Royal Dutch Shell.

**2. National Iranian Oil Company**

3.8 million bpd

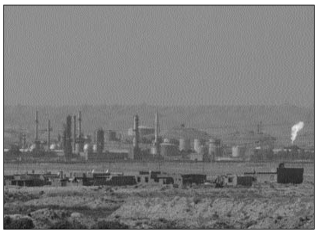
Iran's oil production peaked at 5 million bpd in the late 1970s. Since then investment has been constrained by revolution, war with Iraq, and now sanctions that have forced the likes of Shell, Statoil and Total to leave mega-projects behind. Yet Iran still manages to produce 3.8 million bpd from a proven reserve base of 140 billion bbl.

**3. Petroleos Mexicanos**

9/2 million bpd

Mexico nationalized its oil industry in 1938, kicking out American companies and barring any foreign investment. Its Cantarell offshore field was pumping 2.1 million bpd as recently as 2004, but has plunged since then, to 700,000 bpd now. Nearby Ku-Maloob-Zaap field is picking up some of the slack. Pemex' 1.2 million bpd imports to the U.S. are second after Canada.

**4. Iraq National Oil Company**



2.5 million bpd

Though Iraq technically has three state oil companies--North, South and Missan--they are all nominally under the control of the central oil ministry. Iraq almost certainly has 50% more recoverable crude than the official estimates of 115 billion barrels. Recent bidding rounds have led to contracts with the likes of Shell, BP and CNPC to develop or rehab fields with 41 billion barrels. With enough money and peace and time, Iraq's output could easily top 6 million bpd.

**5. ExxonMobil**

2.5 million bpd

Though its proved oil reserves of less than 15 billion bbl pales in comparison to the oil hordes of Saudi Arabia, Iran and Iraq, for this list it's the output that matters. With its acquisition of XTO Energy complete, Exxon looks to slip ahead of BP in petroleum production. Only 400,000 bpd of Exxon's flow comes from the U.S. Simply the biggest and best publicly traded oil company in the world.

**6. BP**

2.5 million bpd

For all its troubles, BP's prodigous flow of petroleum from all around the world gives it ample options to cover even $50 billion in oil spill liabilities. Yet its plan to shed at least $10 billion in assets makes it unlikely that the company will still be in fifth place next year.

**7. CNPC (Petrochina)**

2.3 million bpd

Petrochina is the publicly listed subsidiary of China's biggest national oil company. It handles 60% of China's domestic oil output and has vaulted over BP and Exxon in proved reserves in recent years by making oil deals with the likes of Iran and Venezuela. Its biggest field, Daqing, produces 800,000 bpd.

**8. ADNOC (Abu Dhabi National Oil Company)**

2.3 million bpd

Named after the biggest of the United Arab Emirates, Adnoc boasts proven reserves of 98 billion barrels of mostly high-quality light and sweet crude oil. Its output constrained by OPEC quotas, Adnoc says it could do 2.7 million bpd in a pinch. BP's Tony Hayward traveled hat-in-hand to Abu Dhabi in early July hoping for an equity investment.

**9. Kuwait Oil Company**

2.3 million bpd

Production figures combine 1.7 million bpd from KOC plus 600,000 bpd from the Kuwait Gulf Oil Company, which oversees the neutral zone shared with Saudi Arabia. Kuwait has 100 billion in proved reserves, and its Greater Burgan field is thought to be the world's second biggest oil accumulation, but it's in decline. Kuwait hopes to expand output to 4 million bpd by 2020.

**10. Petroleos de Venezuela**

2.2 million bpd.

PDVSA

Venezuela's oil output has been inching down ever since Hugo Chavez came to power, fired thousands of PDVSA employees and starved the company of cash needed for reinvestment. Some day cooler heads will direct the development of Venezuela's 100 billion bbl of proven oil reserves and potential 500 billion bbl of extra heavy oil. Its Citgo division has three refineries and 14,000 filling stations in the U.S.