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SECRETARY OF STATE FOR ENERGY
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Prime Minister ②

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Robin Butler Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

3 April 1985

Dear Sir

When the Prime Minister and my Secretary of State met Shaikh Yamani recently I believe Yamani mentioned that US oil reserves were equivalent to only 8 years of current consumption.

Proven oil reserves in the US are indeed worth only 8 or 9 years of current production (or about 6 years of current consumption). However, since 1918 such reserves have never been recorded at more than 17 years production and on average have been about 12 years production while production has increased 8 fold. "Proved reserves" are derived from company balance sheets. For tax and other reasons companies tend to understate reserves, and the US system does not permit central gathering of confidential reservoir information of the kind which is available to the UK Department of Energy. The effect is that the 8-year estimate does not mean much and is no basis for predicting future US production.

It seems probable that domestic US oil production will decline but it will not fall away suddenly and our own assessment is that the US will still be the world's second or third largest oil producer at the end of the century. Present US oil production is about 10½ million barrels a day. Projections for 1990 suggest a flat or gently declining rate. The IEA forecasts 6½ million barrels a day in 1995 at present real prices, or 8½ million at rather high prices.

Yours sincerely

Michael J. Reidy

M F REIDY
Private Secretary

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