

## The Buts Have It

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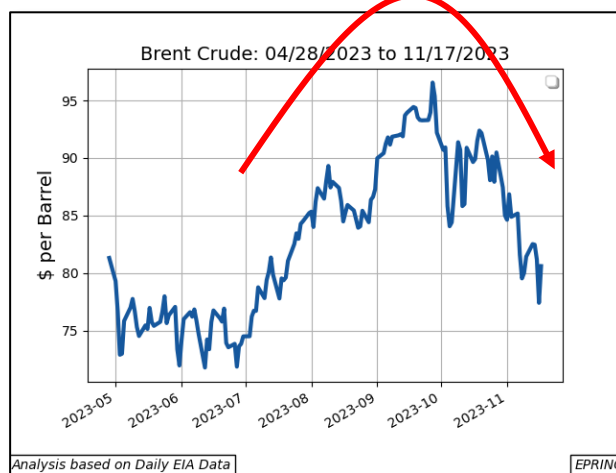
Figure 1

The White House energy adviser Amos Hochstein opened and closed the door on reducing Iranian exports. This is something we need to do regardless of price. In truth, we wouldn't be able to halt most of the 1.3 MMB/d that Iran exports, but we might affect 250,000-400,000 bbl/d of that.

Hochstein is quoted as saying, "The best antidote to revenues in Iran is keeping their exports at a lower level, but also to make sure that prices are lower." The only way they could guarantee lower prices is if they have an understanding with the Saudis to put back some of the Saudis' cuts in July. There may be some political discussions going on TO WHICH WE ARE NOT PRIVY; but as of now we believe the BUTS have it.

There are more stories suggesting that the Saudis might cut up to 1 MMB/d at OPEC's next meeting on Sunday October 26. The Saudi oil minister loves to stick it to the paper traders who he believes are responsible for the fall in price (see Figure 1). A one million bbl/d cut seems on the high side. But it is possible they might

announce a half MMB/d cut and ask Iraq,



Kuwait, and possibly the UAE and Russia to ante barrels as well.

The situation is very fluid. At 9 MMB/d production the Saudis are probably exporting up to 6MMB/d AT AN ASSUMED PRICE OF \$82/BBL. If they cut production and exports by 500,000 B/d they would need \$90/bbl to break even with where they are today.

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He has testified numerous times before congressional committees and regulatory bodies and has been appointed to the National Petroleum Council (NPC) by every recent U.S. Secretary of Energy. He has briefed the Chairman of the Federal Reserve Board, senior officials at the Government Accountability Office, and a wide range of government agencies on developments in domestic and world petroleum markets. He has also served as consultant to the Iraq Coalition Provisional Authority. During the 1970s and 1980s he frequently appeared on the CBS Evening News anchored by Walter Cronkite.