
MEMORANDUM

TO: KING SALMAN
FROM: STUDENT NAME HERE
SUBJECT: PRODUCTION RECOMMENDATIONS
DATE: NOVEMBER 18, 2015

Due to the low prices of oil and the high cost of production, the outlook on breaking even is not promising. As you know King Salman Saudi Arabia is one of the richest countries in the world. The weakness that we have is our heavy reliance on the oil market. We are currently bleeding revenue and the rate that we are cutting through it, we will be drain our reserves by the year 2018. (Wells, 2015) We are currently earning enough to produce, with a production breakeven price of \$21bbl. With over 80 percent of our countries revenue dependent on exports, something must be done. (Wells, 2015)

My recommendation is that we slow production and start to cut cost of over 100 billion dollars. This will give us time and help us to stop draining our reserves. The price of oil and its current uncertainty is nothing to bet on. I suggest that we slow production and reevaluate each quarter. Although we are seeing a decline in other producers in the oil market. Some companies have even gone bankrupt. Shrinking our overall competition. The uncertainty of the market is what makes us vulnerable for potential future problems. Although we do have high reserves that other countries do not, we must start planning ahead for the future. We must also start to look at other outlooks on the future of the oil markets. Saudi Arabia for years has been the leader in controlling the oil market.

When we move they move, in respect. We need to look at possible outcome as if we were not the leader in the oil market. If oil prices don't rise above our breakeven point with the next three years we will have completely depleted our budget and will no longer be able to depend solely on oil exports to fund our government. I understand that we are trying to prove a point and weed out the competition in the market, but we must start to think of future plans. The plan of cutting others out of the market could backfire and cause others to establish themselves, making it harder in the future for us to control the market. (Moshinsky, 2015) Cutting production would allow for the price of oil to rise and reestablish some of the reserves that we have lost. It would also allow us to be able to help stop selling bonds, which is something that we could do in the future. In my final remarks I continue to urge you to slow production and look at the future.

Continuing to try to squeeze out our competition could cause long lasting affects. Who is to say that we will have control of the market in 3 years. (Cunningham, 2015) I understand by doing this we will open the doors for others to establish themselves, but I think that we are better off staying strong. We are the leader in oil, but we are also dependent on exports. If some of our leading importing countries fell on hard time we could see an additional decline, hurting us even more.

So as I close my recommendation is to slow production and let the price of oil rise and allow for our reserves to be replenished. I will be glad to discuss this recommendation with you further at a later time.

WORKS CITED

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