

~~cc Mr Walker~~  
Mr Dupond

Prime Minister

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Mr Howell has already written to Bnoc saying they can do this. So this is merely "to note".

Mr.

PRIME MINISTER

TZ  
19/10

BNOC: INTEREST IN THE BEATRICE FIELD

You should be aware that in March this year BNOC negotiated with Deminex (the State controlled German oil company) terms on which it might elect to purchase 5% of its interest in the Beatrice field; this option expires in November and BNOC has sought my agreement to the exercise of it. BNOC's existing stake is 23%. The cost to BNOC in 1979/80 of the additional 5% will be £6m. Development expenditure in subsequent years will add between £14m and £18m.

16/10

Such an acquisition may be seen as a contradiction to our decision that BNOC should be slimmed down; but we have made it clear that it is in the exploration area that reductions are needed (and BNOC is already taking steps to this end), and that no disposals of commercial fields are at present contemplated. Moreover the terms of the acquisition are very favourable and it has the added advantage of bringing under UK control a stake in the UKCS which would otherwise remain foreign owned. For these reasons I have concluded that BNOC should be allowed to go ahead, in spite of the public expenditure involved. John Biffen agrees, but on the basis that this interest should be regarded as a potential candidate for subsequent disposal, if we see the need in the future to seek asset disposals from BNOC. This I accept. And in informing BNOC that we have no objection to its going ahead I am making it clear that the public expenditure implications of the deal made our decision a difficult one and that further acquisitions of this kind cannot readily be contemplated - if anything the reverse.

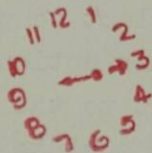
I am copying this letter to Geoffrey Howe and John Biffen.

DA.

D A R Howell

16/10

16 OCT 1979





CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

22 October 1979

BNOC: Interest in the Beatrice Field

The Prime Minister has read your Secretary of State's recent minute about BNOC's purchase of a further 5 per cent interest in the Beatrice field.

The Prime Minister understands that BNOC have already been given the go ahead to make this purchase. However, you should be aware that she is far from happy about it: she regards the purchase as a clear contradiction of the Government's decision that BNOC should be slimmed down, and she is also concerned about the public expenditure implications.

I am sending a copy of this letter to Tony Battishill and Alistair Pirie (HM Treasury).

T. P. LANKESTER

W. J. Burroughs, Esq.,  
Department of Energy.

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Energy

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