

cc Mr Whitson

COMMERCIAL IN CONFIDENCE

PRIME MINISTER

*David - We will have Prime Minister to consider at some time the implications of selling oil at 26 d.p.v. and buying crude oil at 41 d.p.v. I'd like to discuss this with you.*

BP/BNOC OIL SUPPLY ARRANGEMENT

In the light of Mr Laidlaw's critical remarks, at your briefing meeting on Wednesday evening, about the cost to BP of the oil supply arrangements with BNOC, I checked with Sir David Steel yesterday whether the BP Board was seeking to re-open the arrangement agreed in principle between BP and BNOC as recently as the 1st November. I now have Sir David's assurance that this is not the case.

The oil flows between BP and BNOC under the existing arrangements and the re-negotiated arrangements are complicated. I will let you have a separate note shortly setting out the facts and commenting on the argument about pricing. *DL*

*They will also let us have a copy of the contract. DL*

The EEC implications of the principles agreed between BP and BNOC for future supply are currently being examined by the Attorney General and will come before us collectively shortly in OD(E).

I am sending a copy of this minute to the Foreign Secretary, Chancellor of the Exchequer, the Attorney General and Sir Robert Armstrong.

*DL*

D A R HOWELL  
SECRETARY OF STATE FOR ENERGY  
30 NOVEMBER 1979

*Attached are BP's 3rd quarter results - They have done pretty well! (Though on a LIFO basis, the figures ~~are~~ don't look quite so good). DL*

30 NOV 1959



COMMERCIAL IN CONFIDENCE

PLAIN PRINTING

REVERSE OF THIS SUPPLY AGREEMENT

In the light of Mr. Davidson's critical remarks, at your briefing meeting on Wednesday evening, about the cost to BP of the oil supply arrangements with HOC, I checked with Mr. Davidson yesterday whether the BP Board was seeking to re-open the arrangement entered in principle between BP and HOC as recently as the 1st November. I now have Mr. Davidson's memorandum that this is not the case.

The oil flows between BP and HOC under the existing supply agreement and the re-negotiated arrangements in six countries. I will let you have a separate note shortly setting out the facts and commenting on the agreement about prices.

The ABC implications of the proposed revised agreement between BP and HOC for future supply are currently being examined by the Attorney General and will come before us collectively shortly in O(2).

I am sending a copy of this note to the Foreign Secretary, Chancellor of the Exchequer, the Attorney General and Sir Robert Gifford.

J. A. B. HOBBS

SECRETARY OF STATE FOR ENERGY

20 NOVEMBER 1959

Handwritten notes and signatures at the bottom of the page, including a signature that appears to be "J. A. B. Hobbs".



*Energy file Hb*

10 DOWNING STREET

*From the Private Secretary*

3 December 1979

*B/F 10.12.79*

BP/BNOC OIL SUPPLY ARRANGEMENT

The Prime Minister was grateful for your Secretary of State's note of 30 November in which he explained that the BP Board are not seeking to re-open the oil supply arrangement recently agreed in principle between BP and BNOC. She looks forward to receiving the further note setting out the facts and arguments about pricing. In the latter connection, the Prime Minister feels that it is essential to consider the implications of selling North Sea oil at around \$26 per barrel, and buying crude oil on the spot market at over \$40 per barrel: if this is really happening, the Prime Minister feels that it is a nonsensical situation.

I am sending copies of this letter to Paul Lever (Foreign and Commonwealth Office), Martin Hall (H.M. Treasury), Bill Beckett (Law Officers' Department) and to Martin Vile (Cabinet Office).

J. P. LANKESTER

W J Burroughs Esq  
Department of Energy.

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