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Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

23 July 1985

Geoff Dart Esq  
Private Secretary to the  
Secretary of State for Energy  
Department of Energy  
Thames House South  
Millbank  
London SW1

*Dear Geoff,*

**BRITTOIL SHARE SALE**

As you know, the Government's plans for disposing of its remaining shareholding in Britoil are well advanced. The preliminary prospectus was published on 12 July and we now expect the Offer to go ahead at the end of the month, subject to market conditions, with application lists closing early in August.

With the date of the Offer so close, we clearly need to control tightly the release of any information about or affecting Britoil. For this reason, we must ask that no public announcements or statements should be made before the Offer closes without prior clearance with the Treasury.

The advice governing the purchase of Britoil shares by Ministers broadly follows that given for the BT and BAe issues. There are two key issues: whether it is proper for Ministers to purchase shares in the Britoil Offer and, secondly, what constraints, either legal or of propriety, apply to holding Britoil shares.

On the first question, Treasury Ministers are clear that they should not purchase shares in the forthcoming Britoil Offer. Otherwise, they could face a conflict between their personal interest in the outcome of the Offer and their direct or indirect responsibility for decisions which would affect the Offer.

The position is less clear cut in the case of Ministers who are not directly concerned with the Britoil Offer. But they will want to be guided by the principle laid down in "Questions of Procedure for Ministers" that Ministers "must so order their affairs that no conflict arises, or appears to arise, between their private interests and public duties".



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Ministers will find specific guidance in paragraphs 72 and 73 of "Questions of Procedure". Paragraph 73 states that Ministers should "scrupulously avoid speculative investments in securities about which they have, or may be thought to have, early or confidential information likely to affect the price of those securities". Although many Ministers will not have had access to detailed information about Britoil, there is of course a danger that they may be thought to have access to inside knowledge. They may therefore conclude that the safest course would be for them not to subscribe to the Offer.

As far as the subsequent holding of Britoil shares is concerned, the issues are very like those which would apply to the holding of any securities. The broad legal position is quite straightforward:

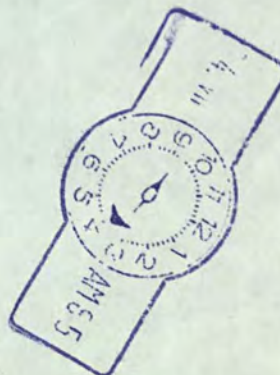
- (i) it is a criminal offence (insider dealing) for a Crown servant (ie a Minister or civil servant) who has, because of his position, price sensitive information about a company's securities, to deal in them on the Stock Exchange (here or abroad) unless he can prove he did not intend to take advantage of the information;
- (ii) a shareholding in Britoil may lead to bias - for example, if Ministers (or civil servants) are involved in awarding North Sea or onshore production licences. Bias invalidates administrative acts and may well found an action in damages against the Crown.

The advice contained in "Questions of Procedure" is relevant here, too. Ultimately, Ministers must decide for themselves whether it would be appropriate in their circumstances to consider purchasing Britoil shares but they will want to bear in mind that it is as important to avoid the appearance of conflict of interest as to avoid actual conflict.

I am copying this letter to the Private Secretaries to all Cabinet Ministers, to Alex Galloway (Paymaster General's Office) and to Murdo Maclean (Chief Whip's Office) (with the request that they copy it to all Ministers in their Departments, as appropriate) and to Richard Hatfield (Cabinet Office).

*Yours sincerely,  
Margaret O'Mara*

**MISS M O'MARA**  
Private Secretary





10 DOWNING STREET

Pinne Minister (2)

A price of 185p has been  
agreed yielding £449 million  
for the Escudages before deducting  
& issue expenses.

AT

30/7

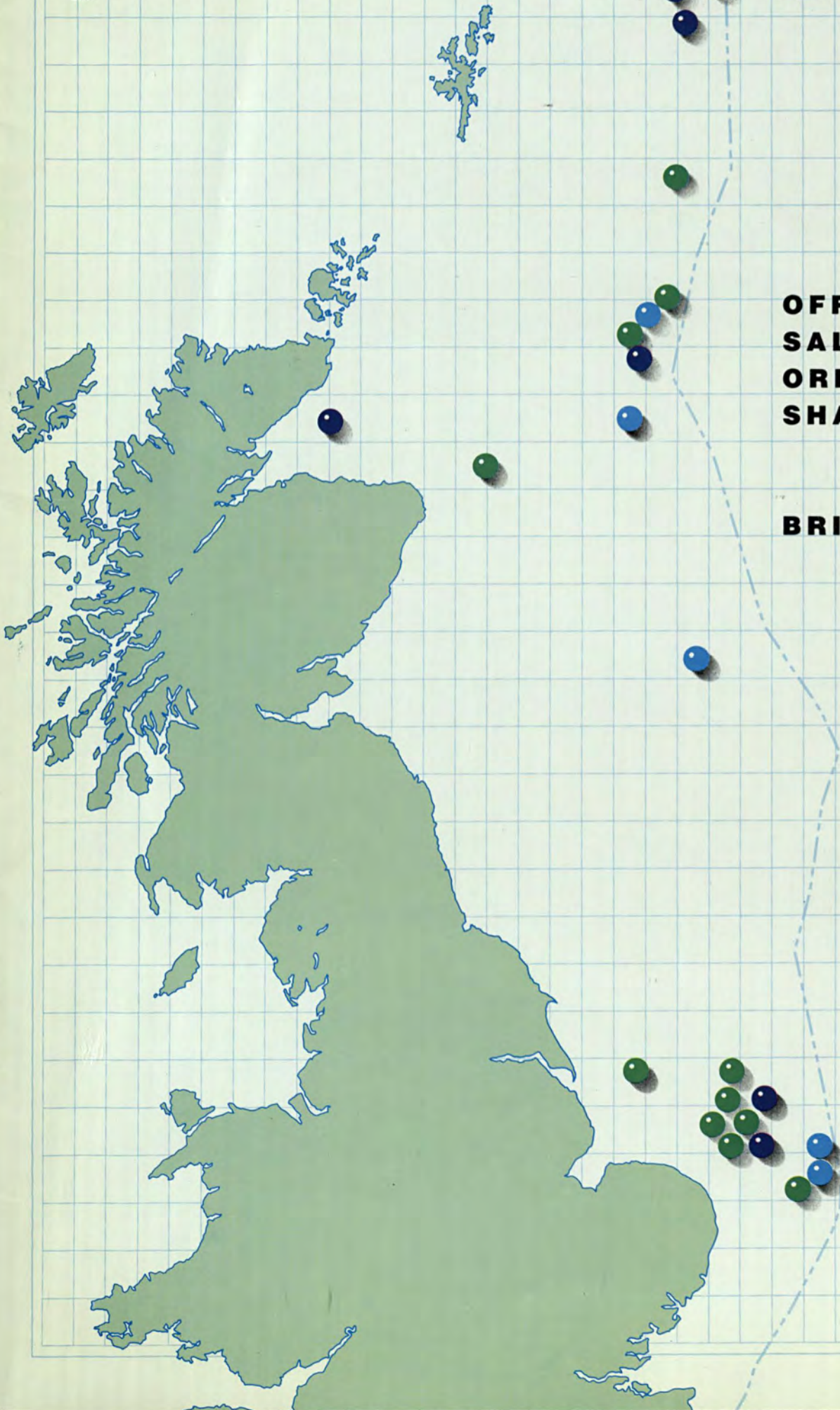


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**Britoil**

**OFFER FOR  
SALE OF  
ORDINARY  
SHARES**

**BRITOil plc**





# DIRECTORS

## Executive Directors


Sir Philip Shelbourne, Chairman  
David Bruce Walker, Chief Executive  
Ian Robertson Clark, CBE, Managing  
George Malcolm Ford, CBE, Managing  
Jeremy David Agard Evans  
Patrick Michael Donovan Kelly  
Sir Albert Thomas Lamb, KBE, CMG, DFC  
Robert Speirs

## Non-Executive Directors

Sir Kenneth Corfield  
John Alfred Lofthouse, OBE  
Sir Donald Maitland, GCMG, OBE  
Ralph Nicholas Quartano  
Lawrence Victor Dolman Tindale, CBE

Secretary: Robert Colin Milligan



 **Britoil interests worldwide**

**Note:**  
All maps are provided for broadly illustrative purposes only and should not be relied upon as giving exact information



*but not file*

H M TREASURY  
OFFICE NOTICE

ON(GENERAL)(85)70  
26 July 1985

**PURCHASE OF SHARES IN BRITTOIL**

The Government's 49% shareholding in Britoil, which was privatised in November 1982, is held by HM Treasury. As you may be aware a sale of virtually all this shareholding is, subject to market conditions, intended to go ahead at the end of this month. Shares will be offered directly to individuals. I would therefore like to remind you of the rules about Treasury staff buying and dealing in shares.

2. These rules are attached. Applied to Britoil they mean there are two things you must not do. You must not buy or deal in Britoil shares if you have, or could be regarded as having, special knowledge affecting the value of the shares. And you must not buy or deal in Britoil shares if your work involves you in Government decisions (such as the award of offshore licences) affecting Britoil's business.

3. There are some people whose position in the Treasury clearly makes it wrong for them to buy Britoil shares, because to do so could give rise to public criticism. I have so advised them separately. If you have not received that separate minute you must still consider whether it is proper for you to buy Britoil shares, but there is no prima facie reason that we can see why you are not free, like any member of the public, to do so or not as you wish. Brian Fox or I will be happy to discuss any particular circumstances which may not be clear. But in a matter of propriety like this, if you yourself have any doubt then the right course is not to buy.

JOAN KELLEY



CIVIL SERVICE PAY AND CONDITIONS OF SERVICE CODE (Extracts)

General Principles of Conduct

- 9870 ....b a civil servant must not subordinate his duty to his private interests, neither is he to put himself in a position where his duty and his private interests conflict and he must not make use of his official position to further those interests;
- (c) though the State is in general not concerned with its servants' private activities, they must not be as might bring discredit on the service; for example heavy gambling and speculation are to be avoided, particularly in departments which have access to information which could be transmitted for gain;
- (d) the high standard which the Service sets itself goes beyond the normal standards of personal honesty and integrity; the civil servant must not only be honest in fact, but also he must not lay himself open to suspicion of dishonesty....

Shareholdings

9874 There is no objection to civil servants holding private investments. If, however, a shareholding might raise a question of possible conflict with the interests of the officer's department the officer should consult his Establishment officer about the desirability of acquiring it or retaining it.

9875 Under the provisions of the Companies Act 1980, it is an offence for an officer who has obtained information in official capacity which, if known on the market, would be likely materially to affect the price of securities in a company, either to deal in any relevant securities, to procure such a deal, or to impart information which might facilitate such a deal. Any officer who has doubt about his position should consult his Establishment Officer.

TREASURY HANDBOOK (Extract)

C3 BUSINESS ACTIVITIES

Shareholdings

3.2 There is no objection to your holding private investments. Particular care should, however, be taken to ensure that dealings in stocks or share do not leave you vulnerable to the charge of trading on information which has come to you in the course of your official duties. If your shareholding might raise a question of possible conflict of interest, you should consult the Deputy Establishment Officer.



July 12, 1985

BRITOil plc INTERIM RESULTS  
RECORD PRODUCTION IN FIRST HALF OF 1985

The Board of Britoil plc announces the interim results for the half year ended 30 June 1985.

	6 Months Ended 30.6.85	6 Months Ended 30.6.84
<b>PRODUCTION</b>		
Crude Oil (million barrels)	32	29
Gas (billion cubic feet)	46	41
<b>FINANCIAL</b>		
	£ Million	£ Million
Turnover	968.1	645.9
Operating Profit	364.1	282.1
Net Interest (Payable)/Receivable	0.6	(2.1)
Profit on Ordinary Activities Before Taxation	364.7	280.0
Taxation		
Petroleum Revenue Tax		
- excluding safeguard	(206.6)	(165.8)
- safeguard	8.9	15.6
Corporation Tax	(75.6)	(66.4)
Profit for the Financial Period	91.4	63.4
Dividends	(20.1)	(16.5)
Amount set Aside to Reserves	71.3	46.9
Earnings per Share	18.19p	12.66p
Dividend per Share	4.00p	3.30p

The Board have decided to pay an interim dividend of 4.00p per share. Except in the case of the shares which are to be the subject of HM Government's proposed Offer for Sale, payment will be made on 1 October 1985 to shareholders on the register at close of business on 2 September 1985.

In connection with HM Government's offer for sale of its remaining ordinary shares in the company, the Board is making a forecast of profit for 1985. On the bases and assumptions set out overleaf the Board is forecasting profit before taxation of £693 million, profit after taxation of £190 million, and earnings per share of 37.8p. In the absence of unforeseen circumstances the Board expects to recommend a final dividend of 9.00p, making a total dividend for the year of 13.00p per share.



Profit Forecast: Bases and Assumptions

The forecast of profit before taxation, profit after taxation and earnings per share for the year ended 31 December 1985 has been prepared on the following bases and assumptions:-

- (a) Production from each field for the remainder of 1985 will be in accordance with forecasts made by the Board on the basis of information from operators and on the basis that there will be no significant disruption to such production whether by reason of mechanical fault, industrial action, government restrictions, weather or otherwise.
- (b) Oil sales from July to December 1985 will give rise to an average sterling realisation of £20.00 per barrel.
- (c) The US dollar/sterling exchange rate at 31 December 1985 will be \$1.30/£1.
- (d) The following average interest rates for 1985 will prevail: UK base rate, 12 per cent, US prime rate 10.25 per cent and Eurodollar rates 9 per cent.
- (e) Inflation for the whole of 1985 will be 7 per cent in the UK and 4 per cent in the US.
- (f) There will be no significant reduction between 31 December, 1984 and 31 December, 1985 in Britoil's estimate of reserves of each field (other than through production) occasioning higher than expected charges affecting profits after taxation. There will be no significant impact on the 1985 results of forthcoming redeterminations.
- (g) There will be no adverse reassessment in the remainder of 1985 of Britoil's plans to appraise or develop petroleum discoveries which were included in fixed assets at 31 December, 1984, occasioning a charge to profits.
- (h) There will be no unanticipated changes for the remainder of 1985 to current fiscal regimes and the rates of royalty and taxation.
- (i) There will be no change to Britoil's accounting policies as adopted in its 1984 accounts.

Further enquiries to: R Speirs  
Finance and Planning Director

I Stewart  
Press Office

01-409-2525

01-409-2525



### THE SIX MONTHS' HIGHLIGHTS

- \* Turnover increases to £968.1 million. Revenue from equity production at £775.6 million is up £143.7 million (23%) on the 1984 half year. The remainder of the increase is due to sales of purchased petroleum at £192.5 million (£14.0 million in 1984).
- \* Pre-tax profit increases to £364.7 million, up £84.7 million (30%) on the 1984 half year, and after-tax profit to £91.4 million, up £28.0 million (44%).
- \* Oil production (including LPG and condensate) averages 178,300 barrels per day (157,800 barrels per day in the 1984 half year) and gas production 256 million cubic feet per day (226 million cubic feet per day in the 1984 half year).
- \* Is acquiring interests in 23 UK landward licences, including the Humbly Grove oil field and the Horndean and Herriard oil discoveries, and 3 UK offshore licences, including the Glenn field, from Hadson Petroleum International plc.
- \* Farmed in with an initial 16.5% interest to Texaco operated block 3/4a and the option of a further 33.5% interest in a development. Interests in blocks 3/13a, 14/10a and 214/27 also acquired by farm-in.
- \* As operator, commenced the assembly of the Clyde jacket and completed water injection drilling at the Beatrice 'C' site. First production achieved from the partner-operated Statfjord 'C' platform.
- \* Maintained position as one of the most active UKCS explorers, involved in a total of 19 wells spudded. Awarded, with partners, 19 blocks in the Ninth Round.
- \* Further expansion in the US giving Britoil close involvement with two more companies making four in total; an agreement signed with Freeport-McMoRan Inc. to acquire a 25% interest in assets recently acquired by them from Midlands Energy Company; an agreement for a joint three year exploration programme signed with the Williams Exploration Company.
- \* Other overseas activities continue to expand - licences awarded in Thailand (onshore near Bangkok), the Netherlands (offshore blocks F/15a, K/4b, K/5a and K/16) and Norway (offshore block 25/7). The Thai licence is Britoil's first Far Eastern operatorship.
- \* Gas discovery made on Kangean block in Indonesia.



NOTES FOR EDITORS AND ANALYSTS

1985 INTERIM RESULTS: COMMENTARY

1. The following table set out the daily average field by field (in aggregate for the US) production rates attributable to Britoil in the 6 months ended 30 June 1985, the 6 months ended 30 June 1984 and the 12 months ended 31 December 1984.

<u>Oil Production</u> (including LPG and Condensate)	<u>6 Months to</u> <u>30.6.85</u>	<u>6 Months to</u> <u>30.6.84</u> barrels/day	<u>12 Months to</u> <u>31.12.84</u>
Thistle	14,500	16,400	16,500
Beatrice	15,900	10,000	12,900
Deveron	900	-	300*
Dunlin	5,400	7,100	6,300
Ninian	48,500	54,600	53,200
Statfjord	26,100	22,400	24,400
Murchison	25,100	29,100	29,000
South Brae	19,300	16,700	17,000
Hutton	11,600	-	5,300*
Condensate from Viking and Victor	900	900	700
Margham	8,600	-	1,200*
USA	<u>1,500*</u>	<u>600*</u>	<u>1,200*</u>
	<u>178,300</u>	<u>157,800</u>	<u>168,000</u>
 NGL's included in the above	 <u>7,000</u>	 <u>6,600</u>	 <u>7,000</u>

<u>Gas Production</u>	<u>million cubic feet/day</u>		
Viking	188	211	154
Victor	45	-	12*
Associated Gas (UK)	8	10	10
USA	<u>15*</u>	<u>5*</u>	<u>14*</u>
	<u>256</u>	<u>226</u>	<u>190</u>

\* These fields were not in production for the whole period. Actual production has been divided by the number of days in the 6/12 months.

Britoil's share of oil production shown above does not include adjustments which were made in respect of the 1983 Ninian and Murchison redeterminations. Saleable oil production was, therefore as follows:-

	<u>6 Months to</u> <u>30.6.85</u>	<u>6 Months to</u> <u>30.6.84</u> barrels/day	<u>12 Months to</u> <u>31.12.84.</u>
Total Production as above	178,300	157,800	168,000
Add Ninian Pay Back Oil**	-	5,300	3,900
Deduct Murchison Pay Back Oil**	<u>(3,200)</u>	<u>(7,200)</u>	<u>(7,700)</u>
Total Saleable Production	<u>175,100</u>	<u>155,900</u>	<u>164,200</u>

\*\* The actual pay back has been divided by the number of days in the 6/12 months.



2. On the UKCS production commenced from the Hutton oil field in August 1984, followed by the Victor gas field and the Deveron oil field both in September. In Dubai the Margham condensate field entered production in October 1984 and was commissioned in December. US oil and gas production increased in the second half of 1984 as a result of the acquisitions made from Hinkle and Murphy. In the first half of 1985 additional US oil and gas production was obtained from the assets acquired from Freeport McMoran Inc.
  
3. No redeterminations of equity interests in the company's UKCS fields have been approved since 1983. Under the terms of the 1983 Ninian redetermination, when Britoil's interest increased from 20.73% to 21.37%, the company received 1.4 million barrels of make-up oil in 1984 (1.0 million in the first half) to complete the pay back. Similarly, under the terms of the 1983 Murchison redetermination, when Britoil's interest was reduced from 27.92% to 24.98%, the company surrendered 2.8 million barrels of make-up oil in 1984 (1.3 million in the first half) and 0.6 million barrels in the first half of 1985 to complete the pay back. New redeterminations are now in progress affecting the Ninian, Dunlin, Murchison, Hutton, and Statfjord fields, while South Brae is being unitised.
  
4. From 1 June 1985, the company assumed the responsibility for the disposal of the UKCS crudes previously traded by BNOG as participation crude. Reflecting the current market practice, the company is now settling prices for its contract sales on a monthly rather than quarterly basis. A significant proportion of availabilities has been sold on the spot market. Direct marketing of NGLs from the UKCS, which commenced in the first half of 1984, is now firmly established. Condensate from the Margham field in Dubai has been marketed on a spot basis.
  
5. Operating profit has increased to £364.1 million (£282.1 million in 1984) reflecting the higher oil production, despite a larger write-off in respect of general exploration costs and the completion of pay back under the 1983 Murchison redetermination. A currency loss of £9.6 million has been charged in arriving at operating profit calculated as follows:-

	<u>£ million</u>	<u>£ million</u>
Unrealised gain on restatement of dollar denominated loans	33.6	
Less: Unrealised loss on restatement of the net investment in a dollar denominated subsidiary offset in reserves	<u>(12.5)</u>	
Net gain		21.1
Less: losses on dollar denominated deposits		<u>(30.7)</u>
Net loss chargeable to Profit and Loss		<u>(9.6)</u>



6. The average sterling realisation per barrel in the six months to 30 June 1985 was £22.71 compared with £21.30 in the first half of 1984, the fall in dollar oil prices being offset by the fall of sterling against the dollar

	<u>Six Months</u> <u>to 30.6.85</u>	<u>Six Months</u> <u>to 30.6.84</u>
Average dollar oil price (BNOB Brent blend)	£27.48	£30.00
Average dollar/sterling exchange rate	£1.71=£1	£1.41=£1

7. The increase in the PRT provision from £150.2 million to £197.7 million results from the increased production and a decrease in the safeguard benefit available in respect of the company's more mature fields. The six months to 30 June 1984 were the last chargeable period in which safeguard benefit was available to the Murchison and Ninian fields. In the first half of 1985 the Statfjord field received safeguard benefit for the first time. Safeguard benefit available in any year is spread evenly over the two chargeable periods.
8. Despite the fall in the current Corporation Tax rate from 46.25% to 41.25%, the CT charge at £75.6 million was higher than the 1984 figure of £66.4 million. In both years provision was made for deferred liabilities at 35%.
9. The cost of exploration activity amounted to £109.8 million (£77.8 million in 1984), of which £65.1 million related to the UKCS (£63.1 million in 1984) and £44.7 million to overseas (£14.7 million in 1984). A total of £83.1 million (£51.4 million in 1984) was written off to Profit and Loss Account.
10. As a result of high tax payments and increased capital expenditure, particularly on acquisitions, a cash deficit arose in the period of £66.4 million (£2.6 million in 1984)
11. During the first half of 1985, the Directors approved the issue of an additional 1,562,043 ordinary 10p shares in the company bringing the total issued to 502,441,005. The shares were allocated to eligible employees under the provisions of the company's profit share schemes.



12 July 1985

DISPOSAL OF GOVERNMENT'S RESIDUAL HOLDING IN BRITTOIL:  
PUBLICATION OF PATHFINDER DOCUMENT

Following the announcement by the Financial Secretary to the Treasury, John Moore MP, on 14 June 1985, a "pathfinder" version of the Britoil Offer for Sale document is today being published. This is being made available to commentators, analysts, stockbrokers and other professional investment advisers.

The pathfinder describes Britoil's development since privatisation and reviews the Company's present activities and prospects. It gives the latest information on the Company, including its 1985 interim results which are also announced today. The pathfinder also contains forecasts of profits and dividends for 1985.

The pathfinder also gives details of the Offer. Existing shareholders will be given preference in allocation of one share for every five held immediately prior to impact day. Britoil employees will also be given special treatment. A proportion of the Offer is expected to be placed firm with UK institutions. As already announced, a further proportion will be sold overseas.

Subject to market conditions, the Offer is now expected to go ahead at the end of the month.

Lazard Brothers contact point:

Marcus Agius 01-588 2721

cont...



NOTES FOR EDITORS

1. The Government announced on 2 May its intention of disposing of its minority shareholding in Britoil later this year. Lazard Brothers & Co., Limited has been appointed to advise H M Treasury on this sale.
  
2. The Financial Secretary to the Treasury announced further details of the arrangements for the sale on 14 June, including that the Offer would be at a fixed price and, subject to market conditions, would take place later during the summer. He also said that a "pathfinder" document would be published some weeks before impact day.