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MR TURNBULL

17 January 1985

NORTH SEA OIL PRICES

You may have seen the attached piece in today's Times, stating that Norway has reduced its official oil prices by at least \$1.45 relative to the price set last October. My advice from Shell sources is that this is not the case.

The Norwegian Government has taken no initiative, nor does it want to in current circumstances. However, Statoil, in its capacity as the major Norwegian producer, is faced with the contractual need to advise the companies who have been lifting its oil through December and January what prices they will have to pay. For December liftings, it looks as if Statoil will try to establish a common price for all oil of the same grade. For January, they may well have to negotiate different prices for different customers, depending inter alia on when the oil was lifted. In any event, the cosmetics of this are likely to be no change of the official Norwegian prices, with the individual transactions at discounts - as is the case for about half the OPEC oil. The real prices could easily be \$1.50 below official.

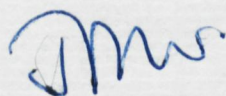
As regards your note on yesterday's Ministerial meeting, one of the key questions is, of course, the outlook for UK spot prices by the end of the month. One could take comfort from the proximity of Saudi Arabian spot prices to the official prices, but we should not be too sanguine.

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There are two principal market places in the oil world, the Atlantic Basin and the Pacific Basin. These days, Middle East oil tends to gravitate towards the latter. The forces of the market are felt most acutely around the Atlantic Basin, with intense speculative trading activity taking place in North West Europe - stimulated by the "spinning" of North Sea crudes - and in the US. Nigeria is critical to OPEC because it is in the middle of this highly competitive market and cannot afford to be out-priced by the market-responsive producers.

Although depressed oil product prices are now reacting sharply to the cold weather, oil product stocks in the US are still comfortable. Accordingly, whereas European spot crude prices have been moving up steadily, in the US the movement is still sluggish. The important market signals over the next week will be those from the other side of the Atlantic.

Incidentally, I understand from Freemantle that no directive has yet been given to officials in Energy's Oil Division to wind down BNOC's participation contracts.



JOHN WYBREW

Norway reduces oil price by \$1.45

By David Young, Energy Correspondent

Norway has set its official North Sea oil price for January on a scale between \$27 and \$27.50, a fall of at least \$1.45 over the previous official price set in October.

The new price structure takes the price of Norwegian Brent crude close to its present spot market rate of \$27.25 and comes as crude oil prices in the United States are being cut and stocks of petroleum products are rising.

The new Norwegian prices will be at the higher end of the scale for Ekofisk crudes with Brent and Statfjord crude slightly cheaper.

Britain has yet to set its official North Sea oil price through the British National Oil Corporation and is unlikely to do so until after this month's emergency meeting of the Organization of Petroleum Exporting Countries (Opec) due to start in Geneva on January 28.

Opec had been hoping to maintain its \$29 market price with bad weather forcing industrialized nations to buy in new supplies as stocks run down.

However, this strategy appears to have failed and there is

now considerable pressure building up within Opec for an official price cut.

However, in the United States the big oil companies have announced cuts in the prices they are prepared to pay per barrel for their refineries.

Exxon has cut the price it pays for West Texan intermediate crude by \$1 to \$28, bringing into line with Chevron and Texaco. Mobil has cut its buying price to \$27.50 and Conoco to \$26.70.

Prices on the US spot market have dropped to \$25.90 and on the future market the price is now \$25.91, a drop of more than 20 cents in one week.

United States buyers are putting pressure on Mexico, a non-Opec member but one which follows Opec policies, to cut prices by \$2 a barrel below the Opec marker price.

The downward price pressure in the United States is likely to continue in the wake of new statistics issued yesterday by the American Petroleum Institute which shows that last week petrol stocks rose by 0.2 million barrels to 241.6 million barrels while crude oil stocks rose by 5.9 million barrels to 341.7 million barrels.

Premier to raise £16m

Premier Consolidated Oilfields, which recently fought off a £100 million takeover bid from one of its fellow members in the consortium which owns Britain's largest onshore oilfield at Wytch Farm in Dorset, has announced that it is to raise £16.3 million from shareholders through an issue of 44,725,559 ordinary shares.

The money will be used to help finance further development at Wytch Farm over the next three years and new projects in Italy, Trinidad, the United States and the North Sea.

The company is also negotiating a production-shareholding contract in the Far East. Part of the proceeds of the issue may be used to buy into existing gas or oil production in the United States.

In the autumn Premier thwarted a takeover bid by Carless Capel and Leonard, which also has an interest in Wytch Farm and in onshore oilfields in Hampshire.

The new shares are being offered at 38p, a 7p discount on yesterday's price. Careless Capel and Leonard holds 14.98 per cent of the company

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