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CABINET  
DEFENCE AND OVERSEA POLICY (OFFICIAL) COMMITTEE  
SUB-COMMITTEE ON THE SOUTH ATLANTIC AND FALKLAND ISLANDS

HYDROCARBON POTENTIAL AROUND THE FALKLAND ISLANDS

Note by the Secretaries

The attached paper prepared by the Foreign and Commonwealth Office, in conjunction with the Department of Energy, is circulated for the information of the Sub-Committee.

Signed C H O'D ALEXANDER  
G R G MIDDLETON  
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Cabinet Office  
8 April 1982

HYDROCARBON POTENTIAL AROUND THE FALKLAND ISLANDS

1. Press reports about hydrocarbon prospects around the Falkland Islands are totally misleading.
2. The only evidence which exists is the result of two seismic surveys which took place in 1978. These were carried out by two American companies, Western Geophysical and Geophysical Services Incorporated. They were both normal commercial projects. The results have been widely purchased by oil companies. This evidence, and we believe this evidence alone, represents the only known factual information about oil prospects. These surveys were authorised by the British and Argentine Governments but were not commissioned by them. Data from each were given to both governments.
3. The seismic data from the Falkland Islands are sparse, sufficient to identify only the broad geological framework. The data are significantly less than were available in 1964 for the United Kingdom Continental Shelf prior to the onset of offshore exploration. In May 1979, the British National Oil Corporation, like many other oil companies, bought one of the surveys for evaluation. This evaluation was subsequently made available to the Department of Energy. They concluded that there were three areas which had the necessary ingredients for hydrocarbon generation and might therefore warrant further exploration. The most interesting was the South Malvinas Basin which straddles the midline between Argentina and the Falkland Islands. This Basin has similarities to the Magellanes Basin where hydrocarbon production in December 1980 was reported to be 60,000 bpd of oil and 257m cubic feet per day of gas. There is no way, however, of confirming the presence or extent of hydrocarbon deposits without drilling. The surveys were principally of the area outside the 100 fathom line around the Islands. The areas within this line, and particularly the onshore areas, are believed by oil experts to be totally without oil prospects (there are other areas of possible prospectivity; but these lie in deeper water beyond the range of current development techniques).
4. BP have also evaluated the seismic data. The FCO Heads of Energy, Science and Space Department and South America Department visited BP some months ago to discuss this with them. BP geologists said then that they considered that there might be modest prospects for modest amounts of oil in the area - but that these prospects might be summed up by saying that, even if there were no political

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difficulties or risks whatsoever, it would still be well down their list of places in the world where they wished to explore.

5. In oil exploration nothing is certain until a well is drilled. The history of the industry is full of examples of excellent prospects providing only dry wells and poor prospects producing commercial quantities. Not enough is known about oil prospects around the Falkland Islands for anyone to be sure. We can say, however, that there is little or no reason to expect another North Sea, and perhaps a much less than even chance of finding any oil at all. An added dimension on which we also have little information is oil prospects on the Argentine side of any median line. Contrary to most press reports, however, we believe that the very limited amount of drilling that has taken place there has produced poor results, and we know that Shell, in particular, far from hitting the jackpot as reported in many newspapers, are thinking of giving up in the area.

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8 April 1982

ARGENTINA / CHILE: Areas Under Licence 1981  
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