



Foreign and Commonwealth Office

London SW1A 2AH ✓

8 January, 1985

Dear Charles,

Falklands: Oil Exploration

You asked in your letter of 7 January for the background to the Argentine complaints reported in Bisba telegram number 1 over the licence granted to Firstland Oil and Gas to conduct exploratory drilling for oil in the Falklands.

Firstland Oil and Gas plc is a British based and owned company. They approached the Falkland Islands Government in June 1984 for permission to carry out on-shore prospecting for oil and gas at Douglas Station, a 136,000 acre farm in East Falkland.

A prospecting licence was issued to Firstland by the Falkland Islands Government, who had consulted us through the Civil Commissioner, on 19 July 1984. The licence is initially for four years duration. Should oil be discovered, a new licence for the commercial extraction of oil would need to be negotiated. A Firstland geologist has been carrying out preliminary tests in the Islands and on the basis of this it is possible that the first exploratory well will be sunk sometime in April or March.

Parliament was informed of the project in written Parliamentary Answers on 23 July and 25 October by Mr Whitney and Mr Renton respectively. These attracted little interest at the time.

The suggestion that Firstland Oil and Gas is an American firm may be based on the fact that it has hitherto been most active in the United States, as has its associated oil production company, Petronol. This is the first licence to be issued by the Falkland Islands Government for oil exploration. The only detailed geological survey into the mineral potential of the Falkland Islands was published in 1924, although individual members of the British Antarctic Survey have from time to time conducted research into the potential on the Falkland Islands of specific minerals (but not oil). Nothing in the Shackleton Report or in our recent discussions with the oil industry generally suggests that a major find is likely.

Prime Minister
You enquired
about this.

attached
CDP 2/1



Foreign

The Argentine Ministry of Affairs issued a statement on 2 January reaffirming the Argentine Government's "unyielding rights to sovereignty over the Falkland Islands" and asserting that it did not regard this or any other similar agreement as valid. The Foreign Minister initially threatened to take the matter to the United Nations but our latest information is that he has withdrawn from this exposed position. It is not clear why the Argentine Government have raised this matter at this time (since we understand that they have known about the Firstland licence ever since it was made public in this country). Our Interests Section in Buenos Aires consider that it may be related to the Argentine Government's domestic political need to adopt a tough nationalist posture whilst they are seeking ratification of the Beagle Channel treaty with Chile.

For ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

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