

Prime Minister (2)

AT 12/6

SECRETARY OF STATE FOR ENERGY  
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Miss Margaret O'Mara  
Private Secretary to the  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON  
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13 June 1984

*Dear Margaret,*

*ms*

## THIRD QUARTER OIL PRICES

In spite of the tension in the Gulf and the extra oil demand created by our coal strike, spot prices have remained on balance below term prices in the past few months. There is no clear evidence that demand for oil will be higher in the coming quarter: on the other hand Nigeria is under very strong financial pressure to increase its production. BNOC has contractually to make firm proposals tomorrow to its suppliers and customers: the market situation is such that it intends to propose no general change.

It is however proposing two minor adjustments. One of these, a 10 ¢ increase in the price of Maureen crude, is justified by the relative strength of demand for that crude. The other, a 15 ¢ increase in the price of Ninian blend, may well not be accepted by BNOC's customers. But BNOC has to propose it in order to protect itself against the likelihood that it would be taken to arbitration if it proposed any lower price.

My Secretary of State intends to let BNOC know by noon on 14 June that he does not propose to intervene.

I am sending copies of this letter to Andrew Turnbull (No 10), Roger Bone (FCO) and Andrew Lansley (DTI).

*Yours*

*John*

J S NEILSON  
Private Secretary