

Divisione Esplorazione

Mr. William B. Terry  
9 Vida Descansada  
Orinda, California, USA.

Prot. 970/07

Re : Oman offshore Concession

July 20, 1966

Dear Sir,

we refer to your letter dated May 16, 1966, addressed to our AGIP USA Branch in New York City, dealing with the above subject.

Due to postage mishandling said letter, which was forwarded to us for consideration, did not unfortunately, reach us until recently.

While advising you that the matter is under examination by our technical staff, we would like to ask for some additional clarifications on the projected venture, mainly :

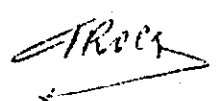
1. As regards the geological prospects of the area, a limited amount of data are published, to our knowledge. It would be helpful for our evaluation to obtain some general information on the exploration work carried out on the adjacent inland and territorial waters area.  
We wonder if you could supply us with such information.
2. It does not seem to be clear whether the exploitation bonus becomes payable :
  - a) right after completion of seismic and before any drilling is started, or
  - b) at the discovery of oil in commercial quantities, or
  - c) upon reaching various levels of production.
 We would anticipate, according to our experience, that no bonus would be due under case a).
3. We would welcome to have, if it does not meet with any objection on your part, copy of the instrument assigning the concession under consideration to Dr. Phillips Group.

As previously stated, we are presently evaluating the convenience of entering into the proposed deal and we anticipate to be in a position to give you a definitive answer within about four weeks.

Would you kindly send us, in the meantime, the requested clarifications and documentation.

Sincerely yours,

AGIP SpA Direzione Mineraria  
Il V. Direttore Generale  
Ing. Tizianb Rocco



c c :  
Dr. Zappalà, PARTEST  
Dr. Carella, ESPLO  
Sede

OFFSHORE MERIDIONALE DELL'OMAN - Prossima per l'Ing. Eridi

In relazione all'offerta del rappresentante americano di Mr. W. Phillips, si conferma l'interesse minerario dell'area in questione; anche le condizioni contrattuali segnalate (x) appaiono interessanti.

Tenendo conto della presa di posizione ufficiale del Ministero Saudiano degli Esteri allorché contattato dalla nostra Ambasciata in Gedda circa eventuali trattative dell'ENI per concessioni in Oman, sembrano aperte le seguenti vie qualora si voglia intervenire in Oman:

- a) Franco colloquio col Ministero Saudiano degli Esteri facendo presente che l'escludere l'ENI da una trattativa in Oman, non favorisce in alcun modo la posizione dell'Arabia Saudita e d'altra parte può danneggiare l'ENI, tenendo conto che l'area sarà comunque assegnata ad altra società petrolifera.
- b) Un approccio indiretto, facendo procedere nelle trattative una società privata italiana, e garantendosi preliminarmente diritti di entrata nella concessione eventualmente ottenuta da questa società, una volta concluse le trattative minerarie con l'Arabia Saudita.
- c) Un accordo dello stesso genere con la Philips che sembra interessata all'Oman e che non è vincolata al veto saudiano sia perché società privata sia perché non ha avuto contatti in proposito con le autorità saudiane. L'inserimento della Philips può essere diretto, oppure (se si temono riflessi negativi di un negoziato Philips-Oman sulle trattative per l'Arabia) avvenire attraverso un'altra società indipendente che potrebbe garantire l'inserimento

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(x) Bonus iniziale di  $\frac{1}{2}$  milione \$; bonus di produzione di 2 - 5 milioni \$, spartizione profitti al 50 - 50, con royalty del 20% sui realized price; 5% di override a W. Phillips.

successivo sia della Philips che nestro al momento opportuno (secondo Ornelas questa alternativa e' concretamente perseguibile).

Queste ultime due soluzioni comportano una decisione di politica aziendale e pertanto vengono proposte all'attenzione dei livelli competenti .

Si fa notare che urge una decisione in merito in quanto la proposta del mediatore di Mr W. Phillips e' del 23 Maggio 1966 , ed e' stata inviata il 22 Giugno u.s. e ne e' stata sollecitata la risposta in data odierna .

S. Donato 13 luglio 1966

R. Carella - U. Cecconi

**AGIP USA Inc.**

MINIERARIA

PAN AM BUILDING  
200 PARK AVENUE  
NEW YORK, N. Y. 10017

TN 7-8650

*Dr. Jolli di nuovo con inf. Pano  
11/2/66 GRL*

Giugno 22, 1966

Caro Ingegnere,

Le trasmetto in allegato quanto inviatoci da certo William B. Terry, associato del noto Dr. Wendell Phillips, relativo ad una concessione nel offshore dell'Oman.

Per Sua convenienza, Le accludo un breve resoconto sull'Oman, tratto dal primo volume di "International Petroleum Industry" di Gordon Barrows e contenente alcuni particolari sugli interessi e sui rapporti del Dr. Phillips con detto sultanato.

A Sua disposizione per eventuatli altri dettagli che le potessero necessitare, Le invio i miei migliori saluti.

  
Giancarlo Gini

GG/sn  
allegati./

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Egr. Sig.  
Dr. Ing. Egidio Egidi  
Direttore Generale Agip S.p.A.  
Direzione Mineraria  
San Donato Milanese  
Milano, Italia.

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# Petroleum Legislation

25 WEST 45<sup>TH</sup> STREET, NEW YORK, NEW YORK 10036 TELEPHONE LT 1-1994

23 May 1966

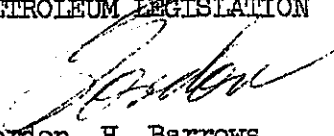
Mr. Enzo Viscusi  
AGIP  
Pan American Building  
New York, N. Y.

Dear Enzo:

I attach a letter from William B. Terry concerning a concession in Oman. Would you forward it on to your principals in Rome? They can contact him directly.

Very truly yours,

PETROLEUM LEGISLATION



Gordon H. Barrows  
Publisher

GHB:dac  
encl.

*William B. Terry*

*9 Vida Descansada*

*Orinda, California*

May 16, 1966

Mr. Enzo Viscusi  
AGIP  
Pan American Building  
New York City, New York

Dear Mr. Viscusi:

My partner and associate, Dr. Wendell Phillips of Honolulu, Hawaii, has asked that I send to you the following information and data on the Indian Ocean Continental Shelf Concession which we hold from the Sultan of Oman.

This concession which was granted to Dr. Phillips by the Sultan on February 20, 1966, covers the offshore area from Ras-Al-Hadd to Ras Minji (approximately 450 miles) but does not include the 3 mile strip of territorial water adjacent to the shore. The basic terms of this concession call for a signature bonus of \$500,000.00 on execution of the definitive concession agreement, an exploitation bonus of between 2 million and 5 million dollars to be paid after thorough seismic exploration but prior to the exportation of oil from the concession; a 20% royalty on oil exported based on realized price, and a 50-50 division of net profits. Details of a relinquishment program have not been determined, and such other conditions as are customary in petroleum agreements in this part of the world would also be included in the definitive agreement.

As you may know, Dr. Phillips and his associates originally held the Dhofar Concession now assigned to Continental, Mecom and Pure, and Dr. Phillips recently assigned the Continental Shelf of the Gulf of Oman to Wintershall and associated German oil companies.

It is our feeling that if your company is interested in acquiring this concession, we should meet with the Sultan in order to draft an acceptable concession agreement embodying all of the normal provisions which are customary and with the appropriate language most acceptable to your company. We would retain a 5% gross override after assigning the concession to you as was the case with the Wintershall Concession.

Sincerely yours,

*William B. Terry*  
William B. Terry

WBT:hc

# OMAN

The sultanate of Oman comprises the Oman interior; the Muscat coast; and Dhofar, the southernmost province. The ruler, sultan Sa'id Bin Taimur, maintains close relationships with Britain and, in 1937, granted a concession to Petroleum Development (Oman) Ltd. which was then owned in the same proportions as the IPC group. This concession covered the entire country with the exception of Dhofar province. The latter area later was given to a USA group.

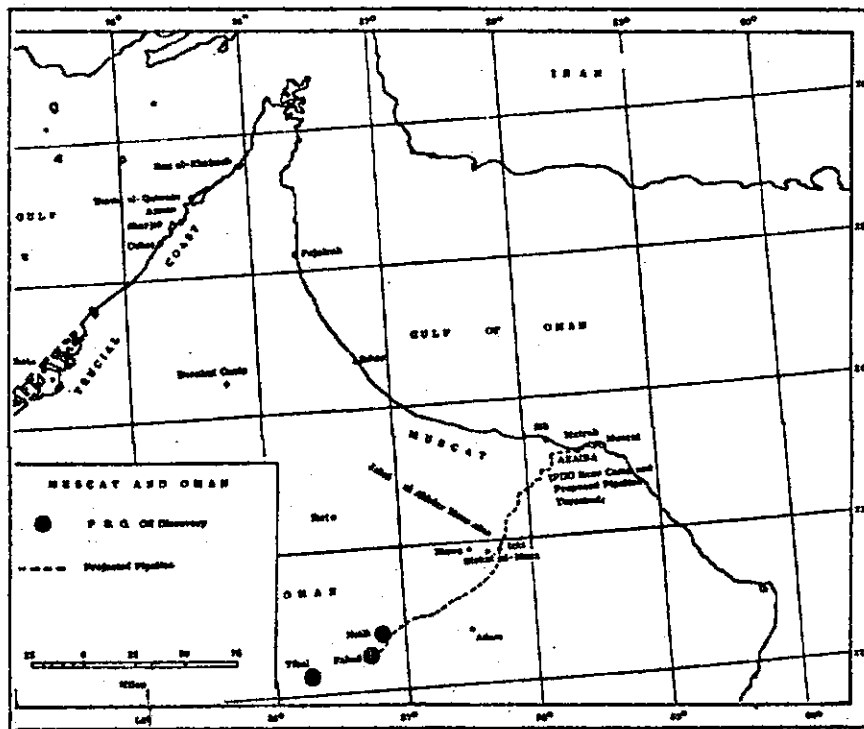
Early in 1960 some of the participants in Petroleum Development (Oman) Ltd. decided to relinquish their interest. Four wells had been drilled without a discovery. Names of the wells and their final depths (in feet) follow: Fahud (12,235); Ghaba (12,661); Haima (11,255); and Afar (4,749). Royal Dutch-Shell assumed 85% interest and became the operator, while Participations & Explorations Corp., owned by Gulbenkian interests, took over 15%.

Discovery of commercial oil was announced by Petroleum Development (Oman) Ltd. in 1964. Fields were found at Natih and Fahud, with a third discovery at Yibal, southwest of Fahud. The company decided on construction of a 156-mile pipeline capable of carrying initially production of around 130,000 b/d. Exports were to begin in the second half of 1967. Crude is of good quality—low in

sulfur and of about 30 API gravity. The line will run from the Natih-Fahud area through the Sumail gap to a terminal at the bay of Saih-al-Malih on the gulf of Oman, just west of Matrah. Exploratory drilling was begun in southern part of this area in 1965.

In Dhofar province, a concession was granted during 1953 to a young archeologist, Wendell Phillips, in company with his father, M. H. Phillips, Samuel Pryor, and Louis Johnson. In exchange for royalty interest, this group gave its initial grant for exploration rights to the Cities Service and Richfield companies—which drilled a number of wells. All the wells had some encouraging signs of oil, but quantities were insufficient for commercial production. The companies then assigned 50% of their concession to John W. Mecom, Texas independent producer, and to Pure Oil Co.—with the Phillips group retaining an overriding royalty of 2.5%. Continental Oil Co., early in 1965, assumed a one-third interest in the Dhofar concession, and plans an active drilling program—hoping finally to establish production in this remote region.

Phillips continued to acquire concession acreage in other areas—including Libya and Venezuela—until Wendell Phillips, by his own report, held royalty interest in more acreage than any other individual. In 1965,



the offshore area of Oman was reported to be available—with the sultan's interest held by Phillips. The acreage extends outward from territorial waters, from the tip of Oman to about 300 miles south.

**Reserves:** No information is available on the size of petroleum reserves found in Oman. Royal Dutch-Shell denied in 1965 that reserves were in the 15-billion-barrel area. Using the rough calculation that 500 million barrels of reserves are required to support a production of 100,000 barrels daily, Shell's reserves would be in the neighborhood of one billion barrels. Exploration in the area, however, is far from complete, and is being actively pushed by the Shell interests—with two drilling rigs and four exploration parties active in early 1965. Shell has released no data on the Oman wells other than to state that nine wildcats were drilled by the Shell-Partex combine since it took over the original oil prospecting concession from the Iraq Petroleum group in 1960.

### OIL LAWS

Operations in Dhofar are governed by an agreement made on 17 January 1953 by the sultan of Oman with Philpryor Corp. Philpryor assigned all its rights to the Dhofar Cities Service Petroleum Corp., a 100 %-owned subsidiary of Cities Service Co., on 18 September 1953. Philpryor received a 2.5% overriding royalty. At a later date, Dhofar Cities Service assigned 50% of its interest to the Richfield Oil Corp., with the proviso that Dhofar Cities Service would be the operator.

## TRUCIAL COAST

The Trucial Coast derives its name from treaties concluded between Great Britain and the various sheikdoms of which the area is composed, for protection of the sheikdoms against external aggression. The Trucial Coast includes seven small sheikdoms: Abu Dhabi, Sharjah and Kalba, Ajman, Umm al-Qaiwain, Ras-al-Khaimah, and Fujairah. Activity is highest in Abu Dhabi, which is treated separately in this book.

Until the early 1960's, little interest was shown in this area. The discovery of oil offshore Abu Dhabi—at Das Island—showed the Lower Cretaceous extends much farther south than had formerly been believed; this

The concession, as published in "*Middle East—Basic Oil Laws and Concession Contracts*," does not provide for any initial payments or any surface taxes. It contained the right on the part of the company to surrender the area at any time. Term is 25 years from the time commercial production is first encountered—with option to renew for 25 years more. The sultan is given a royalty of 12.5% of all oil until such time as all costs incurred by the company in exploration and development have been recovered. Thereafter, in lieu of royalty, the sultan will receive 50% of net profits accruing to the company from the operation, but in no event less than 12.5% of all oil produced by the company. It was this concession which later was farmed out to John W. Mecom and Pure Oil Co., with Continental assuming one-third interest in 1965.

The concessions for oil in Oman have been published in "*Middle East—Basic Oil Laws and Concession Contracts*." Information concerning them may be obtained from that publication at P.O. Box 1591, New York, N.Y. 10017.

### NATIONAL FACTORS

Oman has been a sultanate under the nominal rule of the same family since the mid-1700's. The interior tribes of Oman have always pledged their fealty to an elected imam, or religious leader, in a rather loose political confederation with the sultan of Muscat. The last imam of Oman fled the country in 1959 after a rebellion against the sultan's authority had been put down. The sultan has been in political control since that time.

changed the complexion of the entire oil search.

An associated company of the Iraq Petroleum Co. group held exploration licenses over most of the Trucial Coast, but surrendered some of them in 1961—retaining only the Abu Dhabi onshore area through its affiliate, Abu Dhabi Petroleum Co. IPC's affiliate, Petroleum Development (Trucial Coast) Ltd., had entered into a new agreement on 3 August 1961 with the ruler of Dubai which supplemented the provisions of the original (1937) agreement. The revised agreement incorporated the 50-50 profit-division principle, if oil were found. However,



OMAN

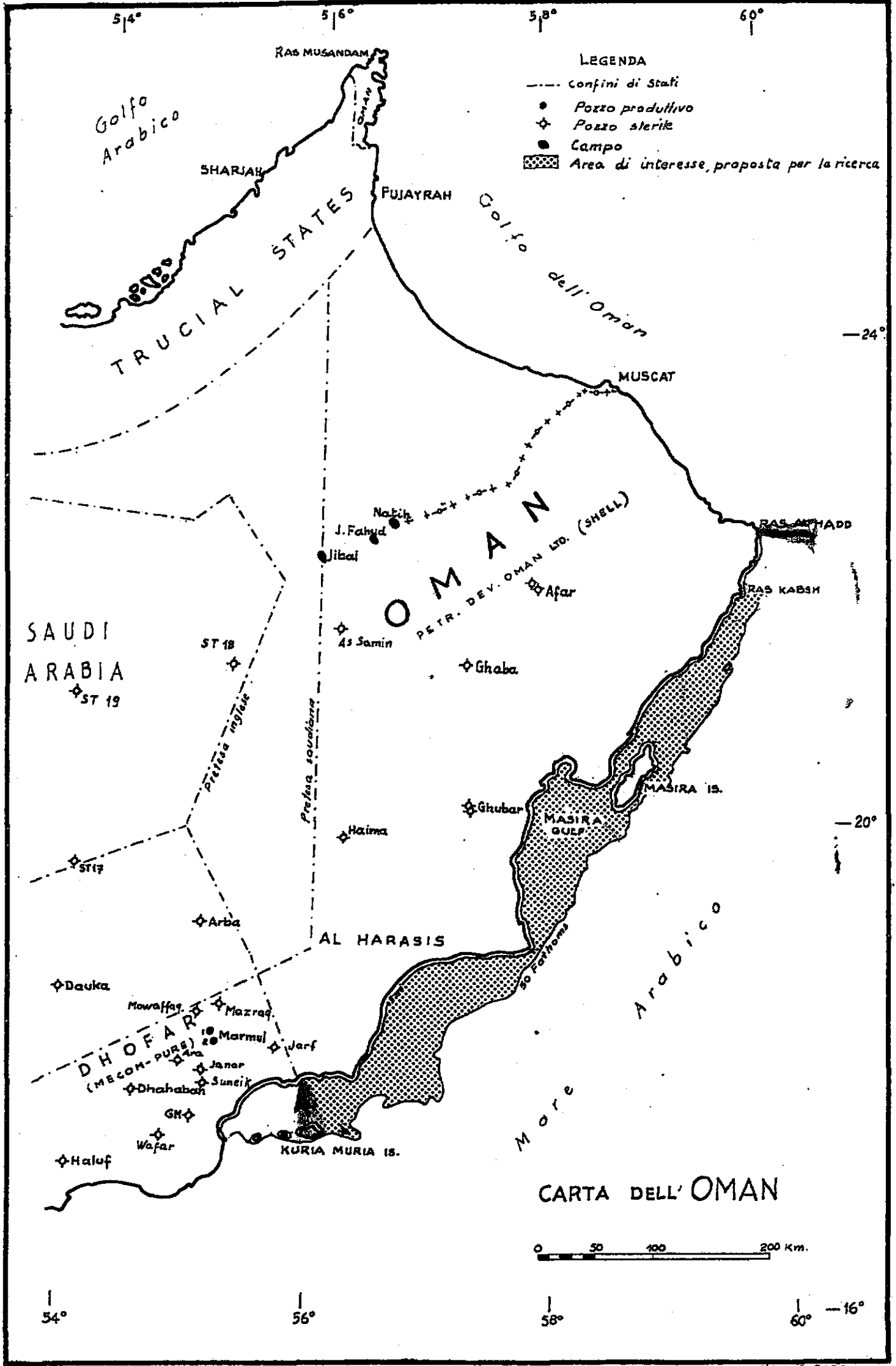
Il Sultano di Oman, Said Ibn Taymur é scampato per puro caso ad un attentato organizzato dalle sue stesse Forze Armate. Mentre passava in rivista un reparto a Sallalah hanno aperto improvvisamente il fuoco contro di lui senza colpirlo.

Secondo notizie pervenute da Aden, Said B. Taymur deve la vita al fatto che al momento dell'ammutinamento era pressoché circondato dalle sue guardie del corpo pakistano e da un gruppo di ufficiali.

Nel reparto che stava rendendogli gli onori 5 soldati hanno invece preso di mira il sultano e sparato più volte.

La fulminea ribellione é stata stroncata da altre truppe fedeli che hanno a loro volta aperto il fuoco sugli ammutinati uccidendone tre. 19 ribelli sono stati arrestati. Una ventina si sono dati alla fuga nel deserto e sono attualmente ricercati.

Durante la sparatoria un soldato pakistano é riuscito a far salire il vecchio sultano (Ibn Said Taymur regna sull'Oman dal 1932) su una jeep con la quale lo ha portato nel suo palazzo di Sallalah. I soldati pakistani feriti sono stati ricoverati all'ospedale di Aden.



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Mr. Owen D. Thomas  
Manager Expl. & Prod. Division  
Phillips Petroleum Company  
Bartlesville, Oklahoma

February 27, 1968.

Dear Sir,

I thank you indeed for your kind letter.

I am particularly sensible to your words of sympathy especially in these days when I am feeling the regret to abandon a long and intense activity: just as, I think, it happens to any man who arrives at the end of his work life.

I'll leave AGIP at the end of this month, that is in a few days; however I shall continue to deal with our joint operations in the different areas of the North Sea on AGIP's account and therefore I hope to have the pleasure of meeting you again in the future.

Best regards,

Sincerely yours,

( T. Rocco )