

Message Text

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PAGE 01 LA PAZ 10169 010139Z
ACTION EB-08

INFO OCT-01 ARA-11 ADS-00 AID-05 CEA-01 CIAE-00 COM-02
DODE-00 DOE-17 H-01 INR-10 INT-05 L-03 NSAE-00
NSC-05 OMB-01 PM-06 ICA-11 OES-09 SP-02 SS-15
STR-08 TRSE-00 ACDA-12 /133 W
-----042274 010208Z /64

R 271850Z NOV 79
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 9476
INFO AMEMBASSY BUENOS AIRES

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E.O. 12065: N/A
TAGS: ENRG, BL
SUBJECT: PETROLEUM: PRODUCTION DECLINES

1. FIGURES RECENTLY MADE PUBLIC BY YPFB SHOW PETROLEUM PRODUCTION HERE DURING JANUARY -SEPTEMBER 1979 FELL 15 PERCENT COMPARED TO THE SAME PERIOD IN 1978. (DURING THE FIRST THREE QUARTERS OF THIS YEAR YPFB PRODUCED 7.61 MILLION BARRELS; DURING THE SAME NINE MONTHS LAST YEAR PRODUCTION WAS 8.96 MILLION.)

2. WITH THE COUNTRY'S OIL PRODUCTION-CONSUMPTION CURRENTLY IN ROUGH BALANCE (SEE PARA 4), FURTHER PRODUCTION SLIPPAGE WOULD SOON REQUIRE BOLIVIA TO BEGIN USING ITS EVER SCARCE FOREIGN EXCHANGE TO IMPORT COSTLY SPOT MARKET CRUDE AND/OR PRODUCT. HOWEVER, THAT PAINFUL STEP MAY NOT BE NECESSARY IN THE SHORT OR MEDIUM RUN. INCREASINGLY STRONG INDUCTIONS ARE THAT DALLAS-BASED TESORO PETROLEUM'S LA VERTIENTE FIELD IN SOUTHERN BOLIVIA COULD SOON PRODUCE ENOUGH PETROLEUM TO ALLOW YPFB TO AVOID IMPORTS. AFTER HAVING DRILLED FIVE HOLES ON THE STRUCTURE (ONE WHICH, IRONICALLY, YPFB DRILLED UNSUCCESSFULLY HEARS AGO) TESORO BELIEVES LA VERTIENTE

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PAGE 02 LA PAZ 10169 010139Z

COULD PUMP 10 TO 12 THOUSAND BARRELS PER DAY, OR ONE HALF NATIONAL CONSUMPTION. (HOWEVER, FAR FROM BEING EUPHORIC OVER THEIR SUCCESS, TESORO IS SERIOUSLY WORRIED THAT IT WILL ATTRACT TOO MUCH ATTENTION AND GENERATE LEFT-WING SENTIMENT FOR NATIONALIZATION.)

3. GAS MARKETING REMAINS A PROBLEM:

IT'S INCREASINGLY CLEAR THAT BOLIVIAN HOPES OF SELLING ADDITIONAL QUANTITIES OF HIGHER-PRICED NATURAL GAS TO NEIGHBORING ARGENTINA ARE GROUNDLESS. MOREOVER, IT NOW APPEARS THAT THE ARGENTINES ARE UNWILLING EVEN TO AGREE TO A REAL PRICE HIKE FOR THE VOLUMES OF GAS THEY ARE NOW RECEIVING FROM BOLIVIA.

RECENT ARGENTINE GAS DISCOVERIES SUPPORT THE GOA'S HARDLINE POSITION ON PURCHASES FROM BOLIVIA. THE NEW GOVERNMENT IS, HOWEVER, PRESSING AHEAD WITH DRILLING TO VERIFY ITS GAS RESERVES, PREPARATORY TO PIPELINE NEGOTIATIONS WITH BRAZIL.

4. BOLIVIA'S CURRENT SUPPLY-DEMAND STATUS: WITH PRODUCTION FALLING AND DEMAND STILL INCREASING BOLIVIA IS STILL BARELY ABLE TO SUPPLY ITSELF WITH PETROLEUM. BY REFINING ALL OF ITS CURRENT OUTPUT, YPFB CAN JUST SUPPLY THE COUNTRY'S DEMAND FOR DIESEL, FUEL OIL AND KEROSENE WHILE PRODUCING A MODEST GASOLINE SURPLUS.

BOEKER

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTS, PRODUCTION TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 nov 1979
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1979LAPAZ10169
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D790552-0377
Format: TEL
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1979/newtext/t19791120/aaaaaqbz.tel
Line Count: 79
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 608a801b-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 610396
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM: PRODUCTION DECLINES
TAGS: ENRG, BL
To: STATE BUENOS AIRES
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/608a801b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014