

C O L O M B I A.

REPORT ON URABA SURVEY and SUGGESTIONS re  
FUTURE POLICY.

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The Board will recollect that, following on a great deal of geological work in various parts of Colombia, and certain negotiations with various concessionaire groups in that country, our efforts were finally concentrated on the Colombian State Reserve in Uraba. After protracted negotiations a modus operandi was agreed upon between the Government and our representative (Colonel Yates), the principal conditions for a development contract were outlined, and, - subject to certain reservations, - approved by the Board. These conditions, it will be remembered, were of such an exacting and onerous nature that their only justification lay in the belief, - then strongly held in official circles in Colombia, - that the province of Uraba contained extremely valuable oilbearing land, - for which reason it had been declared a State reserve.

It will be seen from reports attached, (appendix C), that a geological survey, - carried out during the last dry season by three parties under the general direction of our Chief Geologist (Mr. James) has failed to find evidence such as would justify the very high hopes entertained in Colombia respecting the oil potentialities of this province, although Oil-bearing structure, of limited extent and speculative capacity, is considered to exist.

In these circumstances, - and bearing particularly in mind the terms of the provisional contract with the Government, no case can be made in justification of our proceeding any further with these particular negotiations. It has been necessary, - in anticipation of Board concurrence, - to make this quite clear to the Colombian Government, (vide copy of telegram dated 3rd July attached) since



the Contract was due for discussion in the Congress during the current month.

The position is now as follows:- We are not in treaty with any other concessionaires in that country and are under no obligations to the Government except that it will be necessary (a) to confirm by letter, - through Colonel Yates - our decision to proceed no further with the Uraba contract, and (b) to furnish the Minister of Industry with a copy of our complete geological report on Uraba - (this report is now approaching completion). All our geologists have been withdrawn from Colombia, and Colonel Yates is now in England awaiting decisions respecting future policy.

In this connection I invite perusal of the proposals contained in the memorandum of the Managing Director D'Arcy Exploration Co., attached hereto, (Appendix A).

I am strongly of opinion that, whatever might be the future prospect of obtaining concessions in Colombia, we should no longer contemplate negotiations - either with the Government or with private owners, - whilst the Petroleum Laws operate so decidedly to our disadvantage. There were special reasons in the case of Uraba for making the best of the legal situation as it actually existed, but it is very difficult to conceive of any concession being offered us in future which would justify the adoption of the elaborate safeguards which were contemplated for the operation of the Uraba concession had it proved to be worth doing so.

At the present time the question of modifications in Oil Legislation in Colombia is much to the fore, and I would endorse the suggestion of Sir A.T. Wilson that we take advantage, - for the reasons given by him, - of the good feeling we believe to exist in Government circles in Colombia towards this Company, by endeavouring to get the

*we giving  
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source the Pet. Law  
various countries*



Law so amended as to place us in a position comparable with that of other Companies. I feel that the most effective way of approaching the subject would be to send Colonel Yates back to Bogota charged with the sole mission of presenting to the Government the geological reports on Uraba and a letter - draft herewith, (Appendix B) - definitely raising the legal issue on our behalf.

Should this line of procedure be agreed, Colonel Yates will be instructed that no question of concessions, or management agreement, should be discussed with the Government, or with unofficial concession holders, until he receives explicit instructions from us; and that such instructions will not be given unless and until modifications have been made in the existing Law of a character satisfactory to the Board.

It should be added that, should it be possible to obtain the desired modifications in Colombia, the precedent so created might prove to be of the very greatest importance to us in subsequent negotiations with other States in South America.

A.C. HEARN.

17th July, 1928.