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# **Vietnam's Search for Offshore Oil**



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**An Intelligence Assessment**

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*EA 82-10141  
December 1982*

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# Vietnam's Search for Offshore Oil

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**An Intelligence Assessment**

This assessment was prepared by [redacted]  
Office of East Asian Analysis. It was coordinated with  
the National Intelligence Council. Comments and  
queries are welcome and may be directed to the Chief,  
Southeast Asia Division, OEA, [redacted]

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**Vietnam's Search for Offshore Oil** [Redacted]

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**Key Judgments**

*Information available as of 3 December 1982 was used in this report.*

Hanoi, which is almost totally dependent on increasingly costly oil from the USSR, is moving to develop offshore oil resources. Vietnamese officials claim that the country will begin producing oil next year, with the stated goal of producing 20,000 to 40,000 b/d by 1985. Vietnam currently needs 32,000 b/d of oil, much of it for the military. Moscow has set up a joint stock partnership with Hanoi and will provide most of the expertise and equipment to develop the offshore fields. [Redacted]

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In our view, Hanoi's plans for self-sufficiency are unrealistic. The Soviets are only beginning to drill, and [Redacted] Soviet equipment and expertise are inadequate for the job. [Redacted]

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[Redacted] Furthermore, Vietnam is pinning its hopes on three discoveries made by Western firms during 1974-81. While these finds were promising, much more exploration needs to be done before the fields are demonstrated to be viable by Western commercial standards. The Soviets, moreover, are experiencing difficulties working with the Vietnamese bureaucracy— [Redacted]

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## Vietnam's Search for Offshore Oil

### The Need for Oil

Oil shortages constrain the growth of the Vietnamese economy. According to IMF reports, the country imports about 32,000 b/d in petroleum products, nearly all from the Soviet Union. Although no sectoral breakdown is available, it is clear from the size of the military establishment that the military is the primary user, preempting other sectors. The domestic economy, particularly transportation and agriculture, suffers from chronic shortages. The official media provide numerous reports and commentary concerning train delays caused by diesel fuel shortages, transport units that resort to illegal means to acquire fuel to operate, and large-scale theft of government gasoline and diesel fuel for sale on the free market. In the agricultural sector, oil supply problems are compounded by shortages of coal and competing demands for electric power. For example, many irrigation systems are run by internal combustion pumps or electricity from diesel-fired generators.

Cost is also a problem. In 1981 Moscow tripled the price of oil to \$18 per barrel without increasing total economic aid, in effect squeezing other items out of the aid package. Furthermore, because Moscow's price is still only slightly more than half that of world levels, we believe Hanoi can expect further increases in the future.

### Promising Preliminary Results . . .

Faced with continuing oil shortages and the growing financial squeeze, Hanoi is striving to develop its offshore reserves. Its publicly stated goal is to produce 20,000 to 40,000 b/d by 1985. Work done by Western oil companies in the 1970s showed promising results in offshore areas. Seismic surveys done in the early to mid-1970s indicated three promising areas:

- The Saigon-Brunei Offshore Basin, which has formations that may hold oil and gas up to 4 kilometers deep.
- The Mekong Delta and Offshore Basin, which shows formations that are promising for oil and gas 5 to 8 kilometers deep.

- The Red River Delta and Gulf of Tonkin Basin, which has thin but promising sedimentary deposits.

### . . . But Uncertain Prospects

Despite the promise of Vietnam's offshore areas, Hanoi is unlikely to come anywhere near its production goals by 1985. Before deciding which areas to develop, Western oil companies would do much more work to delineate oilfields. Normally after an initial discovery, "step out" wells are drilled to delineate the limits of a field and to allow for reserve estimates. This process usually takes several years to complete. In Vietnam none of this work has been done.

More important, Hanoi cannot expect participation by Western firms, given its track record of heavy-handed dealings. In 1978, Hanoi brought in three Western firms—AGIP of Italy, Deminex of West Germany, and Bow Valley of Canada—to resume exploration south of Vung Tau. Vietnam's relations with the companies were disastrous.

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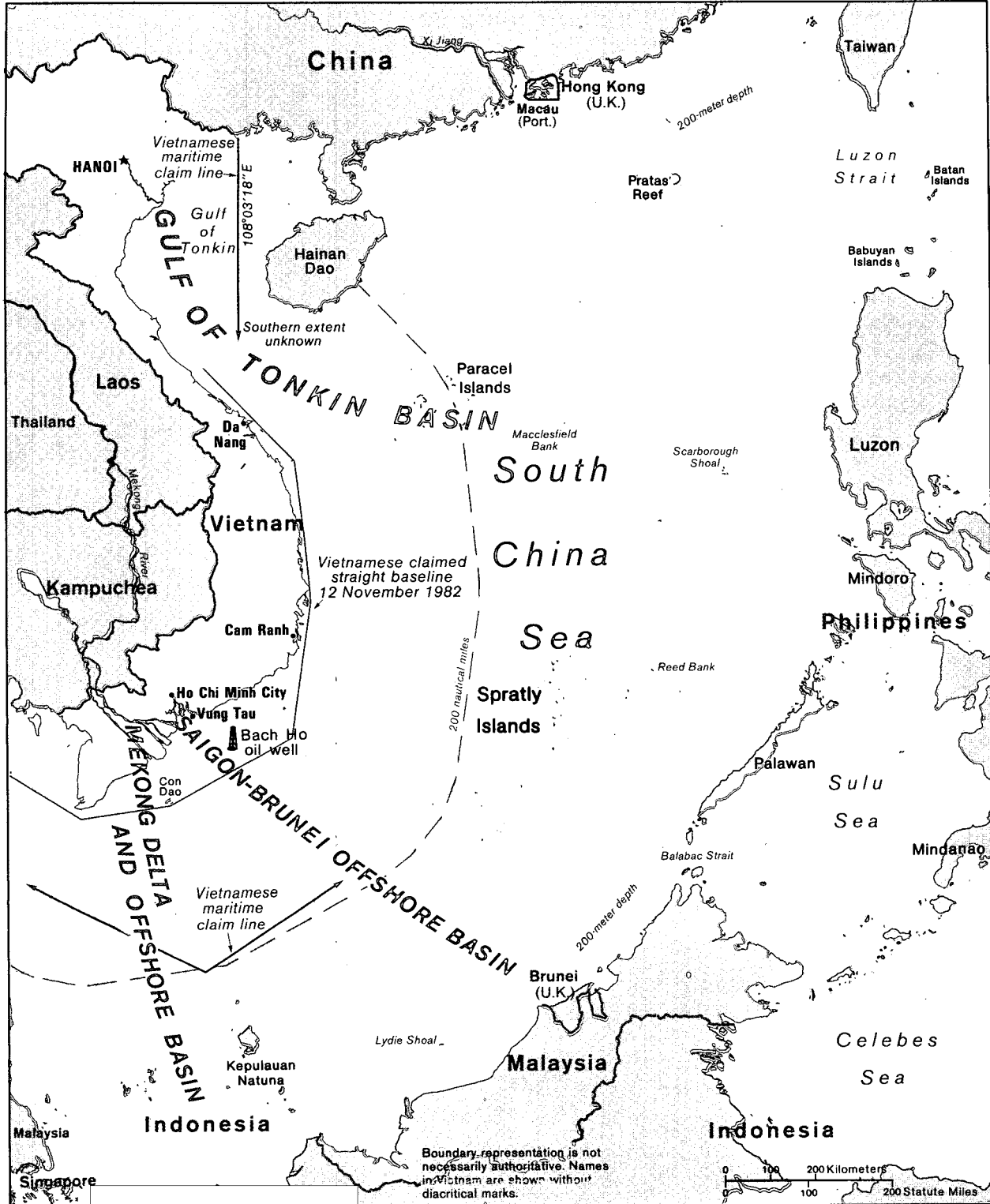
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### Vietnam: Offshore Basins and Maritime Claims

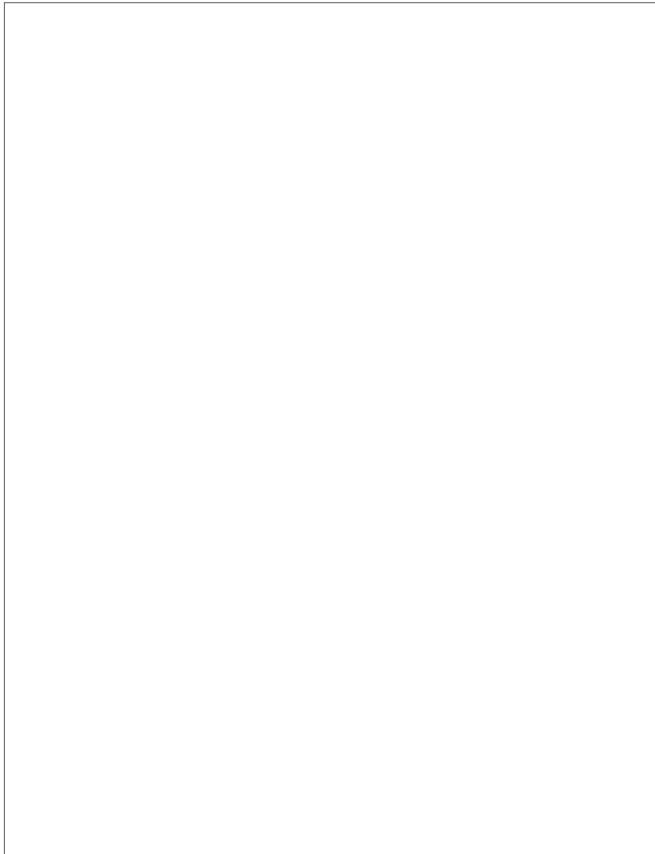


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through 1985. Soviet activity as of early 1982, however, appeared to be just getting under way. [redacted] Soviet oil specialists have visited Vietnam and are processing Vietnam's requests for equipment and trained personnel. The Soviet exploration ship *Poisk* returned home in May, probably after adding to seismic data on the southern continental shelf. [redacted]

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The main stumbling-block in the short run is offshore platforms. [redacted]

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[redacted] the Soviets were trying unsuccessfully to reactivate rigs near Vung Tau abandoned by Shell in 1975. [redacted] it could be several years before the Soviets and Vietnamese together can construct even the relatively simple fixed structures they would need to use over Bach Ho. [redacted]

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[redacted] the area the Soviets will explore may not be the most promising.

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[redacted] the northern coastline, not currently targeted for development, appears to have more potential. [redacted] Soviets are aware of this and probably will make only a minimal effort to comply with their exploration agreement with the Vietnamese. [redacted]

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Hanoi's mismanagement carried over into the domestic side as well. [redacted] the Vietnamese in 1978 created a National Oil Reserve to save the most promising exploration areas for Petro-Vietnam, the state oil company. But areas placed under the reserve system were left undeveloped. A wholesale reorganization of PetroVietnam in 1980 appears to have had no impact on domestic development. [redacted]

**Moscow to the Rescue**

As relations with the three Western companies deteriorated, Hanoi began laying the groundwork for Soviet involvement. In July 1980 the Soviets agreed to aid in offshore geological prospecting and oil and gas development. A year later the two countries set up a joint stock company for exploration and development on the continental shelf. The slow buildup of the Soviet effort and complaints about the Vietnamese by Soviet officials, however, suggest that the Vietnamese-Soviet oil relationship is also experiencing difficulties. [redacted]

**Outlook**

At best, we believe the Soviets will be able to exploit one or two of the existing finds south of Vung Tau. [redacted]

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[redacted] these finds are unlikely even under favorable conditions to provide more than 5 to 10 percent of Vietnam's consumption. [redacted]

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It is possible, of course, that Hanoi will develop an area that has far more oil than preliminary testing indicates. [redacted]

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[redacted] the chances of a big hit are extremely slim. In any case, the Vietnamese themselves have no offshore oil capability and will have to rely on outside sources for technical help, material, and financing. [redacted]

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[redacted] the Soviets will drill 12 exploration and 20 experimental-development wells

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