

# PETROLEUM IN NICARAGUA 2002

## 1. THE GOVERNMENT STARTS THE BIDDING PROCESS FOR NEW EXPLORATIONS

The Nicaraguan government has started a bidding process for 25 years of oil camps in the Caribbean and the Pacific. For this, the government has authorized four foreign companies of North American capital (Industries Oklahoma Nic. S.A.; MKJ Exploration; Helen Great House and RSM Production Corporation) participate in the bidding for oil exploration in the country.

They hope that in five years at the latest, Nicaragua will be able to perceive around 500 million dollars annually from the exportation of oil. This in spite of the Miskito people, who have autonomy over their territory, and who have declared it free of oil exploitation, because this activity opposes other more sustainable productive alternatives.

Approximately 60 years ago, American companies determined that oil was present in San Cayetan, San Rafael in the South, as well as in an area located on the Pacific Coast, and in some parts of the Atlantic Coast.

It is believed that reserves total 500 million barrels of oil in just one camp, and up to 100.000 million cube feet of natural gas, but this still needs to be confirmed by drilling, which the winning companies will carry out.

The government of Nicaragua will give an exploration concession of five to seven years to selected companies, and if these are able to prove that there is enough oil in sufficient quantities to invest in exploitation, the concession will extend to 25 years.

The president of INE, Octavio Salinas, said today that the bidding areas for exploration are 113.938 square kilometers in the Nicaraguan Caribbean, and 36.969 along the Pacific Coast.

One of the areas that the government has submitted for bidding is on parallel 17, where the Honduras border is considered to lie, even though this neighboring country insists that the border lies on parallel 15.

Nicaragua submitted the lawsuit to the International Court of Justice in The Haya, which will emit a sentence within the next three or four years.

Salinas point out that "this is Nicaraguan territory, and we are not going to be stopped from exploring it.

Afterwards, with the resolution from The Haya, we will see how we share the benefits, if this is even the case". The verdict is unfavorable for Nicaragua.

The bidding process will begin on October 31 of this year and will close on January 31, 2003. Premier Oil Pipelines of Nicaragua, of Canadian capital, is the company that plans to construct the oil pipeline in Nicaragua, that will transport half a million barrels of oil to the East Coast of the United States.

The idea that the Canadians have is that the oil ships pump oil by means of buoys that will be located two miles from the Monkey Point Port, in the South Atlantic, and would then pass underground to Corinto Port, where, from another buoy, it would be transported to other ships that would take the crude to the East Coast of the United States.

The projects includes the construction of the oil pipeline, the installation of fiber optics, which it plans to negotiate with the National Telecommunications Company (Enitel), to increase telephone line capacity.

Juan Carlos Rivas, General Manager of the Intermodel System of Global Transport (SIT Global), explained that the construction route of the oil pipeline would be the same that the Interocean Train uses to impulse SIT Global, and would leave from Monkey Point, located on the South Atlantic of the country, and arrive at Corinto, on the west side of Nicaragua.

"What we share is a similar route, but they are two different projects that go together because we will share rights of the route, we will do one environmental impact study together, but we are different companies", noted Rivas.

In the Caribbean, the opening of the area includes an extension of a hundred thousand squared kilometers, while in the Pacific it will reach 35 thousand, including ocean zones.

The first stage for the search of oil that can be commercially exploited in the country consists in the delivery of exploitation areas whose contracts will last five or six years. During this period of time, companies should carry out the corresponding technical studies, which will consist in carry out geological and geophysical work as well as exploratory drilling.

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