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Peru's Premier, Cabinet Resign After Oil Contract Creates Storm

LIMA, Peru (AP) — Peruvian Premier Osvaldo Herccelles and his four-month-old cabinet resigned Tuesday in the face of a mounting political storm over a controversial oil contract with a unit of Standard Oil Co. (New Jersey).

The trouble began in September shortly after a contract was signed between International Petroleum Corp. (IPC), a subsidiary of Jersey Standard, and Empresa Petrolera Fiscal, the Peruvian state petroleum agency.

Under the contract, the state agency assumed control of the northern Peruvian oil fields operated since 1924 by IPC. The U.S. firm continued processing the crude.

Three weeks after the contract was signed, Carlos Loret de Mola, who was head of Empresa Petrolera at the time the contract was signed but who later resigned, claimed the last page of the contract was missing.

He said page 11 contained his personal observations on the contract and stipulated the payment terms in dollar equivalents, instead of Peruvian currency as the contract now specifies.

The government replied this was unimportant because the contract elsewhere makes provision for currency changes. However, the controversy has continued, splitting Belaunde's ruling party, Accion Popular.