

First Oil Discovered Off Vietnamese Coast

Saigon

The first traces of oil have been discovered off the coast of South Vietnam, government officials disclosed yesterday.

The announcement was made at a nationally televised news conference that had the air of a celebration.

However, American geologists and oil company executives were restrained,

stressing that months of further drilling and testing are required before they could tell whether the oil reserves are large enough to have commercial value.

If so, it will take several years to begin production, they said, and the volume is likely to be considerably smaller than that of the Middle East.

Nevertheless, oil production would lend some resili-

ence to South Vietnam's economy by providing badly needed foreign exchange. In addition, Nguyen Duc Cuong, minister of trade and industry, expressed the hope yesterday that the discovery would encourage foreign investment here.

According to Cuong and Patrick Glover, vice president of an exploration concern, Pecten Vietnam, the oil was found Sunday 4500 feet beneath the floor of the South China Sea after eight days of drilling at a site 190 miles south of the coastal resort of Vung Tau.

It was the first exploratory hole drilled by a joint venture of Shell and Cities Service, which is the first of four concerns that have won exploration rights in a vast area off the coast.

Cuong said he expects the others to begin drilling soon — Mobil in late September or early October, Esso in December and Sunningdale, a Canadian firm, next March.

Jack Cogan, a geologist for Shell, said the oil traces found Sunday were "a medium weight crude, which would indicate a favorable type of oil. We're highly encouraged by this."

He noted also that the type of rock discovered by the drilling provided further indication of the existence of oil deposits.

However, Virgil Walston, senior geologists for Cities Service, remained cautious. "We haven't reached the stage where we know whether we've found anything or not," he said.

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