



Written by [Alex Newman](#) on June 29, 2010

Chavez Regime Nationalizes U.S. Oil Rigs

After socializing and devastating vast swaths of the Venezuelan economy, socialist “President” Hugo Chavez announced that his government was nationalizing a fleet of oil rigs owned by an American firm.

Oklahoma-based drilling company Helmerich & Payne stopped production with its 11 rigs after a conflict with Venezuela’s state-owned oil conglomerate PDVSA, which defaulted on its nearly \$50 million bill after the collapse in oil prices. So rather than make payment, the Venezuelan regime decided to take over the equipment.



“Our dispute with PDVSA has never been very complicated and our position has remained clear: We simply wanted to be paid for work already performed. We stated repeatedly we wanted to return to work, just not for free,” [said](#) Helmerich & Payne CEO Hans Helmerich in a statement.

“We have been in ongoing efforts in a good faith attempt to accommodate a win-win resolution, including a willingness to sell rigs,” he added. The Venezuelan government has indicated that it plans to offer some sort of compensation, but details remain murky.

“Our workers are now in control of the rigs,” said PDVSA (Petróleos de Venezuela, S.A. — the state-owned oil company) president and Venezuelan Oil Minister Rafael Ramirez, who noted that Chevron could also lose up to five rigs. “We are not going to let the private companies stop work or boycott in any way our oil operations.”

Ramirez also suggested that other non-cooperating firms could have their assets seized, saying there was an ongoing plot to undermine the success of Chavez’ “revolution.” The expropriations “will spur national production of hydrocarbons and strengthen the policy of full petroleum sovereignty,” Ramirez claimed.

ExxonMobil and ConocoPhillips have already abandoned the country due to previous nationalization schemes, filing for international arbitration to resolve the disputes. Foreign investment has all but disappeared amidst uncertainty about the regime’s next move. And the value of Venezuela’s currency continues to plummet as the government attempts to pay bills in devalued money and soaring inflation decimates the savings of Venezuelans.

The U.S. government said Venezuela should accept its obligations in the current rig dispute. “We would just call on them to — if they did make such a move — to compensate the owners of those wells,” a State Department spokesperson told reporters last week.

But Venezuela balked at the request. “PDVSA categorically rejects the statements made by spokespeople of the U.S. empire,” it said in a statement, claiming the U.S. regime was “trying once again to complicate relations with our partners.”

Chavez and his government frequently lash out at the “Yankee empire,” which he blames for the failures of his policies. Ironically, the U.S. is the largest importer of Venezuelan oil.



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In addition to [jailing critics](#) and seizing foreign-owned assets, Chavez also recently threatened the country's largest food producer, Polar, with nationalization. The government has already taken over virtually the entire energy industry, telecommunications, media, steel, banking and other sectors, leading to wide-spread power outages, food shortages and economic catastrophe.

Chavez has been in power for more than a decade. And as reported previously by *The New American* magazine, the Venezuelan regime's "petro-dollars" are playing an important role in financing the [resurgence of communism and socialism in Latin America](#).

Analysts [said](#) the nationalization of oil rigs prior to the September Congressional election could be political posturing. But it is not going to help the Venezuelan people or the nation's crumbling economy, which performed worse than any other Latin American nation's this year.

While it may make for good politics — stealing foreigners' assets "for the people" plays well among some destitute populations, even if the government is primarily responsible for bankrupting the nation — the long-term effect on the Venezuelan economy will outweigh any "benefits." Foreign firms will continue refusing to do business in Venezuela, drying up capital, expertise, equipment and jobs that could otherwise have helped the nation lift itself from poverty.

Photo: Venezuela's President Hugo Chavez, left, speaks to his Oil Minister Rafael Ramirez during an agreement signing ceremony at the Miraflores Presidential Palace in Caracas, Feb. 10, 2010: AP Images



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