

especially regarding the areas of exploration, production, refining, importation, and distribution.

3.1 Exploration and exploitation

Present legislation in this area is based on the Political Constitution of the Republic of Chile, enacted in 1981. Article 19 of the Constitution reads as follows:

"The exploration, development, or exploitation of deposits containing substances not subject to concession may be managed directly by the State, or by state-owned enterprises, or by means of administrative concession arrangements or special petroleum operation contracts. In this regard, all requirements and conditions set forth by the President of the Republic, in each case by presidential decree, must be met. This standard shall apply also to deposits of any kind found under sea water within national jurisdiction, as well as to deposits located totally or partially within areas considered of importance for national security. The President of the Republic is authorized to terminate, at will and at any moment, with the payment of indemnity amounts when applicable, administrative concessions or petroleum operation contracts referring to operations sited in areas considered of importance for national security."

Other important statutes on the subject are Law N° 9618, known as the "ENAP Law", and Decree Law N° 1089 on special contracts for oil operations.

ENAP Law

This law provides that ENAP is authorized to carry out hydrocarbon exploration and exploitation activities within and without the national territory, directly or indirectly through participating companies, or in association with other parties. When activities are carried out within the national territory, through companies or other partnerships, such arrangements must operate under administrative concessions or special petroleum-operation contracts, and they must meet the requirements and conditions set forth by the President of the Republic by presidential decree. In addition, ENAP is authorized, although not exclusively, to refine petroleum and develop any other industrial activities related to hydrocarbons and their derivatives and byproducts. ENAP may also be authorized by the