

foreign exploration through service supply contracts with CEPE, the state oil company. CEPE was still encouraged to work on its own, but with the option of establishing association contracts or service supply contracts with foreign oil companies. CEPE signed thirteen service supply contracts up to 1989, two of which are for offshore exploration, one for the coastal mainland, and the remaining ten for exploration and exploitation in the Oriente.

Belco, British Petroleum, Conoco-Opic-Diamond Shamrock-Nameco, Esso-Hispanoil, Occidental and Texaco-Pecten all signed up with CEPE in 1985-86. Two more rounds of bidding, one of which was limited to state oil companies, took place in 1986, the winners being Fred Parks Inc., Tenneco-Diamond-Yukong-CSX-Maersk, Petro-Canada, Elf-Braspetro-YPF and Braspetro-Elf-Britoil.

PETROECUADOR opened a sixth round of international tenders for four new blocks in the Amazon basin and three on the coast in January 1990. The exploration and exploitation phases of most existing contracts (see list below) expire in 1990 or 1991.

Service Supply Contracts: Under these contracts, risks in the initial phases of seismic research and exploration are assumed solely by the operator. The exploration period is normally four years, extendable for two more years, usually if the operator has made a discovery in the last year of the normal exploration period. This total of six years may be further extended with the consent of PETROECUADOR (CEPE). In this case, the corporation would probably insist that the operator present a new drilling program for the extension to be approved.

In order for a block to be declared commercial, the operator must demonstrate that the potential revenues will cover costs plus a 15 percent profit margin. Once a block has been declared commercial, the operator is reimbursed for exploration expenses over five years according to the terms previously established by the National Hydrocarbons Directorate.

The exploitation stage may last up to 20 years and reimbursements to the operator for the expenses carried out during this phase may be paid over 10 years. Interest rates are fixed, using the original investment amount as a reference and according to the prime rate in effect at the moment. PETROECUADOR (CEPE) also reimburses the operator for transportation and operating costs on a monthly basis. A service rate for the operation of the fields is also provided by PETROECUADOR (CEPE).

The terms of each contract may vary, and are subject to taxes as provided for under Ecuadorian law. Since the new service supply regime came into effect, investments by foreign oil companies for the initial exploration phases has reached US \$428 million (including additional investments made by CONOCO and BP after successful discoveries).