

Oil and Gas Sector

With Phase II of the Cusiana fields approaching full development, investments are required by the operating partners to achieve full production potential. In related infrastructure, Canadian companies have won an important contract for the construction and operation of the new oil export pipeline and natural gas pipeline. Both should enter full operation in 1997. There are opportunities for Canadian suppliers in pipeline equipment & materials and related systems as this network expands with new oil and gas discoveries.

Also anticipated is a further round of tender offerings for new exploration rights. This will provide exploration and production companies an opportunity to participate in the development of Colombia's expanding petroleum sector.

In late 1996, Canadian Occidental Petroleum Ltd. was awarded major concessions for exploration in Colombia and has begun operations.

In September, 1996 a new major oil find was discovered in the department of Cundinamarca near Medina. Initial estimates place this find ahead of the Cusiana discovery at close to 700 million barrels of oil.

Colombian total reserves of crude oil are estimated at 3.5 billion barrels of oil. Total natural gas reserves are about 10,000 giga cubic feet of gas.

The Government's Petroleum Corporation (ECOPETROL) and the private companies that maintain association contracts with this firm are optimistic about the fields they are exploring. The most promising are those in the Colombian eastern plains (Llanos Orientales) near the area where the most important hydrocarbon discovery in Colombia was made at the beginning of the 1990s (the Cusiana-Cupiagua-Volcanera fields). Development of these fields, and other promising explorations, should allow Colombia to increase its production of oil from an average of 600,000 barrels per day in 1996 to about one million barrels per day in 2000.

A priority for the Government of Colombia is promotion of economic and social development programs, paid in part by the development of new resources. Construction of a new network of oil and gas pipelines is a part of that program. Currently, about 2,100 kilometres of gas pipeline are under construction. There is a 792 kilometre oil pipeline connecting the Cusiana-Cupiagua fields with the Atlantic coast that is being completed by a consortium headed by TransCanada PipeLines Ltd. and Interprovincial Pipe Line Ltd. The network of multi-products pipelines and storage for different hydrocarbons is being expanded. Investments in Colombian oil and gas are estimated to reach US\$1.3 billion per year for the next ten years.

To encourage new, larger investments in the oil and gas sector, Colombia has announced that some important modifications will be introduced to association