

History of Amazon Basin Exploration: Hydrocarbons seeps and asphalt from sandstone outcrops along the Hollin River have been known since 1852. In 1921 the Leonard Exploration Company undertook the first serious exploration in the eastern Oriente region (or upper Amazon basin). This activity was followed by a request from the Anglo-Saxon Petroleum Company (Shell) in 1937 for a concession covering most of the Oriente. In 1948 the Standard Oil Company (Esso) joined Shell, but withdrew in 1950 after drilling only a few wells due to a lack of commercial success.

Interest was spurred anew in 1963 by Texaco's Orito Field discovery in the neighbouring Putumayo Basin of Colombia. Texaco, in partnership with Gulf, obtained a 14,000 sq. km concession south of the Colombian border. In 1964, a seismic program was conducted and drilling activities started in 1967 with three oil discoveries: Lago Agrio-1, Bermejo-1 and Charapa-1. Lago Agrio-1 tested 1,241 barrels per day (bpd) of 34° API gravity from Napo "U" sands, and 1,399 bpd of 29.3° API from Hollin. Soon afterwards it was developed as a commercial field. In 1968 the Atacapi and Parahuacu fields were discovered, followed in 1969 by Shushufindi, Aguarico and Sacha and in 1970 by the Auca and Yuca discoveries, an impressive success rate. Thus, some 2,175 million barrels were added to Ecuador's oil reserves in less than three years.

Following Texaco-Gulf's success in its first year of wildcat drilling, more and more companies acquired acreage in the Oriente with mixed results. Anglo Ecuatorian Oil Fields Ltd. picked up six blocks in 1963 and drilled 10 wells with no commercial success. The most significant find was Tiguino-1 which tested 1,350 bpd of 32° API from the Hollin formation.

In 1968, the Compañía Petrolera del Pacífico was awarded a concession of 3,300 sq. km in east central Oriente, where it drilled the Tangay-1 dry hole and the successful Pañacocha-1 (1140 bpd of 30° API from the Napo "T" sand).

Cayman Corp., operating for investors including City Investing (55 percent) and Southern Union (25 percent) was awarded 3,500 sq. km of acreage relinquished by Texaco-Gulf in the northeastern Oriente. In 1971-72, Cayman made three discoveries: Fanny-1 (2,166 bpd), Marianne-1 (2,830 bpd) and Vinita-1 (1,260 bpd).

Increasingly nationalistic attitudes on the part of the Ecuador government reflected negatively in exploration activity. In 1975-76, Cayman and Southern Union left Ecuador and City Investing acquired control of their acreage operating as CEPCO (City Ecuatoriana Production Company). In 1982, City sold its interest to Clyde Petroleum Ltd. Along with Texaco, it was the sole foreign company active in Ecuador at that point.

Amendments to the Hydrocarbons Law in 1983 ushered in a new era of