

from ENAP to the Ministry of Mining. Therefore, the Ministry of Mining is authorized to enter into contracts regarding oil operations. This is the usual way "the door is opened" to private investors to participate in exploration and production projects in the country.

- Approval of a new, free price policy for petroleum and its derivatives, along with authorization to import, refine, and distribute oil in the country. As long as Chile continues to be a net oil importer, and if custom duties are kept low and flat, this policy drives prices near to their true economic value, i.e. their opportunity value.

Foreign investment in the petroleum sector is important for the country, because it means new jobs, increased economic activity, and decreases the need for State investments. In addition, there is a willingness to encourage oil exploration and production as a means to face declining oil production levels and reduce the country's dependence on imported oil.

In the petroleum sector, the Chilean state is the owner of all hydrocarbon deposits. However, exploration and commercial operation of said deposits may be made in association with national or foreign private investors. Indeed, the government authorizes private operation of oil deposits under the system of Special Contracts for Petroleum Operations (see 3.1 and Annex N°2) in the entire country, except for the Magallanes area, which is reserved exclusively for ENAP.

Oil refining and distribution activities are considered a separate economic sector. Therefore, both national and foreign private investors may access this market by themselves or in association with the State. To participate companies can purchase a significant portion of the share capital of some of the existing company or incorporate a new firm.

3. Current Legislation

Below is a description of the most relevant legislation presently in force applying to the petroleum sector,