

Argentina has been altered considerably. A major consequence of such measures has been a significant increase in the private sector's direct interest in exploration and production properties and a corresponding decrease in the participation of YPF in exploration and production activities. Substantially all private sector oil production and a significant portion of private sector gas production is now conducted pursuant to concessions and association agreements which provide for free disposal of extracted hydrocarbons.

Privatization of Gas del Estado

In June 1992, the Argentine government approved Law No. 24,076 (the "Gas Law") which established the basis for deregulating the transportation, distribution and sale of natural gas in Argentina. Pursuant to the Gas Law, the transportation and distribution components of GdeIE were organized into two transportation companies ("Transporters") and with distribution companies ("Distributors"). These companies received the corresponding assets of GdeIE and were granted licenses to conduct natural gas transportation and distribution activities.

In accordance with the Gas Law, during December 1992 bids were received from qualified consortia for the award of licenses relating to the operation of the Transporters and the Distributors. The interests offered for bid were majority interests (ranging between 60% and 90%) in and the right to operate each Transporter or Distributor. The transactions were consummated on December 29, 1992, the date on which the new owners assumed control.

Pursuant to the provisions of the Gas Law, the deregulation of the gas transportation and distribution system must be completed by June 12, 1994. At the end of the period, the producers' prices for natural gas will be determined by free market principles, with producers negotiating prices directly with Distributors and large consumers such as utilities and certain industrial companies.