

out under concessions and associations which generally permit the holder of the concession to freely dispose of all the oil and gas produced.

Cost Savings

Over the past two years or so, restructuring and focus on costs has led to some significant reductions in costs incurred by the industry.

As for example rig rates paid by YPF which used to be as high as US\$ 16,000/day average has currently gone down to US\$ 8,000/day. Further reductions are targeted to US\$ 6,000/day or 1.35 times US rig rate.

Projected Oil development and exploration.

YPF related expenditures are planned to average US\$ 700 MM throughout the next decade. Only YPF drilling is projected to increase from a level of 550 wells/year ('92/'93) (35 exploration wells) up to an average of 750 wells/year (120 exploration wells).

Business Conditions for the suppliers to the upstream oil industry.

One consequence of the deregulation of the market has been the enlargement of the number and level of activity of the operating companies (the buyers), in a process of demand fragmentation: nowadays more clients are starting to demand for new techniques, better materials, equipment and services, each conforming relatively a medium to small size individual market.

At the same time the opening of the economy has lead this group of clients to be extremely concern in operating within a highly efficient cost framework as, obviously, the activity became largely dependent of the level of the international oil price.

Importation has started to appear as another serious concern, aggravated by the fact that foreign equipment prices are currently driven by the surplus situation of the recessive US market.