II.MARKET ASSESSMENT

The main indicators of sectoral activity for 1996 are the following:

Reserves:	3.6 MBLS (crude oil)	8.3 GCF (natural gas)
Production:	626,000 BPD (crude oil)	43 MCFD (natural gas)
Consumption:	271,000 BPD (fuels)	129,000 BPD (gasoline)

In 1996, the Colombian government announced an emphasis on increasing and promoting exploration and production projects, under the so-called association contract structure (see section V for details). At the end of the year, there were 18 new association contracts signed and another 5 under negotiation. Currently there are 97 contracts with 65 operators active in Colombia and 12,000 Kms.of pipelines in operation.

A significant advancement has been reached in the construction of production and processing facilities at the Cusiana and Cupiagua fields in the foothill of the Andes (Piedemonte), as well as the construction of the new crude oil pipeline to the export port of Coveñas on the Caribbean coast.

With the discovery of new reserves, notably the Opon field, the government has adopted a comprehensive plan for massive use of natural gas, designed to drastically reduce the use of electricity in household consumption as well as in industrial production.

The construction of a new cracking plant at the Barrancabermeja refinery complex was successfully completed in 1996, increasing the load capacity from 170,000 to 190,000 barrels per day.

It is important to note that Colombia does not have either the technical capabilities or financial resources to undertake development projects in this sector and, consequently, substantial foreign resources have been used and are still required. Opportunities for further Canadian participation in this sector are excellent, considering our industry's advanced technology and internationally known experience.

III. MARKET SHARE AND CANADIAN POSITION

Colombian imports of equipment and parts relate especially to tubes and pipes, joints, fittings, flanges, drilling equipment, producing equipment, compressing and pumping equipment, processing equipment, valves, measuring and testing equipment.

The figures on the next page, register the total market size for equipment supply, indicating the dominance of the market by US companies: