

IV.2.5.- Marketing.

Sales of products to the Chilean market by ENAP and its subsidiaries totalled 8,609,000 cubic meters, which is a 1.7% increase compared to the previous year. These sales supply 96% of the Chilean market. The sales increase is a consequence of a sustained growth in demand and a decrease in imports made by the distributors.

A fundamental aspect of ENAP that should be noted is its price policy. Prices are regulated based on the cost of imported fuel from the Caribbean, which is the relevant market for Chile, plus the corresponding taxes. The Chilean or imported origin of raw material is, therefore, not relevant to the final price, and there is no clear advantage to the final consumer whether it is imported or not.

IV.2.6.- Purchases of Crude and Products.

During 1991 6,757,000 cubic meters of products were imported (approximately 110,000 barrels per day) at a cost of US\$ 800 million (818 million in 1990). Forty-five percent of the imported crude oil came from contracts with oil companies in Venezuela, Colombia and Argentina.

IV.2.7.- Projects Being Developed.

Considering the current situation of oil reserves in Magallanes, a Bill was approved on December 12, 1989 which modified ENAP's Organic Law, thereby enabling the company to exploit hydrocarbon deposits inside or outside of Chile and to process, store and refine oil or gas, either directly or indirectly, through companies with which it participates. These activities must be carried out in Chilean territory as administrative concessions or special operating contracts.

Prospecting in the Springhill district on land has been directed towards known areas in search of remnants. Some deeper sectors of complex tectonic are also being explored, such as the central-southern area of Tierra del Fuego.

In the exploration of the same district offshore, prospecting was directed toward defining anomalies that have not yet been investigated with profitable economic indices. In accordance with the above, a seismic reflection campaign will be carried out in the area where the Lomas Bay opens up, in support of the definition of prospects in shallow waters between the First Passage (Angostura) of the Strait of Magallanes and its Eastern Entrance.

At the beginning of 1991 ENAP started drilling in the Terramar deposit. Work is being carried out by the Diamond D. company. It is using the Terramar Uno platform inserted in the Offshore program for this purpose. This is the first one operating in a tide oscillation area, and it is located in Lomas Bay on the southern bank of the Strait of Magellan opposite Tierra del Fuego. ENAP has 42 production facilities to date.

Exploration work carried out offshore during 1990 made it possible to recognize the extension of Catalina del Norte, which justifies the installation and start-up of a second platform in the deposit.

Other sectors where explorations are being carried out are Distrito Terciario and Distrito Precordillera. No interesting accumulations of hydrocarbon have been found. The Gaviota Basin is being explored in Tierra del Fuego where eight wells have been drilled; seven of the wells are producing oil. A seismic program is underway to complete information on this area.

The contract with Anderman/Smith, Argerado and Texaco consists of exploration of a 3,300 square kilometer area in the Lake Mercedes sector south of Tierra del Fuego. The operator of the Consortium is ENAP, which assumes 50% of the exploratory risk, as well as 50% of future profits. The State will receive 32.5% of the profits in income tax. The minimum investment for the first two-year period is estimated at US\$ 2.5 million, but at least one drilling or boring must be made. It is estimated that there are hydrocarbons in the area. However, they are probably located in deep, rocky areas at high altitude. During 1991 drilling of the Lake Mercedes N11 well continues, and it is expected to reach 4,000 meters deep.

IV.2.8.- Exploration of New Areas.

Due to depletion of the Springhill district, ENAP is mainly dedicated to exploring new oil producing areas, both in the country and abroad.

At the beginning of 1990 seven operating contracts had been signed in Chile with several private foreign companies. Six of them correspond to the North of Chile and one of them corresponds to Tierra del Fuego. Explorations are also underway in the Andean foothills of Magallanes and in the Strait.