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## **Notes On Argentina's New Policies On Private Oil Drilling & Production Operations**

*by John Neagle*

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Since 1985, as part of its "economic adjustment" policies to restructure the domestic economy and meet the demands of foreign creditors, the Argentine government has implemented a broad-ranging privatization of state company activities. Included was a change in the oil industry, long dominated by the state oil conglomerate, Yacimientos Petroliferos Fiscales (YPF). The policy change has brought about strong objections from Argentina's powerful trade union movement, headed by the Peronist-influenced General Labor Confederation (CGT), and particularly, from state oil sector employees. As of Nov. 22, the government had given contracts to private national and foreign companies for the exploration of 21 areas on land and offshore. At present, Argentine officials are considering bids on 10 other areas. Exploration contracts have been gradually altered to make them more attractive to private companies, including the option of going into production once are discoveries are made. In the past, most production rights were held by YPF. Argentine oil exploration dates back to the early 20th century. Since then the country has become effectively self-sufficient in oil, although this year Argentina will have to import a small proportion of its domestic consumption. In recent years, the YPF had been operating at a deficit of about \$300 million annually. However, for the first six months of 1987, the company realized a small operating profit. According to Argentine officials, the priority in oil policy is to increase reserves, and since YPF cannot supply the necessary amount of investment, private companies have been invited in. Energy Secretary Jorge Lapena told New York Times correspondent Shirley Christian that thus far, 20% of national territory has been explored by oil companies which has been adequate to make the country basically self-sufficient in oil. He said exploration of the remaining 80% ought to provide enough reserves to allow Argentina to begin to export oil. In the past, YPF has done part of the drilling and has hired private companies to do the rest, but production was previously reserved for YPF until it decided to abandon a field. Lapena said YPF had identified 164 areas that form part of sedimentary basins, both on land and offshore in the South Atlantic, and was proceeding to offer them for exploration. The areas range from 3,000 to 10,000 sq.km. In the two bidding rounds last year, 68 areas were offered, and contracts were signed for 21 of them. One of the 21 areas is offshore where units of Exxon Corp. and Chevron Corp. are participating in the drilling in partnership with Argentine companies. In recent bidding that was interrupted by demonstrations, 30 areas were offered, and 25 bids were received for 10 of them. The new contract, Lapena said, provides seven years of exploration rights and 25 to 30 years for exploitation, if oil is discovered. YPF has provided a guarantee in which it will buy the oil at 70 to 80% of the international price, free of royalties. The state oil company has the right to participate in up to 50% of production, but must declare its intent at the end of the exploration phase. The latter point reflects a recent change: under the first contract, YPF could decide to join production at any point. Another change allows the company doing the exploration to decide whether the discovery is commercially exploitable. In earlier contracts, YPF decided. (Basic data from New York Times, 11/23/87; DYN, various issues)

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