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Ecuador: Government Approves Joint Exploitation Proposal
By U.S. Firm Conoco Of Heavy Crude In Amazon

by Barbara Khol
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On July 3, the Energy and Mines Ministry reported that government officials had accepted a proposal by the US-based firm Conoco for joint oil exploration. Conoco recently discovered a heavy crude deposit in the Ecuadoran Amazon. Conoco is one of the companies/consortia accepting the government's invitation to explore (on a risk capital basis) 11 blocks of 200,000 ha. each in the Amazon region. Preliminary estimates of Conoco's discovery place reserves at 200 million barrels. Government approval followed negotiations with the US firm, and viability studies by the French Scientific Research Institute for Development and Cooperation, and the French Petroleum Institute. The new oil find marks the first time the state-run oil company Petroecuador will attempt exploitation of heavy crude (17 API). Although details of the joint exploitation contract are unknown, the ministry reported that Conoco will invest $600 million earmarked for construction of roads, a pipeline, and a specialized system of production wells which avoids massive deforestation in the jungle environment. Eventual output is expected to average about 43,000 barrels per day for 20 years. The most important problem faced by Conoco and Petroecuador is environmental, since part of the block explored by the US firm is located within the Yasumi National Park. Yasumi, Ecuador's largest nature reserve, has been declared a World Biosphere Reserve by the United Nations. In addition, the 200,000 ha. exploration area is located within the legal territory of the Huaorani, an indigenous tribe native to the Ecuadoran Amazon. Consequently, of Conoco's $600 million investment, 10% is destined for environmental preservation activities. Next, the new roadway will be placed under rigid controls to prevent an influx of colonists with plans to farm or carry out other economic activities in the Amazon. Oil companies working on risk contracts in the 11 blocks of territory are committed to drilling 51 wells at a total cost of $328 million. (Basic data from AFP, 07/03/91)

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