

ARGENTINA

Securing the Future

A Special Report From
Oil and Gas Investor
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INTRODUCTION

Reclaiming Energy Self-Sufficiency

Once the pioneer of South American hydrocarbon development, Argentina is suffering from a decade-long malaise. But with its significant exploration potential, a healthy mix of small independents, juniors and majors, and an experienced service sector, the country might yet reclaim energy self-sufficiency.

Although better known for its steak, tango and beautiful women, Argentina was the first South American country to commercially exploit hydrocarbons after discovering oil in Patagonia in 1907. With large urban centers such as Buenos Aires, an increasingly mechanized agricultural sector and the highest car ownership in South America, rising domestic demand in the first half of the 20th century fueled more exploration and discoveries. Argentina was also the first country in Latin America—indeed the world—to create a state-owned entity, Yacimiento Petrolifero Fiscales (YPF), to explore for, produce and market oil and gas.

YPF, along with many private oil companies, discovered significant deposits of oil and gas, and by 1981 the country had achieved self-sufficiency in hydrocarbons. Oil production peaked at 916,000 barrels per day in 1998, while gas production had risen to 46.1 billion cubic meters daily by 2006 before slipping back slightly. Despite falling oil production and shrinking gas reserves, however, Argentina remains Latin America's fourth-largest oil producer and second-largest gas producer.

During the 1990s, Argentina was one of the first Latin American countries to impose International Monetary Fund austerity measures, leading to the privatization of state enterprises, including YPF and several major transportation and distribution networks. This market liberalization encouraged a wave of foreign investment in E&P activity and energy infrastructure, including interregional pipelines that allowed Argentina to export gas to Chile, Uruguay and Bolivia.

This process came to an abrupt halt in late 2001, when Argentina was rocked by a severe financial crisis. Mounting national debt, inflation and unemployment caused a political crisis that saw a succession of five Argentine presidents over

a two-week period and eventually led to interim president Eduardo Duhalde abandoning the parity between the Argentine peso and the U.S. dollar. This period also saw a massive default on international debt and a freeze on withdrawals from locally held dollar accounts. The combination of massive political and economic instability led to an almost immediate cessation of fresh foreign investment in all sectors of the economy.

By 2003, the worst of the crisis had subsided to the extent that elections could be held. In March of that year, center-left provincial governor Nestor Kirchner was voted in as President. Kirchner's government presided over impressive economic growth, with the gross domestic product rising by an average 8.8% annually between 2003 and 2007. But the crisis of 2001 and 2002 had changed the atmosphere of the privatized Argentine energy sector. Whereas the 1990s had been defined by neo-liberal economic policy that encouraged international investment, the post-crisis period saw increased government involvement and, in some cases, a less-welcoming posture towards international energy investors.

One crucial change in Argentine energy policy was caused by the devaluation of the Argentine peso. Having been freed from dollar parity, the peso quickly floated to be-

This report was prepared by Global Business Reports for Oil and Gas Investor. The authors are James McKeigue, Hayley Windsor and Lise Liezenga. More information on the firm can be found at gbreports.com.

tween 3 pesos and 4 pesos per dollar. This was problematic, as pre-crisis energy projects had been financed internationally on the basis that Argentine consumers would pay in pesos equal to a dollar. However, it was politically inconceivable that in the midst of the crisis tariffs would be raised to reflect the devaluation. So the interim government used the recently declared "State of Economic Emergency" to freeze prices and order a rewrite of existing energy contracts. The new situation discouraged fresh private-sector investments in the energy sector and created a culture of government interventionism.

In 2001, Argentina's surplus gas and oil production and approximately 7,000 megawatts of spare installed electricity capacity meant that the lack of private-sector investment had no immediate effects. But cheap commodity prices and economic growth led to increased energy demand which, coupled with stalled investments, caused an energy shortage in 2004.

Nestor Kirchner's government managed to avert a crisis by load rationing and cancelling gas-export contracts. Thereafter, a pattern of impromptu state interventions attempting to avert



The *Ocean Scepter* is at work for a joint venture between Enarsa, YPF and Enap Sipetrol Argentina in the Cuenca Austral area. (Photo courtesy Enarsa)

energy shortages emerged. Winter shortfalls in gas supply were covered by imports of Bolivian gas, and in 2008,

Argentina's first regasification plant was installed to allow for imports of liquefied natural gas (LNG).

With such events creating a serious drain on Argentina's balance of payments, against a backdrop of resurgent global commodity prices and projections that domestic demand would continue to rise, there is an increasing acceptance that long-term decisions must be made to revamp Argentina's energy matrix.

Opinion is split between analysts who blame the current situation on government interventionism and those who observe that E&P investment by international companies was severely depressed before government interventions began.

What is clear, however, is that the blame game will not build the secure, diversified energy matrix that Argentina needs. There have been increasing signs of cooperation between government and E&P firms as both parties look to benefit from Argentina's significant hydrocarbon potential. Based on extensive in-country interviews and research, this report examines how the Argentine oil and gas industry can move forward and meet the impending challenges face on. □

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A Vibrant Mix

The steady decline of Argentina's reserves and production during the past decade does not reflect the country's hydrocarbon potential.

Many of Argentina's major reservoirs are maturing, but well density remains low when compared to Canada or the U.S. There has also been relatively little exploitation of the country's considerable unconventional resources, and the latest exploration methods have yet to be applied to swaths of onshore and practically all offshore basins. If E&P companies can overcome the challenges posed by government intervention, communities, unions and the environment, Argentina has several lucrative oil and gas plays to offer.

The most useful weapon in Argentina's arsenal in exploiting its oil and gas reserves is its healthy mix of domestic independents, North American independents, and juniors, majors and regional state-owned players. Until the recent reforms in Brazil, Argentina was the only Latin American producer of any importance to host such a diverse mix of E&P firms. Aside from hydrocarbons, attractions for international players include a well-established concession system, a relatively competitive local service and supply chain, and a history of international presence in upstream activities. This

mix of companies can meet Argentina's diverse needs.

One of the country's most pressing challenges is found offshore. Argentina's maritime sedimentary basins are largely unexplored, a situation that is all the more frustrating given the massive success of neighboring Brazil's offshore exploration efforts.

Enarsa, the state E&P company, was established by Nestor Kirchner's government in 2004 to address this issue. Its mandate is to boost hydrocarbon reserves and production and increase state involvement in the industry, with a focus on the offshore.

Enarsa holds the rights to all offshore blocks that lie further than 12 kilometers from the Argentine coast, and it aims to partner with international oil companies (IOCs), maintaining a minimum 51% of each block. Recent headlines have focused on Argentine claims to any oil discovered in the Falkland Islands (Las Islas Malvinas), but Enarsa maintains this is a merely political issue.

The long-established presence of majors such as Chevron, Total and Repsol YPF benefits Argentina, as only companies

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“By applying new methods, modern technology and experience in these types of fields, Central Resources can add value to assets....”

Paul Zecchi, chief executive officer, Central Resources Inc.

of this stature have the balance sheet and expertise to develop large-scale offshore opportunities. Indeed, Total currently is partnering with Germany-based Wintershall Energia and a BP-Argentine joint enterprise, Pan-Ameri-

can Energy, on Argentina’s only producing offshore operation, a small gas field off Argentina’s southern tip, Tierra del Fuego.

Cooperation with internationals is particularly important in Argentina because Enarsa has little offshore experience. The country’s original aim was to hold the first of six biannual bidding rounds in 2008, but this was delayed due to unfavorable international financial conditions.

Carlos Davidson, Enarsa’s chief of institutional relations, explains: “Enarsa is a new company but it is growing quickly. Starting from a small base, we have the massive mandate of improving Argentina’s energy matrix. Through partnerships with IOCs or other state enterprises, such as PDVSA (Petróleos de Venezuela SA), we hope to add to our experience and capabilities.”

Enarsa’s efforts to find IOC partners will not be helped by Argentina’s turbulent economic and political history. However, for every firm that turns away, there are others prepared to look beyond the headlines.

Wintershall Energia, a fully owned subsidiary of German chemical producer BASF, has been active in Argentina for more than 30 years. Heiko Meyer, general manager for Wintershall, elaborates: “The key to success here is having a long-term perspective. Wintershall Energia does not panic every time things get difficult or there is a crisis. We believe in the fundamental long-term profitability of our assets here, and we are prepared to make the long-term commitment that they deserve. In doing so we partner with the country.”

There is also a long history of small, independent players from Canada and North America successfully exploiting small-scale onshore plays in Argentina.

An example is Central Resources Inc., based in Denver, Colorado. Founded in 1988 as an independent operator and producer, the company has built a portfolio of maturing assets throughout Argentina, Canada and the U.S. The company focuses on acquiring marginal fields and using new technology and its expertise to increase production and efficiency.

In the mid-1990s, Paul Zecchi, founder, controlling shareholder and current chief executive officer, decided that the company should diversify its resource base and boost its future market appeal by expanding outside of North America.

According to Zecchi, Argentina adds the excitement factor that could prove crucial if the company decides to go public. Central Resources made acquisitions in the country in 1999, 2003 and 2005, and is examining options to extend its Argentine operations.

“By applying new methods, modern technology and experience in these types of fields, Central Resources can add value to assets that have been ignored by other companies,” explains Zecchi. “For example, the field that we purchased in 1999 had been abandoned. After investing time and resources, we have turned that into a profitable, producing asset.”

Another North American independent taking a similar path is Azabache Energy Inc. Claudio Larotonda, president and chief executive officer of the Calgary-listed start-up, is adamant that

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Argentina's onshore has solid E&P potential, especially for smaller and medium-sized players. "In Argentina, like the U.S., there are many relatively small accumulations in mature basins. Small companies, whose entire focus is taking the most out of the ground in a few specific places, can work these opportunities more efficiently than the majors," he says.

The small and marginal offerings have also encouraged the growth of domestic players. Often, service providers expand into E&P activities.

EDVSA, an Argentine engineering, construction and service company, has built upon its decades of expertise working with domestic and international E&P companies. Its multidisciplinary approach has given it the confidence to take tentative steps towards becoming an operator on an onshore play in southern Argentina.

However, challenges remain. Communities and labor unions can cause serious headaches for oil and gas operators, but the most pressing issue is government price intervention. The government has altered energy regulations various times, most notably in 2002, 2004 and 2007. Currently, a sliding scale linked to the price of WTI means that oil exports above \$45 per barrel are taxed 40%. However, the government also has capped the price of oil sold domestically to between \$42 and \$47 per barrel, while gas sold domestically can only fetch \$2 per million Btu. All oil must first be offered to local refineries, and can only be exported if it is not needed locally.

In the face of these restrictions, the number of exploratory wells drilled has fallen, from 75 in 1998 to 54 in 2008, and the oil and gas industry has united in demanding international prices that would allow it to fund further E&P activities. Some companies, one prominent example being Chevron, have closed their exploration programs, citing a lack of commerciality.

Also, fields that are more challenging and expensive to work are being left untouched. This is especially telling, as many of Argentina's most promising assets are unconventional deposits, such as highly impermeable gas accumulations, which involve higher-than-average production costs.

Meanwhile there is widespread incredulity that while gas produced locally can only sell for \$2 per million Btu, Bolivian gas is being imported for \$6 per million Btu and imported liquefied natural gas costs \$9.

The reduced levels of production are also leading to labor troubles for many operators. Argentine employment law makes it difficult to downsize an operation. This tendency is exacerbated by the current Argentine government of Cristina Fernández de Kirchner (wife of ex-president Nestor Kirchner), which relies heavily on union support and usually sides with unions in disputes with oil and gas operators.

One E&P chief executive officer, who did not want to be named, said, "The government wants increased production, bigger reserves and more employment. The answer is simple: give us international prices, and we can do that for you."

One obstacle is that a price adjustment would shock an Argentine public accustomed to some of the lowest end-user energy prices in the world. "It is both a political and economic challenge," explains energy consultant Francisco Mezzadri. "On one hand, the government is becoming aware that it can not afford to subsidize energy prices for much longer; on the other, it knows that rising consumer and industrial energy tariffs could carry an enormous political cost."

But Mezzadri also notes that investment in E&P had fallen even before the government-imposed measures.

The question is whether now is the time to purchase assets and expand operations in Argentina or if it would be more

prudent to wait. There is a consensus that price changes will come, but the industry is divided about how and when.

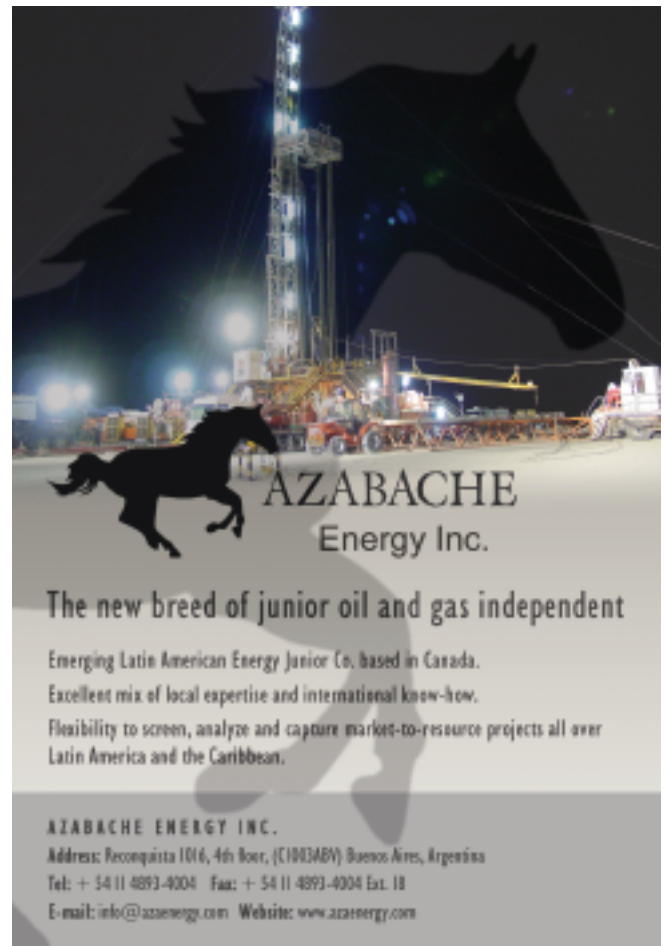
Azabache's Larotonda is convinced that now is the perfect opportunity: "The current climate is an ideal time to explore, as the exploration cycle takes five to six years. In that time, the possible becomes probable and the probable proven. Then, when perceptions change, you are in the right country with the right resource base."

But while exploration programs can take a longer view, those looking to invest in increased production need a more immediate investment return. A positive step in this direction is the "Gas Plus" program put forward by Public Works and Investment Minister Julio de Vido. The program offers higher prices for production of gas from newly exploited reserves. This is paid for by higher tariffs for all new industrial consumption. The first company to take advantage of this program is North American independent Apache Corp.

Says John Graham, regional vice president and country manager for Apache Energia, "We started production in January 2010 on the first four Gas Plus projects to be implemented in Argentina. This allows us to develop tight-gas and unconventional gas resources that would not be developed under existing price regulations."

The existing Oil and Refining Plus program, which offers a series of tax breaks that in theory allow the price of exported oil to rise to \$52 per barrel, has not been well received by the industry and it remains to be seen whether it will be enhanced.

With Argentina recently becoming a gas importer, and predicted to be an oil importer within two to three years, there is a strong need for domestically produced hydrocarbons. The only element lacking is a regulatory environment giving a strong commercial incentive. □



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Ramping Up

With Argentina expected to ramp up E&P activities and also make radical changes to its energy matrix, the onus is on its service and supply companies.

E &P companies frequently cite the availability of locally sourced equipment and services as one of the major attractions of working in Argentina.

With the exception of Brazil and Venezuela, no other South American country possesses a service sector as extensive or experienced as Argentina's. One obvious reason is that Argentina has been exploiting hydrocarbons for more than 100 years. This has created a number of indigenous wellhead service companies with considerable experience.

Bolland y Cia was founded in 1937, and has grown its service portfolio to include well surveying, environmental management, field management and water treatment.

"Undoubtedly our experience gives us a competitive edge," explains president Adolfo Sanchez Zinny. "It has allowed us to develop our own solutions and processes. It also makes us an ideal partner for international E&P firms entering the Argentine market, as we have knowledge of the local conditions."

Bolland has experience in various secondary-recovery methods, including waterflooding. "In many fields in Argentina, the battle is to increase production and fight against the natural decline of maturing assets—our services and expertise are attuned to helping operators get the most from their fields," says Zinny.

Privatization's role

Another factor shaping the E&P service industry is the privatization of state-owned YPF. Until 1993, many Argentine service companies were preoccupied with servicing YPF. Although private firms were present, YPF dominated, and its norms and requirements shaped the market. The privatization of YPF, the increasing number of foreign entrants, and



"Our experience has allowed us to develop our own solutions and processes." Adolfo Sanchez Zinny, president, Bolland y Cia

the changing culture within YPF following its takeover by Spanish super-major Repsol in 2001 have dramatically altered the environment for service companies.

Many skilled personnel left the state-owned firm to create small service start-ups, seeking opportunity in the newly privatized market. A prime example is well-service and equipment-design company Thales, founded in 1992 in the wake

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of YPF's privatization.

"We are specialists in designing and manufacturing equipment for secondary recuperation and gas lift," says Thales managing partner Osvaldo Martinez. "YPF has obviously garnered a lot of valuable experience in this field, but when privatization occurred, my partners and I realized that there would be a lot of companies entering the market who would not be so accustomed to the specifics of the geology here in Neuquen (Argentina's most important oil and gas province)."

Thales leverages its local advantage by working with clients onsite to assess needs. After the company has designed specific equipment, such as valves or surface filters, it complements its products by sending teams to provide additional services, such as well profiling.

Privatization of the oil and gas industry has also changed the way that service companies relate to clients. "Companies now find themselves in a position where they have to aggressively win clients, whereas before they relied on the fact that they were well known within YPF," recalls Osvaldo Nunzi, EDVSA president. "That is not to say that these companies were not offering good services; more that for the first time they find themselves having to market what they can offer."

Numerous economic crises and bouts of hyperinflation have often rendered imported goods or services prohibitively expensive, forcing Argentine companies to find a local solution. This is perhaps most telling in the manufacturing sector, where companies take advantage of Argentina's steel industry, skilled labor force and low energy costs to produce parts for the energy industry.

"Argentinean industry has been buffeted by crises ever



Osvaldo Martinez, managing partner, and Marcelo Quiroga, product engineer, Thales Group. (Photo courtesy Thales Group)

since Industrias EPTA began business in 1978," affirms Industrias EPTA founding partner, Luis Fusetti. "The domestic oil and gas market has grown and shrunk and the country has repeatedly switched between rapid growth and recession. This has made it difficult for us to grow, but I also think it has made us a better company as we have had to rely on our own solutions for success."

EPTA now sells pneumatic control valves and control instruments to the entire industry. "We do not compete in standardized products that can be mass produced in other countries that have cheaper labor costs. Instead, we focus on designing specific products to suit a particular client need."

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Mechanical mounting and instrumentation on an offshore platform in the Magellan Strait. (Photo courtesy EDVSA)

at a university. Since then, it has continued to offer a free, world-class education to its population. This has created a wealth of engineers, chemists, mathematicians and physicists for the service and manufacturing industries to draw upon.

Tecna, founded in 1974, has benefited from the local skilled workforce. The company is involved in a variety of projects, from conventional thermal-generation units to gas-processing plants and even nuclear projects.

Tecna president Ricardo Altube explains: “Our key strengths are our engineering capability and our ability to deliver a project on time and on budget. The Argentine market is of a moderate size, speaking globally, and eventually we had to expand abroad in order to grow. However, in our early stages we applied our key strengths to a range of different energy projects. This way we enhanced our skill set while also

maintaining the level of business needed for growth.”

In essence, if Argentine companies apply their core strengths to different aspects of the industry, they can gain the experience and trade levels they need for expansion.

This process has resulted in the emergence of giant industrial groups such as Techint, engineering firm Tecna and energy constructors such as Contreras Hermanos. However, many firms have stayed small, as crisis after crisis has shown the dangers of over-expansion.

“I am happy to focus on the Argentine market. I have no wish to grow my company to an unwieldy size and then have to face the pressures of firing staff or emptying offices when the next crisis comes,” says Jose Cabello, president of architectural-planning firm Dibutec.

As Constantino Padin, founding partner of Maintec, a pipe parts manufacturer, says, “For many Argentine firms, just to survive these last 30 years has in itself been an incredible achievement.”

This conservative attitude will have to change when the next wave of E&P investment begins in earnest. Analysts predict an uptick in the short term, and many Argentine companies will have to ramp up considerably to meet increased demand for midstream and downstream products and services, as Argentina’s energy matrix evolves.

Argentina is the world’s third most gas-dependent country, but as it is currently forced to import natural gas, many feel that the fuel’s current 53% share of the energy mix is too high. In the long term, this will probably result in additional nuclear plants to complement the country’s two existing facilities, as well as wind plants designed to harness the powerful wind on Argentina’s south Atlantic Coast.

One company ready to participate in such future projects in Argentina is Contreras Hermanos, an energy construction firm. The company’s director general, Jose Castellanos, explains: “Although our past is associated with hydrocarbons, we are always seeking to develop new businesses. One example is alternative energies, where we are participating in and assessing generation projects in many countries, either as a sole company or in joint ventures.”

In the short-term, however, Argentina’s energy secretary, Daniel Cameron, is midway through an extensive gas-distribution expansion program. The country’s total pipe network is being increased from 9,000 kilometers in 2003 to 14,000 kilometers in 2012, including the vital San Martin pipeline, which crosses the Magellan Strait and allows operators in Tierra del Fuego to offload greater volumes.

There are also plans to increase the NEA pipeline, which transports gas from Bolivia to Argentina. Bolivian gas supply is perceived as unreliable, however, as the country struggles to supply its domestic needs.

Argentina is thus increasingly looking towards liquefied natural gas (LNG). One regasification plant has already been built in conjunction with Venezuelan state producer PDVSA, while another is planned with Uruguay’s state-owned ANCAP.

Thus far, it seems that the Kirchner governments have succeeded in averting an energy crisis through reactionary solutions. Consultant Francisco Mezzadri estimates that Argentina will have to invest 2% of its gross domestic product—approximately \$6 billion—annually between now and 2020 to ensure it has a diverse, secure, sustainable energy matrix. This process should create opportunities for the country’s component manufacturers, equipment designers and service providers. Partnerships with foreign firms will be prized, for extra capital and for the expertise required to meet Argentina’s energy needs. □

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Argentina Abroad

With neighbors such as Brazil, Peru and Colombia revamping their oil and gas sectors, are Argentinean companies ready to seize the opportunities presented by the regional energy boom?

For many Argentine service companies or E&P firms seeking business abroad, their experience with mature basins offers a competitive advantage. Neighboring countries encounter problems similar to those Argentina has battled for decades.

Gerardo Yedra, business development manager of equipment-design and service company Tacker Tools, which was founded in 1992 in Argentina and now has bases in Colombia, Venezuela, Mexico and the U.S., says, “Our experiences in serving the Argentine market created the platform for our regional expansion. Starting before other countries means that you experience the problems related to maturing fields before other countries. In Argentina, we have developed tools and services that we have been able to successfully export to other countries.”

Adolfo Zinny, president of Bolland y Cia, concurs: “There are massive similarities between Brazil and Argentina offshore, and in both cases you have operators determined to squeeze the most out of relatively small accumulations.”

Owing to Argentina’s vast size and geographical variances,

a range of service companies has risen to meet the distinct challenges in each region. There are firms servicing offshore operations, cold-climate specialists in Tierra del Fuego—home to the world’s most southerly oil and gas operation—and jungle-logistics firms plying their trade in Argentina’s tropical extreme north.

Many Argentine service companies have been forced to adopt a multidisciplinary approach to grow. This has positioned them to export their skills across the continent.

E&P companies are in a similar position. Pluspetrol, a private E&P company started in Argentina in 1977, has grown in the past 15 years to own E&P assets in six South American countries and one African country. At present, Pluspetrol is the largest oil and gas producer in Peru.

Steve Crowell, Pluspetrol chief executive officer, explains: “We have grown from our roots in Argentina. Our experience in operating the Ramos gas field, which is the second largest in Argentina, gave us expertise in developing high-pressure gas plays (such as Camisea), while the rehabilitation of black oil (as found in the Maranon Basin) is something

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"We achieve that (growth) through two methods: technological improvement in our traditional businesses, and continuing our international expansion," says Jose Castellanos, general director, Contreras Hermanos.

that we excelled in since our experience in the Neuquen Basin."

Pluspetrol also has strategic involvement in a Peruvian gas-transportation company, Transportadora de Gas de Peru (TGP), and a Brazilian gas distributorship.

A wholly owned subsidiary of Argentina's largest industrial

group, Techint, Tecpetrol partners with Pluspetrol in Camisea. Tecpetrol has E&P operations in Mexico, Venezuela, and Ecuador as well as Argentina. In addition to its E&P business, the company has built a portfolio of inter-regional gas and electricity transportation assets. Carlos Ormachea, the chief executive officer, believes that the combination of upstream and downstream operations will ensure a successful regional expansion.

"We hope to become a unique energy business; a private energy company for the Americas that can offer integrated energy solutions to particular problems. We can offer more because we are not just an E&P firm or just a gas and electricity distribution firm," he says.

"On the gas and electricity distribution side, we look for strategic assets that can help us achieve synergy with the E&P business."

To this end, Tecpetrol is involved in regional energy distribution and transportation projects; namely, Transportadora de Gas del Norte, a gas transportation network that supplies northern Argentina while operating and maintaining pipelines running to Chile and Uruguay. Tecpetrol also has a stake in Transportadora de Gas del Mercosur, an Argentine network that it hopes one day to extend to Brazil.

This regional and asset-type diversification allows energy firms to control more aspects of their operations and to grow. It also helps to insulate them from dips in any particular business or country's economy.

The push to expand internationally is also felt by service companies. Engineering and construction firm Tecna opened its first foreign office in Bolivia in 1998 and has since opened offices in Ecuador, Peru, Venezuela, Spain and the U.S. "At



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a certain point, once you achieve critical mass, international growth becomes necessary,” explains Ricardo Altube, Tecna president.

Jose Castellanos, general director of energy construction firm Contreras Hermanos, says his firm was an early mover in regional expansion. “We are already a leading regional player in energy infrastructure projects,” he notes.

Indeed, family-owned Contreras Hermanos has successfully established a South American footprint, with offices in Brazil, Chile, Uruguay and Bolivia, and has been involved in projects ranging across the continent.

“Contreras understands that long-term strategies are necessary to the company’s growth,” adds Castellanos. “We achieve that through two methods: technological improvement in our traditional businesses, and continuing our international expansion.”

Argentine companies expanding internationally often do so with an international partner. Compañía General de Combustibles (CGC), an Argentine E&P, has expanded to Venezuela and Ecuador. Former chief executive officer Diego Duarte, who masterminded the company’s switch

from a downstream focus to status as one of Argentina’s most successful E&P operations, notes that CGC needed partners to enhance its expertise.

“As a company, we have 80 years experience in the energy industry, but we made the switch to being an E&P com-



Argentina-based equipment design and services company Tacker Tools, here at work onsite, now has bases in Colombia, Venezuela, Mexico and the U.S. (Photo courtesy Tacker Tools)



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Tecpetrol is active at El Tordillo Field in the San Jorge Basin in Chubut Province, Argentina. (Photo courtesy Tecpetrol)

pany in the 1990s, and it is only since 2005 that we have made a real push on the industry,” he says.

“Partners are always helpful in terms of sharing the risk, but it’s the combination of know-how and experience that can really add value to an asset.” CGC became partners with PDVSA when the Venezuelan hydrocarbon authority announced that the state-owned entity would take a 60% stake in all operating assets.

“Our engineers have experience with smaller accumulations and are used to looking for high recovery rates in challenging plays. Because of the massive deposits in Venezuela, their engineers have not had to look for the same recovery efficiency, yet they are more experienced at managing such large fields.

“We are definitely a partnership company, and we will seek further partners for our international expansion and our activities in Argentina.”

Analysts expect the Argentine energy sector to receive intense investment over the next 10 years. This should allow more Argentine companies to achieve the necessary size and experience to participate in the region’s growing energy sectors. □

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