



Oil and Gas Machinery and Services A Top Export Prospect for Colombia

September 2014

Market Estimates

<i>(in US\$ millions)</i>	2012	2013^P	2014^{est}
Total Market Size	2,976	2,590	2,650
Total Local Production	200	210	225
Total Exports	110	120	125
Total Imports	2,886	2,500	2,550
Imports from the U.S.	1,003	825	833

The above statistics are unofficial estimates.

Sources: National Hydrocarbons Agency, Ministry of Mines and Energy, Ecopetrol, and World Atlas.

Overview

The oil and gas machinery and services market continues to represent an important opportunity for U.S. companies. The Government of Colombia (GOC) continues to place top priority on oil and gas exploration and production, as evidenced by the fact that the country has already reached its 2015 target production level of over one million barrels per day.

According to Colombia's Ministry of Mines and the National Hydrocarbons Agency, during 2013 Colombia's crude oil production averaged 1,007,000 barrels per day and the country's natural gas production averaged 1.176 million cubic feet per day. Colombian petroleum company Ecopetrol is currently the leader in crude oil production due to the implementation of enhanced production technologies in different fields.

However, these production figures are lower than expected due to attacks to the transportation infrastructure from the guerrilla group FARC (a traditional tactic they use to disrupt the oil production and cost the GOC money, and delays in the approval of new environmental licenses and modifications of existing ones in some oil & gas, mining and infrastructure projects. Delays have been occurring in recent years due to increased environmental regulations and a lengthy approval process. Industry sources believe these factors will also impact production levels for 2014, which are projected at 1,030,000 barrels per day, the lowest growth in six years.

Colombia's known oil reserves have increased to 2.4 billion barrels. Natural gas reserves reached 5.7 tera cubic feet (TCF) of proven reserves, and up to 7 TCF of total estimated reserves, allowing the country to remain self-sufficient until late 2018. This will allow more time for the country to identify new crude oil reserves. Despite a significant number of exploration and production (E&P) efforts, only minor discoveries have been made so far, mainly due to the country's complex geology and geography.

Colombia's National Hydrocarbons Agency (ANH) continued its series of block award tenders (known as Rondas) that have attracted the interest of world-class companies such as Anadarko Petroleum. These companies, along with Ecopetrol, will explore the Fuerte Norte/Sur offshore blocks over the Caribbean Sea. Meanwhile Shell Oil and ChevronTexaco will develop further studies on the Macuira and Nazareth blocks, in 3,000 meter deep waters off the shore of Guajira

In June 2014, ANH is expected to formally launch their Ronda Colombia 2014 opening blocks for exploration and evaluation with potential for coalbed methane and other unconventional hydrocarbons, new offshore areas, and blocks with undeveloped fields in areas with previous discoveries.

Oil and gas companies are conducting an aggressive exploration campaign throughout Colombia, including assessing its offshore Caribbean and Pacific Ocean basins. Despite the lower current oil prices (compared to 2008 prices), these activities offer significant opportunities for U.S. exploration and production (E&P) firms as well as equipment manufacturers and service providers interested in this market in the medium and long term.

In May 2011 Ex-Im Bank announced the approval of US\$3.8 billion in loans and guarantees for the modernization of the Cartagena Refinery project (Reficar) and Ecopetrol to support the acquisition of U.S. goods and services for the industry. Imports of oil & gas equipment benefit from Colombia's relative proximity to the United States. And with the implementation of the United States-Colombia Trade Promotion Agreement (FTA), Colombia eliminated import duties for equipment, spare parts, and accessories destined for various activities including exploration, production, refining, and transformation.

Sub-Sector Best Prospects

- Seismic activity services (both 2D and 3D)
- Improved analytical seismic computer codes
- Drilling equipment (including directional drilling), and drilling fluids
- Wellhead equipment (such as Christmas trees, valves, compressors, pumps, piping equipment, safety equipment, well completion, casing, and cementing equipment)
- Improved production stimulation

- Enhanced oil recovery for selected fields in which production is dwindling
- Crude oil and natural gas pipeline design and construction services

Opportunities

Potential opportunities involve petrochemical and refinery expansion projects, including an expansion of the Barrancabermeja refinery which awarded Foster Wheeler USA and Process Consultants the project management contract and expects to open the selection process for the US\$2.5 billion EPC contract.

Other large projects include the construction of the US\$4.2 billion Oleoducto del Bicentenario, a 960 kilometer crude pipeline (450,000 barrels per day) that is expected to become operational by the end of 2014. Ecopetrol has a 55 percent share of this project. Other partners include a 32.8 percent share held by Pacific Rubiales, and the remaining 12.2 percent held by other firms including PetroMinerales and Hocol.

Web Resources

- National Hydrocarbons Agency (ANH): www.anh.gov.co
- Ministry of Mines and Energy: www.minminas.gov.co
- Colombian Oil Company (Ecopetrol): www.ecopetrol.com.co
- Colombian Government: www.gobiernoenlinea.gov.co
- Inter-American Development Bank (IDB): www.iadb.org
- National Planning Department: www.dnp.gov.co
- Refinería de Cartagena, S.A. (Reficar): www.reficar.com.co
- The World Bank: www.worldbank.org

For More Information

Please contact Julio Carbó, Commercial Specialist of the U.S. Commercial Service in Colombia at Julio.Carbo@trade.gov or (571) 275-2723. You can also visit our website at www.export.gov/colombia.

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