

# Mobil set to drill in Peruvian jungle

## Government must give final OK

By **TIFFANY WOODS**  
Special to the Chronicle

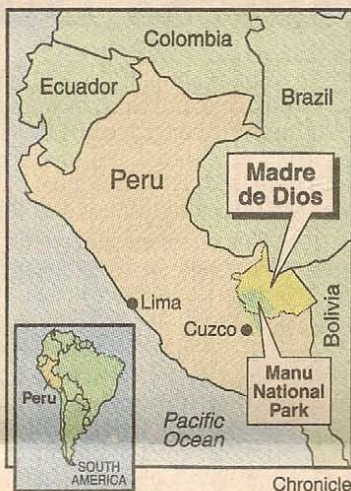
LIMA, Peru — The helicopter landing pad is built. The fuel and explosives are in storage. Fifty workers wait. All they need now is a final go-ahead to start searching for oil in one of the most biologically rich jungles in the world.

More than 1,200 species of butterflies and at least 572 species of birds live in this rainforest in the Madre de Dios area of southeastern Peru. And 43 species of ants make their home there in a single tree.

Although Peru's government has declared the area a protected reserve zone, it also has given Mobil Exploration and Producing Peru, Esso and Elf Aquitaine permission to dig exploratory wells and set off small-scale seismic explosions in part of it.

One of the lots flagged for exploration touches — but does not reach into — the protected Manu National Park and crosses into the protected Tambopata-Candamo Reserve Zone, where conservationists hope to establish Bahuaja-Sonene National Park.

The contract, which cost the oil companies \$120 million and gives them the right to explore the area for seven years, was awarded to the consortium in March, and the companies hope to begin exploration on the lot any day.

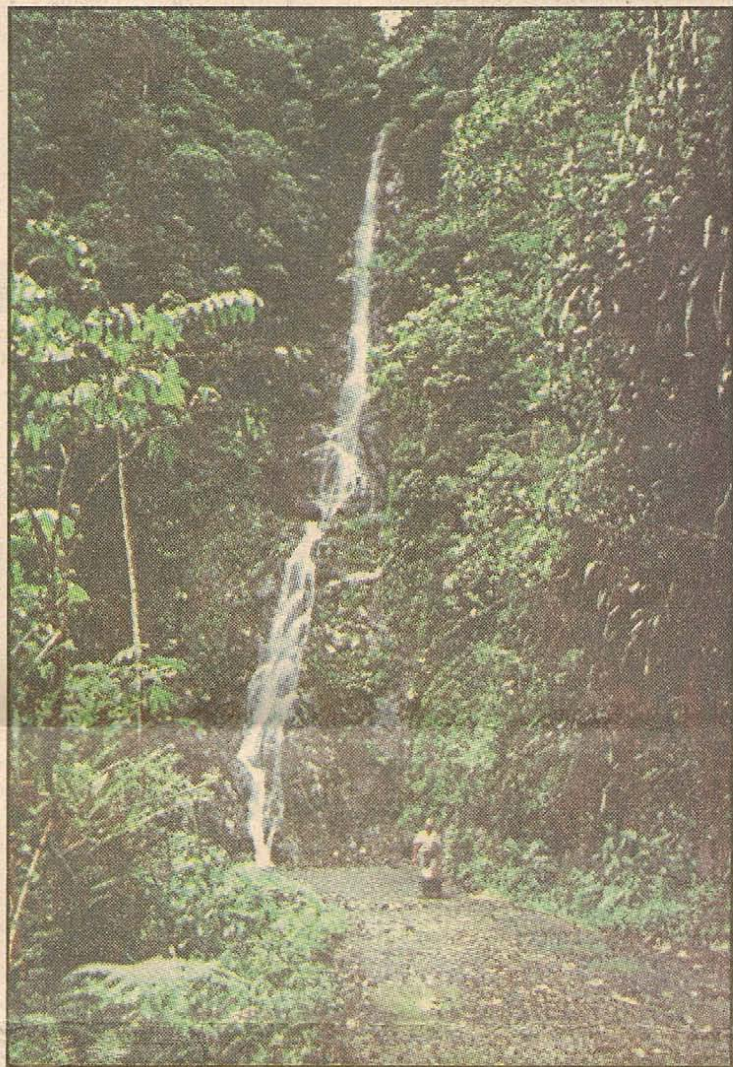


However, last-minute changes in the plan submitted by Mobil to manage the environmental impact of its operations have stalled the project and given conservationists one last chance to air their concerns.

Both environmentalists and oil investors have been carefully watching the negotiations to determine the government's commitment to oil investment because this isn't the first time oil and environmental interests have collided in Peru.

In a widely publicized case five years ago, conservationists were able to kill a plan by Houston-based Texas Crude to drill in a nature preserve considered one of the last refuges of the nearly extinct Amazon manatee. Conservationists took the company

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Manu National Park is Peru's biggest nature reserve. The park is protected, but oil companies have been given the right to drill in the area. **Left:** At least five families of otters — which are endangered — live in the area.

# Peru

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to court, citing an article in an environmental code that prohibited the exploitation of nonrenewable natural resources in protected areas.

That same year, the government passed a law that annulled the article, and conservationists say that was a watershed.

Since then, they say, the government has shown a willingness to sacrifice the environment for immediate, short-term profits. The Tambopata-Candamo Reserve Zone — where part of the Mobil consortium's lease extends — is proof, they say.

In 1993, the government officially announced a project to create Bahua-Sonene National Park inside the zone. Shortly afterward, Mobil and the government signed an agreement that allowed the company to gather initial technical data about the area. The park was subsequently put on the back burner until last month, when the government drew up plans for a new park about half the size of the original. The oil lease still cuts through the proposed park — but less of it.

Conservationists say the area's diversity merits better protection.

"You have a living laboratory for the development of species," said Richard Piland, a specialist at Conservation International, a nonprofit organization in Peru lobbying to make the park official.

Conservationists including Piland worry about deforestation and hunting by the influx of petroleum workers, who also are likely to drive up

the cost of living in the area. Those problems would undoubtedly have repercussions on the 7,000 people — many of them indigenous — who live in the reserve zone.

Piland argues that the area's natural resources could more wisely be used in eco-tourism or some other sustainable industry.

"There are a lot of natural resources in Madre de Dios that could make a lot of money, even more than oil, in the long run," Piland said. "But they require research and development, community participation, marketing channels, all types of social investments that we're not going to see pay off for at least 15 years."

The government, however, maintains that Peru can't wait. The government says it will continue to seek oil investors not only to collect taxes and royalties, but also to meet the country's energy needs. Peru consumes 150,000 barrels of oil a day but produces only 120,000. Analysts say the country is in the grip of an energy crisis and must increase its energy generation by nearly 10 percent per year to keep up with demand.

To that end, Peru is currently experiencing a boom in oil and gas exploration — but not necessarily a boom in production.

In May, a Shell-Mobil venture signed a 40-year contract to extract gas in Camisea, which also is located in southeastern Peru. Its gas deposits are believed to equate to about 2.5 billion barrels of oil. But so far the whole country has pulled up only 2 billion barrels of oil, with about 400 million barrels in reserves, said Alberto Bruce, president of Peru-Petro, the government-

tal agency that awards oil and gas contracts.

More than 20 companies are currently exploring in Peru, but maybe only four, five, six or eight will find anything, Bruce said. In the consortium's case, Mobil estimates it has only a 20 percent chance of finding oil or gas in its Madre de Dios leases.

So to make investment appealing, the government provides incentives to oil companies willing to take the risk. It offers tax breaks, eliminates import duties on equipment and allows companies to sell what they find to any country.

But while the government is trying to attract investors, it also is working to appease those who worry about the impact this exploration boom could have on the economy. The government has passed legislation that establishes monetary sanctions for environmental contamination and obliges companies to submit environmental impact studies, perform soil and air analyses and hire monitors to verify the work.

Conservationists, however, say that the laws aren't nearly as strong as the Ministry of Energy and Mines, which generally promotes oil and gas investment.

In the case of Tambopata-Candamo, Mobil is working hard to assure conservationists that its technology and deep pockets will minimize environmental damage.

"We feel very comfortable with our capability of operating in this very sensitive area," said Mobil spokeswoman Cynthia Piedra de Miglio. "We are making every effort to work in a very responsible way and to take care of all the conse-

quences that could appear.

"We operate in more than 100 countries, and we perform operations in a consistent way in all of the countries."

Oil analysts are confident Mobil won't blow it for other oil investors that may want to follow in its footsteps.

Ben Rice, an analyst with Brown Bros. Harriman in Washington, D.C., said Mobil is a responsible company that will take "reasonable precautions."

"I see no problem of any big companies going into protected areas and of their being the bad guys," Rice said. "In fact, I think they will be more careful because the ecologists will be watching and keeping them on their toes."

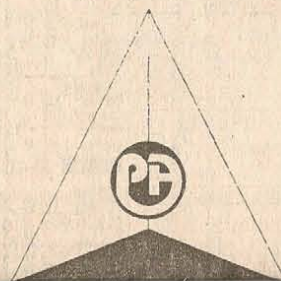
In the meantime, the ball is in Mobil's court, said legal assessor Fernando Touzett of the Ministry of Energy and Mines. Mobil has permission to enter the reserve zone and set up its installations, but it must specify potential environmental impacts and the corresponding means to prevent or mitigate them before it can begin exploring, Touzett said. But Mobil has said that these requirements are too demanding.

"It's impossible to do a detailed study in such a big space," said Mobil Exploration Manager Armando Telles. "It would take seven years to do."

But the ministry says it is holding firm. Until Mobil makes the necessary studies, the government won't approve exploration, Touzett said.

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