



Bogotá D.C., agosto 27 de 2015

BULLETIN

AGREEMENT 03 of 2015 (ANH)

On 20 August 2015 the Managing Board of Agencia Nacional de Hidrocarburos (ANH) issued Agreement 03 of 2015, published on 26 August 2015 in the web page of such entity, which partially amended Agreement 04 of 2012 and added other provisions in order to incorporate “*specific measures intended to mitigate the negative effects of the drop in international oil prices*”. These new measures add or change the terms of the measures adopted by the ANH in March 2015 (under Agreement 02 of 2015).

Agreement 03 of 2015 is grounded among others on the “*convenience of making more flexible the scheme of contractor granted guarantees*” provided fulfillment by such contractors is verified of contractual obligations. In no event do the proposed measures imply a reduction in the originally agreed investment commitments.

Please we provide below a list of the amendments made:

(i) *Partial amendment of Article 62.2.5 of Agreement 04 of 2012:*

One of the common requirements to be eligible to term expansion and time extension measures (for carrying out activities and activities in the exploratory period corresponding to the Minimum, Additional and Subsequent Program, for submitting evaluation programs, for completing the evaluation program and for declaring commerciality) was for the contractor to be current in performance of contractual obligations of the same:

“In order to agree term expansions or time extensions provided under this article, the contractor is required to be current in performance of contract obligations and commitments thereof.” (Underlining is ours).

This requirement has been amended as follows:

“In order to agree term expansions or time extensions provided under this article, the contractor is required not to fall under the Procedure for Declaration of Penalizing Administrative Default, except if such procedure results from the partial non-performance of activities within the time period agreed under the contract. The Contractor may resort to this measure, if at the time of filing a duly justified request (i) submits the guarantees in due form for the time period in which it intends to carry out the activity and (ii) agrees to repair any default within the duration of such time period”. (Underlining is ours).

(ii) *Partial amendment of Article 63(3) and Article 63(f) of Agreement 04 of 2012:*

One of the requirements to be applied the Investment Transfer was for the contractor to be current with performance of its contract obligations. This requirement was amended under the same terms stated for the above paragraph (regarding Clause 62.2.5).

(iii) *Amendments to subsections c) and e) of Article 64 of Agreement 04 of 2012:*



One of the conditions to be applied the Equalization of Offshore Agreements and Contract Provisions was for the drilling required investment to be subject to the prices set for the 2014 Round (for Offshore Areas). This requirement has been replaced by the following: “c) *the amount to be invested should not be less than the value of activities not performed in the issuing contract(s), otherwise the Contractor shall be required to pay the Entity the non-performed Balance*”.

On the other hand, subsection (e) – which establishes the requirement of the contractor being current in performance of contract obligations – was amended under the same terms provided for subsection (i) (regarding clause 62.2.5).

(iv) *Amendment of Article 66 of Agreement 04 of 2015:*

A specific regulation was introduced in connection with guarantees, whereby the Contractor is afforded the possibility of modifying effectiveness terms and percentages of coverage of the Stand-By Letters of Credit. The following are the applicable rules:

- (a) The guarantees for the Exploratory Program may be reduced in the same amounts as the works performed during the term of the respective phase “*upon receipt at the Petroleum Data Bank, BIP or EPIS, of the resulting technical information to satisfaction of the ANH*”. (Underlining is ours).
- (b) The ANH may authorize reduction and establishment of new guarantees for which purpose it is necessary to observe the rules governing how to divide – into fractions – the respective phase (according to duration of the same).

*Note: It is important to take into account the following:

- ✓ Obtaining a clear and current certificate – in connection with delivery of technical information – which is an essential requirement to submit a request for guarantee reduction.
- ✓ Reduction will not be possible for guarantees issued in connection with “*contracts that have exceeded the phase fractions without having [sic] performed the activities agreed in the corresponding amounts*” and
- ✓ The remaining investment shall be guaranteed with a letter of credit for 10% the amount pending performance.

We remain at your disposal to reply any question or comment you may have in connection with the matters under this bulletin.

Sincerely yours,

Sanclemente Fernández Abogados S.A.