



Informational Bulletin

Agreement No. 2 from Agencia Nacional de Hidrocarburos

The Agencia Nacional de Hidrocarburos [National Hydrocarbon Agency] has recently issued Agreement No. 2 which adds Agreement No. 4 of 2012 intended to mitigate and take suitable actions in light of the drop in oil prices and the difficult conditions currently facing the oil sector in Colombia and abroad. To this end the ANH has established certain provisions that allow applying for extensions in the terms and deadlines of the stages of the contracts entered with the ANH, as well as the transfer of investments and the equalization of provisions of Offshore contracts and agreements. Below we provide an explanation of these three issues, with corresponding clarifications and conditions added by Agreement No. 2, which may be used by companies in the industry to endure the difficult situation in the sector.

i) Extension of Terms and Deadlines

Agreement No. 2 provides the possibility of agreeing extensions but only in connection with certain stages of performance of the contract. Hence, it is now possible to request extension of the terms of duration of the several phases of the exploratory period and also in connection with those agreed to submit eventual Evaluation Programs and on the terms agreed to perform the activities inherent to the Evaluation Program and the term established to make possible Declarations of Commerciality.

However in case of deciding to request the extension of some of the terms or deadlines mentioned above, the applicant is under obligation of meeting certain requirements and conditions. First of all, the term or deadline whose extension is sought must expire during the following 12 months from the date on which the extension request is filed. Secondly, the extensions may not exceed 9 months the first time. Nevertheless, the same may be subject to a single extension of 6 months. It is worth noting that for the extension to be accepted, the Contractor is required to evidence fulfillment of the investment commitments and performance of the activities agreed for such extension, which will be determined in the corresponding program and schedule necessary for authorization of the extension. Thirdly, it is necessary for the WTI reference price on the date the extension application is filed with the ANH to be at least 25% below the average for such reference during the 12 months preceding the filing date.

The Agreement also establishes specific requirements for certain requests for extension of the terms or deadlines. For example, in order to request the extension of the Term Agreed to submit to the ANH eventual Evaluation Programs, a Notice of Discovery should have been previously filed at the ANH. Likewise in order to request an extension of the term to perform the Activities inherent to the Evaluation Program, it is necessary to have activities yet to be performed in the program and no proved reserves in the Area under Evaluation. If there are any, the Reserve over Production ratio (R/P) should be below one year. Finally, in regard to the request of extension of the Term provided to submit eventual Declarations of Commerciality, it is possible to conduct studies and economic and financial evaluations and socio-environmental activities. However, it should be noted that in this



last case, it will not possible to carry out drilling activities, conducting extensive testing or construction of facilities.

ii) Transfer of Investments

As mentioned above, it is possible to request the transfer of investments, which shall be authorized in advance by the ANH. This transfer of investment relates to the possibility afforded to contractors of performing investments corresponding to the proposed and agreed Minimal or Additional Exploratory Program in Areas corresponding to other legal transactions and in Areas of free interest of the entity. In addition, Contractors may transfer investments of the Subsequent Exploratory Program provided no investment has been carried out due to low prospectivity reasons grounded on an independent technical opinion accepted by the ANH. However, as in the preceding cases, it is necessary to meet certain requirements in order to request the Transfer of Investments. First of all, the amount of the exploratory investment to be transferred must be included as a new commitment or as additional investment to the contract receiving such investment. Secondly, in the event the receiving contract terminates for any reason without having transferred the entire investment to the satisfaction of the ANH, the contractor will have to pay to the Entity the outstanding balance of such investment. Thirdly, the contractor should be current in performance of its obligations and commitments. Finally, the contractor should take into account that the transfer of investment can only be made once. In addition, it is necessary to take into account that Agreement No. 2 allows transferring investments between exploratory programs for Conventional Reservoirs and Non-Conventional Reservoirs comprising different contracts or a Free Area contract.

iii) Equalization of Offshore Contracts and Agreements

Finally, the ANH has allowed the equalization of Offshore Contracts and Agreements insofar as it will now be possible to equalize the terms of duration of the Exploration and Production periods of E&P Contract over Offshore Areas predating 2014. To this end, the last phase of the Exploratory Period will be extended in 36 months. Such extension will be applicable provided the contractor agrees to drill another exploratory well in addition to those agreed under the Exploratory Program. Under such supposition, the production period would be extended to 30 years.

We hope the information contained in this Informational Bulletin may prove to be useful for you and your company. Nonetheless we will report any new development and will gladly address any question or comment you may have on the above.

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