



July 22nd, 2021

Zoomcast: New Agreements

1. Can two areas delimited by the ANH be added together as a single block proposed to be included in each cycle?

A: Understanding that the question refers to a company interested in requesting the transfer of an existing investment contract with the ANH, in order to transfer it in a new area which, it is worth clarifying, must win the block within the Permanent Process of Area Allocations, more specifically in the 4th Cycle.

Thus, the terms of reference have provided that the Agency has a period of time to evaluate the transfer request and thus, determine whether the requirements set forth in the Agreement approved by the National Hydrocarbons Agency are met in order to make the transfer possible; once the evaluation has been made, the ANH allows the contractor to have access to the area of its interest in order to file a request for incorporation. Then, the Agency evaluates the area and determines if that polygon can be offered within the 4th Cycle. If so, the company interested in the transfer and in the request for incorporation consequent to that transfer, would have the possibility of making the economic proposal in the first opportunity in the submission of proposals presenting the exploratory program or, in this case, the economic value of exclusivity necessary for the type of area manifested by the company in question.

2. What happens if I don't win the area and I have already been approved for transfer? What happens if I am not approved for transfer, but I did win a new area that was the subject of the transfer?

A: The transfer only ends when the area is assigned to the proponent of the transfer. Prior to that, there is only the procedure, so it should be understood that this first transfer request has as its first step the verification of the conditions set forth in the Agency's Transfer Agreement. Thus, if the process is positive, it will culminate with the assignment of an area and, therefore, with the requested transfer. If a third party wins the area, the transfer process is suspended.

3. In Agreement 005, what is the scope of restitution for circumstances related to the sanitary emergency derived from the Covid-19 pandemic or other notorious facts of public knowledge?

A: The core of what is established for restitution in Agreement 005 is that they are notorious facts. In the second paragraph of the third article, the sanitary emergency derived from Covid-19 is indicated as a notorious fact, so it is part of what is established in the Agreement.



4. If a company is interested in a basin but the areas delimited by the ANH are very small, can two areas be joined and proposed as a single block?

A: According to the current terms of the Permanent Process of Area Allocations, this could not be carried out since the definition of the polygons is established in such a way that it is not possible to change the definition stipulated by the ANH. It is noted that the terms of reference are in the process of being issued, eventually certain rules could be changed. Therefore, comments are welcome in order to determine if the current rules can be modified.

5. Would bids be accepted conditioned to the approval and subsequent effectiveness of the transfer of commitments from issuing contracts to the new contracts arising from a winning bid?

A: In no case is it contemplated to have offers conditioned to a transfer. It should be noted that the process begins with a request for transfer to an area that would be within the Permanent Process, which means that a first review will be made to establish whether the transfer requirements are met in order to enter the 4th Cycle. If this first review has problems because the requirements are not met or because the request arrived too late, it would not be possible to transfer to an area within this process. It is worth clarifying that the process does not admit conditional processes, since the purpose of making the request is that, once the area within the Permanent Process has been won, the transfer is completed.

6. Agreement 05 applies only to exploratory activities but these notorious facts have also affected other types of commitments such as abandonments and suspensions of areas. Is the ANH thinking about agreements for other types of activities in commercial areas beyond the exploratory ones? And can the Covid-19 sanitary emergency cause be argued for the effects of the deadlines that occurred prior to April 28?

A: For now it only covers the exploratory activities that are included in the Agreement. It is not intended, at this time, to include other types of activities. However, the comment will be taken into account.

Regarding the casual sanitary emergency, the Agreement applies the ordinary rules of application of the law in time and establishes a particular regime for situations occurring as from April 28, so from that date onwards, this new agreement will apply.



7. Could the amount of the transfer be part of the VEE offered, or must it be totally independent of the VEE offered?

A: In the event that the value of the transfer is less than the minimum value of the economic value of exclusivity provided, it must be supplemented (the value of the transfer) with the missing amount in order to achieve the minimum value provided by the Agency for each type of area. In other words, if the value of the transfer is FOUR MILLION DOLLARS but the economic value of exclusivity for the area of interest is SIX MILLION DOLLARS, the company will have to add not only the FOUR MILLION DOLLARS of the transfer but also the remaining TWO MILLION DOLLARS, in order to complete the minimum value of the economic value of exclusivity.

8. The restitution of deadlines includes deadlines for temporary well suspensions?

A: For the time being, only the causes or situations established in the Agreement apply.

9. The transfer must be requested first and then the offer is made?

A: That's right.

10. Taking into account that Agreement 005 of 2021 is known until today, what is the deadline for requesting a transfer to new areas? And will the deadline for submission of new offers in Cycle 4 continue to be November 005?

A: The Agreement was open for comments. It was issued on July 14, so it is applicable as of that date.

On the other hand, the Draft Terms of Reference has published the schedule. Therefore, everyone should keep in mind that September 30 is the deadline to qualify for the Process. After this milestone, the other stages of the process will begin to develop.

The Draft Terms of Reference, the Guidelines and the modifications to Agreement 02 are currently published for comments.



11. Regarding area relocations, could you please elaborate on the VEE, is it a performance bond or is it a type of minimum investment program?

A: The economic value of exclusivity continues to be a payment obligation. Within the documents published for comments, the possibility of it being a guaranteeable one was included; that is to say, it is a payment obligation acquired by the contractor, however, it may be subject to a guarantee. It should be clarified that it is not a minimum investment.

Meanwhile, in this 4th Cycle, a different scheme will be provided that replaces the concept of the Exploratory Program, which is called Economic Value of Exclusivity, where the commitment acquired by the contractor is the payment of a value that is subject to discounts to the extent that the drilling of exploratory wells is carried out.

12. In the modification of the Agreement in the Terms of Reference, the Minimum Exclusivity Economic Value is mentioned, so how should the higher amount presented by the interested party be understood?

A: The VEEM is the same value or equivalent to the cost established in Article 33 of the regulations for the drilling of an exploratory well according to the basin where the area of interest is located. If you would like to compete, in addition to the VEEM established by the Agency, you can add to this minimum value the value of another well to be drilled.

13. Is the VEE a payment to the ANH? what does deduction mean? does it mean effective reimbursement to the contractor?

A: No. The version of the Regulations, the Terms of Reference and the details that were initially published for comments was modified regarding reimbursements, since there is no initial payment of the Economic Value of Exclusivity, given that a commitment or obligation to make a payment is stipulated if the wells are not drilled during the contract; the value of the commitment is reduced to the extent that the equivalent values for each well are discounted according to the basin of interest, as provided in Article 33. Consequently, there is no reimbursement because there is no transfer of money from the contractor to the Agency.

14. If we base the proposal on the VEE and not on activities, can the contractor choose the activities to be performed?

A: Yes, that is one of the characteristics of the VEE: to give the interested party the freedom to propose the activities it wants to develop. In that sense, the proposal must be based on the VEE and it will be the contractor who will choose the activities to be carried out.



15. What would be the benefits for investors participating in the Round when talking about the VEE?

A: The VEE grants absolute freedom to the contractor, which starts from the minimums established with the points table. It eliminates the initial commitments established within the minimum programs. Likewise, there is no longer a problem of payment and reimbursement, instead, there is a guarantee. Thus, if the commitment is fulfilled, the guarantee will not be effective.

16. If the VEE is 6 MILLION DOLLARS, but the contractor efficiently drilled the well at 4 MILLION DOLLARS what happens with the balance of 2 MM? is it not payable to the ANH because the well was drilled?

A: The value indicated in Article 33 of the regulations will be the value of the discount regardless of the actual value of the activity. The value to be taken as a reference will be the one established in the table of Agreement 33; it is an indicative value for the purposes of that commitment to pay the VEE and its discount accordingly.

(This Zoomcast took place on July 22nd)