



COLOMBIA ROUND 2014

TERMS OF REFERENCE



Once the **Terms of Reference** Project of the **Open Competitive Procedure for Selection of Contractors and Allocation of Areas for Exploration and Exploitation of Hydrocarbon** is published, the observations, questions and suggestions of the interested parties are received, and responding and publishing the arguments, answers and considerations of **ANH** regarding the formulated ones, next is the definitive text of **Terms of Reference** that are to govern the Contest.

Those concerns which were not submitted in time, can be formulated in the opportunity provided for the effect on the timeline, but taking into consideration the present final version.

Modifications to the project are entered in the body of this document underlined.

1. LEGAL NOTICE

This notice must be carefully read by all interested parties, without prejudice of examining the complete text of these **Terms of Reference**.

It establishes essential premises of this **Contractor Bidding Process and Area** Allocation, which must be understood, taken into consideration and observed in full to participate therein.

1. These **Terms of Reference**, as well as any possible amendments, adjustments, deletions, clarifications, explanations or additions thereto, which will always be adopted through **Addenda**, together with the applicable law, constitute the rules that will govern the "**Colombia Round 2014**" **Bidding Process**; the **Qualification** of **Bidders**; the submission, examination and validation of **Proposals**; and the award of the proposed **Contracts**, as well as the allocation of the respective **Areas**, or their declaration as unawarded, if appropriate.



2. The **National Hydrocarbons Agency, ANH**, does not guarantee or assumes responsibility for the accuracy and reliability of the Technical Information contained in the **Information Package**, or of that provided in the **Data Room** sessions; for the exact delimitation of the **Areas** to be assigned, or because within there are limitations for the development of exploration and exploitation for environmental issues, presence of ethnic communities or groups, security, public order or strategy or national interest, imposing restrictions.

3. The **ANH** reserves the right to introduce amendments, adjustments, deletions, clarifications, explanations or additions to the **Terms of Reference**, including the extension of the partial and total deadlines of the **Process**, and, in general, to modify the **Schedule**, in keeping with applicable law and at the times stipulated therein.

4. With the submission of the **Qualification** documents and presentation of their **Proposal**, interested parties accept all terms, conditions, requirements, demands, commitments, obligations and deadlines established in the **Documents** of this **Bidding Process**, including but not limited to these **Terms of Reference**, their **Annexes, Forms** and **Tables**, among them, the **Drafts** of the **Contracts** to be entered into.

Consequently, any inaccuracy, inconsistency, conflict with actual fact, deviation, omission, proviso, exception or condition included in the documents for Qualification or in those making up the **Proposal**; any amendment or addition to one or the other, contradicting the **Terms of Reference**, as well as the absence of the minimum requirements established for said documents, which cannot be remedied according to the **Terms** themselves, will result in the Bidder not being **Qualified** or the **Proposal** not being admissible or eligible, and, therefore, in their rejection, without prejudice of the other effects provided in applicable law or in the **Terms of Reference**.



5. With the submission of documents for **Qualification** and the **Proposal** document(s), the respective **Individual Bidder** and all members of **Plural Bidders** expressly accept and declare:

5.1 That their **Proposal** will remain in full force and effect for a minimum term of six (6) months, counted from its (their) submission date, as per provided in the **Schedule**, or any of its extensions, if adopted. Consequently, the **Proposal** shall be binding and irrevocable for such term and, if extended, during the time established in the corresponding **Addendum and in the Cover Letter**.

5.2 That they had access to and read and examined each and every one of the **Process' Documents**, including without limitation: (i) the **Terms of Reference** and their **Annexes, Forms and Tables**, among them, the proposed **Draft of Contracts**; (ii) the **Addenda thereto**; (iii) the clarifications and answers of the **ANH** to the requests, questions and observations made by interested parties regarding the **Terms of Reference** and said **Documents** in general.

5.3 That they consulted and analyzed all information required to prepare and submit the **Qualification** documents and to put together and submit their **Proposals**.

5.4 That the **Process Documents** are complete and adequate to prepare the **Qualification** documents, to put together a **Proposal** and to accurately identify the purpose and scope of the **Contracts** to be entered into, as well as the commitments and obligations incumbent upon each Party and, in general, the provisions thereof.

5.5 That they acknowledge and accept all terms, conditions, requirements, demands, commitments, obligations and deadlines set forth in the **Documents** of this **Bidding Process**, including but not limited to, the **Terms of Reference**, their **Annexes and Tables**, the **Forms and Commitments**, and the **Drafts** of the **Contracts** to be entered into, so that any inaccuracy, inconsistency, conflict with actual fact, deviation, omission, proviso, exception or condition introduced into the



Qualification documents or into those making up the **Proposal**; the amendment or addition to one and the other, associated with unawareness of the legal system and/or the **Terms of Reference**, as well as the absence of the minimum requirements established for said documents, which cannot be remedied according to the rules and **Terms** themselves, will result in the **Bidder** not being **Qualified** or its **Proposal** not being admissible or eligible, and, therefore, in its rejection, without prejudice to the other effects provided under applicable law or in the **Terms of Reference**.

- 5.6 That they have examined and are aware of the conditions of the **Area** or **Areas** of their interest, in such a way that in preparing their **Proposal** they took into account, among others, geographical, climatic, environmental, social, public order and access road characteristics.
- 5.7 That all information contained in the documents for **Qualification** and in their **Proposal** is accurate, reliable and truthful, a fact which they declare under oath, to the point of expressly accepting the right of the **ANH** to verify and confirm it; to deny the **Qualification** or revoke it; to reject the **Proposal**; to abstain from awarding or to revoke an award already made and even to terminate an eventual contract, in case any information presented is contrary to actual fact. In this last case, having established the performance its occurrence is specifically stipulated like resolving condition of the rights and contractual obligations.
- 5.8 That they therefore expressly and irrevocably authorize the **ANH** to verify all information submitted in connection with the **Qualification** and **Proposal**, including each supporting document presented to evidence **Capacity and** enter into a **Contract**, ability that the Entity reserves at all times, both before and after the **Qualification**, the award of the **Process** and the execution of the respective **Contract(s)**, by reason of the general interest involved in the process.



- 5.9 That, considering the fact that, in line with the principles of transparency and public disclosure, the contractual actions of the **ANH** are public and the files containing them are open to the public, each **Participant** knows and expressly accepts that the information contained in the documents for **Qualification** and those part of its **Proposal** is likewise public, except for those aspects or subject matters legally protected by secrecy or confidentiality.
- 5.10 That neither the **Individual Bidder** nor the members of **Plural Bidders**: (i) have incurred in grounds for disqualification, incompatibility, prohibition or conflict of interest to execute contracts with the **ANH**, as per provided in the National Constitution and in the law; (ii) are in the process of judicial liquidation or a similar circumstance under the laws of their country of origin, such as bankruptcy, voluntary or forced liquidation and, in general, any process or circumstance that may result in the extinction of the legal entity; (iii) have pending litigations, judicial proceedings or are in any other situation or contingency that may materially compromise the timely, effective and efficient fulfillment of the obligations and commitments derived from an eventual award, or the possible execution, performance or completion and/or liquidation of the **Contract** or **Contracts** that may be entered into.
- 5.11 That neither the **Individual Bidder** nor the members of **Plural Bidders** have allowed or will allow their operations to be used as an instrument to conceal, manage, invest or benefit in any way from money or other assets obtained from criminal activities or intended to finance these, or to give the appearance of legality to conducts against the criminal law or to transactions and funds related thereto.
- 5.12 That neither the **Individual Bidder** nor the members of **Plural Bidders**, their partners or shareholders, except for those of companies listed at the stock exchange, or their administrators, are reported in the latest publication of the Bulletin of Fiscally Liable Persons (*Boletín de Responsables Fiscales*) of the Office of the



Comptroller-General of the Republic of Colombia (*Contraloría General de la República*), nor do they have a disciplinary record at the Office of the Attorney-General of the Republic of Colombia (*Procuraduría General de la Nación*), which would entail disqualification.

Exception is made to this declaration, as well as its corresponding proof, the open companies partners and those registered in stock exchanges

- 5.13 That the **Individual Bidder** and the members of **Plural Bidders** are in good standing regarding their obligations to the General Social Security System and in the matter of payroll taxes, and the Parafiscal Contribution Taxes – CREE - in the event that they are subject to the respective system in Colombia.
- 5.14 That if they are awarded with the allocation of one or more **Areas**, and the resulting awarding of one or more Contracts, they undertake to enter into the respective **Exploration and Production Contract(s) -E&P-** and/or **Technical Evaluation Agreement(s) -TEA-**, as appropriate, in accordance with the terms and conditions of the Drafts published by the **ANH**, before the deadlines established in the **Schedule** for such purpose, as well as to submit the documents required for the execution, perfecting and performance thereof.
- 5.1 That the study and detailed analysis of the **Documents** of this **Bidding Process**, including these **Terms of Reference** and their **Annexes, Forms** and Tables, among them, the **Draft Contracts**; the maps of the **Areas** subject to the **Process** (General, Location and Classification); their coordinates; the **Forms** and texts of **Statements** and **Commitments**; the **Addenda** introducing adjustments or amendments to said **Terms** and **Annexes**; the documents containing requests for clarification, and observations of the interested parties to the mentioned **Documents**; the answers of the **ANH** thereto; the **Information Package**; the information provided during the **Data Room** sessions, and, in general, all publications of the entity in relation to the **Bidding Process**, on both physical and digital media, are their exclusive responsibility, in



such a way that any interpretations, conclusions and deductions regarding these and any errors or omissions they may incur, are also their exclusive responsibility.

- 5.16 That they shall bear all costs and expenses that compromises the preparation and submitting the documents for **Qualification** and in formulating and putting together their **Proposal**, including guarantees, so that they will not be entitled to any recognition or reimbursement by the **ANH** in connection therewith, not even if the **Area** or **Areas** of their interest are declared unawarded or if their **Qualification** or **award** are revoked, or even in case of termination of the **Contract(s)** for legal reasons, included the occurrence of resolutive condition .
- 5.17 That with the submission of the **Qualification** documents and their **Proposal** they declare to know and to have analyzed and taken into consideration the law applicable to **Process** and to hydrocarbon exploration and exploitation contracts, and in particular, the pertinent Regulations of the **ANH**, thereof.
- 5.18 That they commit themselves to inform the competent authorities of any occurrence or behavior that may involve a violation of criminal law or a disciplinary fault, of which they become aware in connection with this **Process**, and in particular, the following:
- **Programa Presidencial de Modernización, Eficiencia, Transparencia y Lucha Contra la Corrupción**
Unidad de Denuncias
Carrera 8 No. 7 - 27, Bogotá, D.C.
Teléfonos 018000-91-30-40 y (571) 587-05-55 Fax: (571) 565-86-71
Correos electrónicos:
wbmaster@anticorrupcion.gov.co/buzon1@presidencia.gov.co
Página WEB: <http://www.anticorrupcion.gov.co>.
 - **Secretaria de Transparencia – Presidencia de la República – Calle 7 # 6-54 Bogota DC**



Calle 7 No. 6-54, Bogotá, D.C.
Tels: 018000913040 y (571) 5729709
E-mail:
webmaster@anticorrupcion.gov.co/buzon1@presidencia.gov.co
Web page: <http://www.anticorrupcion.gov.co>

- **Procuraduría General de la Nación**

Carrera 5 No. 15-60, Bogotá, D.C.
Tels: 018000-910-315 - Speed-dial code: 142 and PBX: (571) 587-87
E-mail: quejas@procuraduria.gov.co
Web page: <http://www.procuraduria.gov.co>

- **Fiscalía General de la Nación**

Central Level: Diagonal 22B No. 52-01 (Ciudad Salitre)
Bogotá D.C.
Tels: (571) 570-20-00 and (571) 414-90-00
Toll-Free Line for Claims and Complaints Against Public Officials: 018000-91-22-80 or (571) 570-20-72

Toll-Free Line for Criminal Complaints 018000-91-61-11
(571) 414-91-37
E-mail: veeduria@fiscalia.gov.co
Web page <http://www.fiscalia.gov.co>

- **Agencia Nacional de Hidrocarburos**

Avenida Calle 26 No. 59 – 65, Piso 2, Bogotá, D.C.
Tels: (571) 593-17-17
Fax: (571) 593-17-18
Claims and Complaints: participacionciudadana@anh.gov.co
Web page: <http://www.anh.gov.co>



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CHAPTER ONE

DEFINITIONS

Besides the adopted by law, Agreements 4 of 2012 and 3 of 2014 the **ANH** Directive Council; by the National Government in Decree 3004 of 2013, and by the Ministry of Mines and Energy in Resolution No. 9 0341 of 2014 or in the regulations substituting it, modifying it or complementing it, for the purposes of this **Bidding Process** and of the related contractual actions, the terms and expressions listed below shall have the following meanings:

- 1.1 **Inherent or Complementary Activities to Hydrocarbon Exploration and Production:** Those related to the provision of technical services in the fields of geosciences and petroleum engineering, such as geology, geophysics, geochemistry, well drilling, production, deposit engineering, field administration, operation and maintenance, as well as the making of investments, all in this sector of industry.

- 1.2 **Addenda:** Additions, deletions, amendments, adjustments, clarifications, specifications and/or substitutions introduced and published by the **ANH** in the text of the **Terms of Reference**, their **Annexes** and **Tables**, including **Forms, Instructions** and **Commitments** and the **Drafts** of the **Contracts** to be entered into, after the date of publication of the final version, on business days and during working hours.

This power may not be exercised after the end of the fourth (4th) business day prior to the deadline to submit the **Bidder Qualification** documents to the **ANH**, except for extensions in the **Schedule** of the **Process**, which may be made at any time, provided they are published at least two (2) business days in advance regarding the diligence or milestone whose celebration date is modified or of due date.



- 1.3 **Awardee: Bidder** whose offer has been selected as the most favorable to the interests of the **ANH** and the purposes it is seeking to reach, and, consequently, that to which one or more **Areas** are allocated for the execution of one or more **Exploration and Production -E&P- Contracts** and/or **Technical Evaluation Agreements -TEA-**, in furtherance of this **Bidding Process**.
- 1.4 **Annexes:** Set of **Forms, Commitments** and, in general, documents that accompany the text of the **Terms of Reference**, including the **Drafts** of the **Contracts** to be entered into, all of which form an integral part of these **Terms**.
- 1.5 **ANH: Agencia Nacional de Hidrocarburos (National Hydrocarbons Agency)**, a Colombian State agency of the decentralized sector of the Executive Branch, of the national order, with legal capacity, its own capital and administrative, technical and financial autonomy, attached to the Ministry of Mines and Energy and regulated by Decree-Laws 1760 of 2003 and 1437 of 2011, and its required 714 of 2012.
- 1.6 **Contributions for Training, Institutional Strengthening and Technology Transfer:** Contribution payable by Exploration and Production -E&P- **Contractors**, in the concept of rights granted by **ANH**, constituted by the resources or activities that must contribute to the Entity, to develop or be invested in professional or specialized training programs; in institutional strengthening plans, or in projects resulting in the transmission of systematic knowledge in aspects inherent to the hydrocarbon sector, in accordance with the regulations established for such purpose by the Directive Council.
- 1.7 **Area: Continental or Offshore** surface comprised within one or several polygons delimited whenever possible by lines in a north-south and east-west direction, which determine the subsoil **Block** or **Blocks** granted to the Individual or Plural Contractors in which the rights to explore in search of hydrocarbons, corresponding to it or them, in the terms of applicable law and the respective **Technical Evaluation**



Agreement -TEA- or Exploration and Production -E&P- Contract without prejudice of those that are object of awarding contracts still valid and those entered into by the Colombian Oil Company – ECOPETROL – with third parties.

The delimitation of each **Area** is referenced to the Official Colombia *Datum* established by the Instituto Geográfico Agustín Codazzi, (IGAC for its acronym in Spanish): MAGNA-SIRGAS, with projection to the central origin.

- 1.8 **Allocated Areas:** The areas that have been object of the **Proposal** awarded or exceptionally, or direct allocation, which have a contract or are about to enter into a **Technical Evaluation Contract TEA**, of **Exploration and Production E&P** or **Special**, if the corresponding **Contract** is entered into and perfected effectively and without prejudice of applicable exceptions concerning the exclusivity of the rights granted in them.

According to the type of **Contract** or with the contractual stage being executed these are subdivided in **allocated Areas in the Technical Evaluation, allocated in Exploration and allocated in Production**.

- 1.9 **Continental Areas:** Located on the continental surface of the territory of the Republic of Colombia, which extends to the land borders and the coast lines.
- 1.10 **Offshore Areas:** Situated within a surface area defined with respect to the continental and insular coast lines, which extends to the international maritime boundaries, over which the Nation exercises sovereignty. They include the territorial sea, the adjoining zone, the exclusive economic zone and the continental platform, in accordance with international or Colombian law, in the absence of international regulations.



- 1.11 **Notice:** Any communication, warning, indication, message, announcement or information posted by the **ANH** on its web page, related to this **Bidding Process**.
- 1.12 **Real or Controlling Beneficiary:** Person or group of natural or artificial persons which, either directly or indirectly, by themselves or through a third party, by reason of a contract, agreement or otherwise, have or may come to have, on account of being the holders of bonds mandatorily convertible into shares, decision-making powers with respect to a company; that is, the power or authority to vote in the election of senior officers or representatives; to direct, guide and control said vote, as well as the power or authority to dispose or order the disposition or encumbrance of shares or quotas or ownership interests.

Spouses or domestic partners and relatives within the fourth degree of consanguinity, second of affinity and first civil, make up a single **Real or Controlling Beneficiary**, unless it is proven that they act with independent economic interests, a circumstance that may be declared under oath before the Superintendency of Finance, exclusively for probative purposes.

Parent companies and their subordinates also constitute a single **Real or Controlling Beneficiary**.

A person or group of persons is considered a **Real or Controlling Beneficiary** of a share or ownership interest, if it has the power to acquire it through the exercise of a right derived from a repurchase agreement or from a fiduciary transaction with similar effects.

A person is considered to be a **Real or Controlling Beneficiary** of a share or ownership interest in a company if, notwithstanding the fact that it is not the formal owner, it exercises material control over it and effectively determines the exercise of all or any of the rights inherent to it.



It is understood that there is control in the cases contemplated in articles 260 to 262 of the Colombian Commercial Code.

The concept **Real Beneficiary or Controlling** is extended to any type of linkage as partner of a legal entity.

- 1.13 **Block:** Volume of the subsoil vertically delimited by the projection of the limits of the **Area** towards the center of the Earth, in which the **Individual or Plural Contractor** is authorized to conduct exploration and evaluation as well as hydrocarbon production operations, that is, the right to search for them, remove them from their natural bed, transport them to a specified point on the surface and acquire ownership of the portion that constitutes its share, in the terms of the applicable legislation and the respective **Contract**.
- 1.14 **Capacity:** Set of requirements and conditions of various types that must be met and reliably evidenced by an **Individual Bidder**, each member of a **Plural Bidder**, in particular the **Operator**, and even the association as such, in order to obtain **Qualification** to contract with the **ANH** for hydrocarbon exploration and production activities.
- 1.15 **Indebtedness Capacity:** The margin that an **Individual Bidder** has or each of the legal entities part of the **Plural Bidders** to acquire credit commitments, in function of the **Residual Net Worth**, according to the Financial Statements of the last Fiscal Exercise. It is determined by filling out **Form Annex No. 8**, called **Indebtedness Capacity**.

In order to determine the **Indebtedness Capacity** of **Plural Bidders**, it is the addition of each member, in proportion to its participation in the association.

Its value corresponds to the number established in the General Purpose Financial Statements, or in the accounting and financial information prepared and subject to the "*International Financial Reporting Standards -IFRSs*" o a los "*Generally Accepted Accounting*



Principles –US GAAP” to the standards and general principles valid in the respective country, or in general, to international standards and general principles depending on the country of origin of the legal entity involved, submitted by **Individual Bidders** or by each member of a **Plural Bidder** in order to evidence **Financial Standing**.

The calculation of the **Indebtedness Index** must be certified by the Legal Representative, the accountant and the statutory auditor or external auditor (Controller) of the **Individual Bidder** or of each member of the **Plural Bidder**.

- 1.16 **Financial Standing:** Is the backing or solvency of an economic-financial nature that a legal entity or group of legal entities, as an **Individual** or **Plural Bidder** respectively, seeking the allocation of **Areas** intended for hydrocarbon exploration and production, must have, both to attend to their ordinary operations, the projects under their responsibility, and to undertake the commitments and obligations derived from the **Contracts** or **Contracts** they may enter into as a result of the award of this **Bidding Process**, in line with the parameters established in these **Terms of Reference**. It is determined by filling out **Form Annex No. 10**.
- 1.17 **Legal Capacity:** Legal competence of an **Individual Bidder** or of all members, in the case of **Plural Bidders**, to participate in this **Bidding Process**; enter into the **Contract** or **Contracts** that may result from it; undertake the corresponding hydrocarbon exploration and production activities, and assume and fulfill the pertinent commitments and obligations in a timely, effective and efficient manner, including proper evidence of their legal standing to sue and be sued.
- 1.18 **Technical and Operational Capability:** Verified track record and experience of an **Individual Bidder** or of the **Operator** in the case of **Plural Bidders**, in the performance of hydrocarbon exploration and production activities, in terms of production levels and volumes of reserves and other factors, based on which it can be presumed that they are capable of undertaking and performing the commitments and



obligations derived from the proposed **Contract** or **Contracts** in a timely, safe, effective and efficient manner, using the best practices and the most recent (state-of-the-art) technologies of the oil industry.

For **Type 1 Areas**, this also includes track record or experience in well drilling.

- 1.19 **Environmental Capability:** Body of verified knowledge, degrees and experience of an **Individual Bidder** or the **Operator** in the case of **Plural Bidders**, to conduct hydrocarbon exploration and production activities duly protecting the environment and natural resources, which indicate that they are capable of undertaking the performance of the proposed **Contract** or **Contracts** in strict compliance with prevailing law on the subject matter; with the environmental licenses obtained or the environmental management plans approved by the competent authority, as the case may be; with the pertinent provisions of said **Contracts**, and, in general, with the parameters established in this regard by the best practices and most recent technologies of the oil industry.
- 1.20 **Capability in the matter of Corporate Social Responsibility:** Body of open and transparent practices, based on ethical values and respect for the State, their workers and contractors, society, the communities and the environment, that impose the administration of corporate affairs subject to applicable legislation; to said ethical values and to public and commercial expectations; respect for diversity and cultural identity, as well as the establishment of goals to contribute to economic and social progress and attain a sustainable and inclusive development.
- 1.21 **Cover Letter for Qualification Documents:** Communication through which each **Individual or Plural Bidder** formally submits to the **ANH** the set of documents required to evidence **Legal Capacity, Financial Standing, Technical and Operational** and **Environmental Capability** and **Corporate Social Responsibility**,



with the aim of obtaining **Qualification** to submit a **Proposal** in relation to this **Bidding Process**.

It should correspond to the **Form of Annex No. 1**, duly filled out and signed by the legal representative of an **Individual Bidder**, the designated representative of a **Plural Bidder**, both duly accredited, or by their respective agent, duly appointed.

Notwithstanding what is provided herein, legal entities applying for **Qualification** to submit a **Proposal** shall be entitled to do so as **Plural Bidders**, in association with other duly **Qualified** legal entities.

- 1.22 **Debt Service Coverage:** Resources that the **Individual Bidder** has or each legal entity member of **Plural Bidders** to take care of their financial obligations with regard to the **Residual Net Worth**, according to the Financial Statements of the last fiscal exercise. It is determined by filling out **Form No. 9 attached** hereto.

To establish the **Debt Service Coverage** with **Plural Bidders**, it is the addition of each member, in proportion to its participation in the association.

Its value corresponds to the number established in the General Purpose Financial Statements, or in the accounting and financial information prepared and subject to the "*International Financial Reporting Standards -IFRSs*" o a los "*Generally Accepted Accounting Principles -US GAAP*" to the standards and general principles valid in the respective country, or in general, to international standards and general principles depending on the country of origin of the legal entity involved, submitted by **Individual Bidders** or by each member of a **Plural Bidder** in order to evidence **Financial Standing**.

The **Indebtedness Index calculation** must be certified by the Legal Representative, the accountant, and the statutory auditor or external auditor (Controller) of the **Individual Bidder** or of each member of the **Plural Bidder**.



1.23 **Commitment:** Set of statements made under oath and obligations and responsibilities enforceable by the **ANH**, which are formally and irrevocably undertaken by an **Individual Bidder** and the members of **Plural Bidders**, in their capacity as such and subsequently as **Contractors**, in case of award, with respect to a specific subject matter, in accordance with the **Forms** established as **Annexes** to these **Terms of Reference**.

1.24 **Consortium:** Form or type of association contemplated under paragraph 1 of article 7 of Law 80 of 1993, under which two (2) or more legal entities submit a joint **Proposal** in furtherance of this **Bidding Process**, in order to enter into, perform, complete and settle, also jointly, the **Contract** or **Contracts** that may be awarded to them. The parties conforming a **Consortium** undertake joint and several and unlimited liability before the **ANH** for the timely, effective and efficient fulfillment of each and every one of the commitments and obligations derived from the formulation of their **Proposal** and from such award, execution, performance, completion and settlement, including the consequences and effects of actions or omissions of any or all of them, by reason or in furtherance to the **Process**, **Proposal(s)** and **Contract(s)**.

The parties conforming a **Consortium** shall regulate their relations by means of an agreement or contract that incorporates general provisions specifically dealing with the manner of evidencing **Legal Capacity**, and which must be submitted to the Entity along with the **Qualification** documents or with the **Proposal**, if the association is between or among previously **Qualified Individual Bidders**.

1.25 **Contractor: Bidder** favored with the award of one or more **Exploration and Production -E&P- Contracts** or **Technical Evaluation Agreements -TEA-** and with the allocation of the corresponding **Area** or **Areas**, which enters into the respective legal transaction(s) with the **ANH**.



- 1.26 **Technical Evaluation Agreement, TEA:** The purpose of this agreement is to grant a **Contractor** an exclusive right to carry out technical evaluation studies in a specified **Area**, at its sole cost and risk and in accordance with a specific program, aimed at determining prospectivity of the subsoil of the **Allocated Area** in hydrocarbon, in exchange for the payment of certain Fees for use of the subsoil and with the commitment to turn over a share of production and other applicable financial considerations, in the event that all or part of the **Area** is subject to the execution and subsequent performance of an **Exploration and Production -E&P- Contract**.
- 1.27 **Exploration and Production -E&P- Contract:** The purpose of this type of contract is to grant the **Contractor** the exclusive right to undertake and carry out exploration activities in a given **Area** and to produce the hydrocarbons belonging to the Nation that are discovered in it, at its sole cost and risk and in accordance with specific programs, in exchange for considerations consisting of the payment of **Fees for Use of the Subsoil or on its own Production**, and/or of “**High Prices**” or otherwise; the delivery of **Shares of Production**; the recognition and transfer of **Royalties** in cash or in kind subject to the Constitution and the law, and **Contributions for Training, Institutional Strengthening and Technology Transfer**.
- 1.28 **Schedule:** Chart or scheme determining the opportunity for the various steps of the **Bidding Process** to take place, during its different **Stages**, with an indication of the corresponding dates and hours, or of the period during which said steps or **Stages** are to occur. The **ANH** may modify the deadlines or terms of the **Schedule** at any time, provided the respective adjustment of the foreseen date to carry out the milestone or diligence is published at least two (2) business days in advance.
- 1.29 **Heavy Liquid Hydrocarbons:** Those with API (“American Petroleum Institute”) gravity greater than or equal to ten degrees (10°) and less than fifteen degrees (15°).



- 1.30 **Extra Heavy Liquid Hydrocarbons:** Those with API (“American Petroleum Institute”) gravity less than ten degrees (10°).
- 1.31 **Economic Rights:** Considerations in cash or in kind payable by **Contractors** for the various items established in the law and in the respective **Contracts**.
- 1.32 **Participation Right:** Option acquired with the purchase of the **Information Package**, through an authorized person or company, by a legal entity or a group of legal entities, to submit to the **ANH** the **Qualification** documents and a **Proposal**, as an **Individual** or a **Plural Bidder**, if **Qualified**, all in connection with this **Bidding Process**. In the case of **Plural Bidders**, only one of their members need acquire said **Package**.
- 1.33 **Fees for Use of the Subsoil:** Periodic cash payment to be made by **Contractors**, as compensation for the exclusive right to use the subsoil of the allocated **Area**, whose figures, calculation bases and payment opportunities are stipulated in the corresponding legal business, according to the law. In **Areas** allocated in **Evaluation** where there is production or in **Production** it is not calculated according to the its surface but over the Production owned by the **Individual or Plural Contractor**.
- 1.34 **Fees on account of “High Prices”:** Compensation in cash or in kind, as a function of the international prices of hydrocarbons, volume or production time, which amounts and coverage timing of which are stipulated in the corresponding legal business, according to law.

On the production of **Extra Heavy Liquid Hydrocarbons** there are NO **Fees** regarding “**High Prices**”.

- 1.35 **Fees based on the Contractor’s Production:** Compensation in cash or in kind to be made by **Contractors** calculated on each production unit of their property, applicable to allocated **Areas** in **Evaluation** when there is production, and/or in **Production**, payable as stipulated



in the respective legal business. Regarding the same, it is equivalent to the same Economic Fees for the Use of the Subsoil.

1.36 **Bidding Process Documents:** All those that regulate and make up this **Process**, including those containing relevant information for the development hereof, as listed below:

- **Notices**
- **Preliminary Terms of Reference** and **Addenda**, including the **Schedule** and the adjustments thereto,
 - **Annexes**
 - **General Map of the Areas subject to the Bidding Process**
 - **Area Classification Map**
 - **Coordinates**
 - **Social-Environmental Data Sheets of the Areas**
 - **Forms**
 - **Tables**
 - **Commitments** (Correspond to Forms 1 to 6)
 - **Contract Minutes**
 - **Agreement No. 04 dated May 4, 2012, and 3 of March 26, 2014** on administration and allocation of **Areas** for exploration and exploitation of hydrocarbons belonging to the Nation; applicable Contracting Regulations and rules for the management and control of the respective contracts, and on Addition to Agreement 4, 2012 that incorporates to the Contracting Regulation for Exploration and Exploitation of Hydrocarbons, parameters and applicable norms to the development of **Unconventional Reservoirs** correspondingly; **Agreement No. 02 dated February 19, 2014**, regarding determination of Special Areas, both issued by the Directive Council of the **ANH**.
 - **Resolutions No. 188 of February 19, 2014**, which refers to the Price List of Geology and Technical information contained in the Oil Information Book – BIP o EPIS; **187 of**



February 19 and 390 of May 2 both on 2014, about determining Special Areas for "Ronda Colombia 2014"; 196 of February 19, 2014 which refers to prices of the Information Packages and 197 of February 20, 2014 about the opening of this Process, all issued by the Presidency of ANH.

- Decree 3004 of December 26, 2013 and Resolution No. 9 0341 of March 27, 2014 of the Ministry of Mines and Energy establishing technical requirements and procedures for exploration and exploitation of hydrocarbons in **Unconventional Deposits.**

- Observations and suggestions of interested parties with respect to the **Draft Terms of Reference**

- **Answers** given by the **ANH**

- **Final Terms of Reference, Tables, Forms** and **Annexes**

- **Information Package** and **Instructions** for its acquisition

- List of **Participants**

- Information derived from the **Data Room** sessions and **Guidelines** for holding them

- Requests for Clarification and Observations of **Participants** on the **Final Terms of Reference**

- **Answers** given by the **ANH**

- **List of applications for Qualification**, with their corresponding **Annexes**

- **Preliminary List of Qualified Participants**



- **Observations of Participants to the Preliminary List**
- **Answers given by the ANH**
- **Final List of Qualified Participants**
- **Minutes of Public Hearings**
- **List of Bidders with identification of the Area or Areas included in their respective Proposal and of the Bid Bonds thereof**
- **List of new Plural Bidders, upon verification of the Qualification of the respective association between Qualified Individual Bidders**
- **Observations of interested parties with respect to said verification**
 - **Answers given by the ANH**
 - **List of Endorsed Proposals, with indication of the Area or Areas covered by each Proposal**
 - **Preliminary Order of Eligibility, in accordance with the Award Factors**
 - **Bidder Observations to said Preliminary Order and List**
 - **Answers given by the ANH**
 - **Final Eligibility List and Final List of Unawarded Areas**



- **Contract Award Decision or Decisions, Allocation of the respective Area or Areas, and Declaration as Unawarded of those areas, which were not assigned.**
- **Final texts of the Contracts, after duly filling out the Drafts**

1.37 **Stages:** Specific parts or actions of this **Bidding Process**.

1.38 **Joint Debtor Guarantee:** Instrument granted in accordance with the law of the country of the main domicile of the **Parent** or **Controlling** company, whereby assumes this jointly responsibility in compliance with timely, effective and efficient obligations, commitments and performance contracting the **Individual Bidder**, the **Operator** and/or other members of **Plural Bidders**, proving **Financial and Economic Standing** and/or Technical and Operational with his background of its Parent or Controlling company, derived from the request for **Qualification**; presentation of **Proposal**, and the signing, upgrading, implementation and liquidation of the Contract or **Contracts** to be awarded and concluded in development of the **“Ronda Colombia 2014”**.

Solidarity provided for in the preceding paragraph must be covered by warranty or guarantee from the parent or **Controlling** company, prepared in accordance with the legislation of the country where their main domicile is, whose general contents should substantially be the guidelines that are set out below:

Accompanied by the legal opinion of an external lawyer or a law firm independent, which is set to: (i) the grantor company was formed, exists and exerts its object validly in the respective country. (ii) that in accordance with its purpose and activities and according to the bylaws, it can validly grant the joint debtor guarantee attached to the legal opinion. (iii) that the person or persons subscribing it on its behalf have broad powers and enough to make it, and state where these are (bylaws, minutes of competent authority, power of attorney or



authorization). (iv) that the granting of the guarantee not contravenes any provision according to the law of the respective country, or statutory stipulation of granting company, and (v) that the warranty is fully valid and enforceable pursuant to such legislation and that it may not be revoked or modified without the consent of ANH.

The warranty should express the full name, nationality, identification, address and the responsibility position of the person or persons who signed it on behalf of the parent company or **Controlling** company which gives it, as well as expressed indication and precise attributions and powers available to the effect.

Also must contain express manifestation, formal and irrevocably take the parent company or **Controlling** company which gives the guarantee or endorsement, **joint and several liability**: (i) by the timely, effective and efficient implementation of all and each of the undertakings, benefits, and obligations contracting society affiliate or subsidiary (name or company name) by the request for **Qualification** to participate in the **Selection of Contractors Process** called "**Ronda Colombia 2014**", opened by the **National Hydrocarbons Agency** of the **Republic of Colombia** to award the signing of **Contracts** for exploration and exploitation of hydrocarbons; (ii) for the accuracy or truthfulness of the information and the supports presented to prove **Legal, Economic and Financial Capacity, Technical and Operational, Environmental** and in terms of **Business Social Responsibility**, in order to obtain such **Qualification** ; (iii) by the seriousness of the **Proposal** or **Proposals** presented by such affiliate or subsidiary in the development of the referred **Procedure** for the **Area** or **Areas** of such **Proposals**; (iv) for the performance of the subsidiary or subsidiaries of the commitments arising from such submission, in particular, those to the keep such **Proposal** or **Proposals** firm, not to modify or remove them during the term of validity thereof, and sign the corresponding **Contracts**, within the time fixed by **ANH** for the purpose, in the case of awarding; (v) the affiliate or subsidiary should timely satisfy the development and execution requirements thereof, and constitute and also promptly submit to such Entity the contractual guarantees; (vi) timely compliance, effective and efficient of all and each of the undertakings, benefits and obligations undertaken by the affiliate or subsidiary derived from such **Contracts** and up to the final settlement thereof, including the payment of any fines and other pecuniary penalties, as well as those



who by their nature have to be extended after such diligence, and (vii) for damages caused in breach of any of the above obligations, benefits and commitments.

The control situations are credited by certificate of existence and legal representation issued by the Chamber of Commerce of the legal person main domicile, or by the competent authority of the country thereof, or finally by means of certification of the Legal Representative and the fiscal reviewer or the person or firm who performs the external audit, required the respective person or legal, if not, by the internal auditor (Controller).

- 1.39 **Bid Bond.** Bond that covers the seriousness of the **Proposals** submitted for the development of this **Bidding Process**; keeping its terms and conditions during the time demanded and its extensions, if the case may be, as well as the timely compliance, effective and efficient of the commitments and obligations derived from such presentation, like the signing the **Contract** or **Contracts**, in case of awarding, and to timely satisfy execution requirements thereof, all in agreement with the law and these **Terms of Reference**.
- 1.40 **Instructions:** Document containing information and illustration regarding the **Data Package** and the **Data Room** sessions.
- 1.41 **Additional Investment:** Amount of money expressed in **United States dollars**, in multiples of one hundred thousand (USD 100,000), if it refers to prospective **Onshore Areas** for **Conventional Deposits, or** One Million US Dollars (USD1.000.000), for **Offshore Areas** and prospective **Areas** for **Unconventional Deposit** which an **Individual** or **Plural Bidder** offers to invest to cover the costs and expenses of the additional exploration activities proposed, over and above those established by the **ANH** for the First Phase (Phase I) in the **Minimum Program if it is about Exploration and Production – E&P – Contracts, or for the Single Phase of the Technical Evaluation Agreements, TEA**



If the **Additional Investment** proposed does not reach at least one hundred thousand (100.000) or one million (1.000.000) United States Dollars, according to the Type of Area, the **Proposal** will be Rejected. If it does not correspond to the multiples demanded, **AHN** shall round up the amount to the closest highest multiple.

The **Additional Investment** is considered an essential and integral part of the **Exploration Program**. It must be invested in the course of **Phase I** of the **Exploration and Production -E&P- Contracts** or during the term of performance of the **Technical Evaluation Agreements -TEA-**, under penalty of paying over to the **ANH** the balance not actually invested, referred to as the **Remaining Investment**, except if prior authorization, the Parties expressly agree not to invested in additional exploration activities of the same or other **Contracts** signed with **ANH**, or in Areas administered by ANH.

The amount of the **Additional Investment** must be indicated in the **Form** included in **Annex 13**.

- 1.42 **Remaining Investment** Constituted, therefore, by all the resources of the Exploration Program of the ongoing Phase, both the Minimum as well as the Additional, if that is the case, that HAVE NOT been effectively invested by the **Individual** or **Plural Contractor** in the activities corresponding to such Phase.
- 1.43 **Operator**: Legal entity responsible for directing and conducting the exploration and technical evaluation operations pursuant to a **Technical Evaluation Agreement -TEA-** or the hydrocarbon exploration, evaluation, development and production operations pursuant to an **Exploration and Production Contract -E&P-**, as well as assuming the leadership and representation of a consortium, temporary union or company organized by reason of the award thereof, and conducting the contractual performance and relations with the **ANH**. Both in the case of an **Individual Bidder** and of a legal entity that is to act as **Operator** in the case of **Plural Bidders**, in addition to **Legal Capacity**, they must evidence the fact that they meet the requirements in terms of



Technical and Operational and Environmental Capability and Corporate Social Responsibility required for **Qualification**. A Bidder may credit the requirements inherent to Financial Standing either individually or jointly with one or more other participants, or by one or more of the latter, in the case of **Plural Bidders**.

- 1.44 **Information Package:** Body of data, coordinates, figures and, in general, indications and references in the matter of seismic, wells and technical reports pertaining to the **Areas** subject to this **Bidding Process**, which must be acquired, examined and assessed by interested parties in order to participate therein. These **Packages** are different in the case of **Type 1** or **Type 2 and 3 Areas**.
- 1.45 **Share of Production (X%):** Percentage of the net production, equal or greater than one (1), that **Bidders** offer **ANH** as retribution for the awarding of the **Contract** and **Area allocation**, that once subscribed is obliged to recognize and pay it, in money or in kind, fully and promptly expressed in percentage, expressed in barrels of oil equivalent (BOE), according to the law and the corresponding legal transaction. It should always be constituted by a whole number, not fractions. If the case may be, the ANH shall round up to the closest highest whole number.

The **Bidders** must offer a percentage of Participation in Production (X%) for each Area of interest, according to its **Type**, 1, 2, or 3; its nature, **Continental** or **Offshore**, and the **Type of prospective Deposit, Conventional or Unconventional**, as well as other, in case that the result of exploration activities it is found that the **Area** matter of the **Contract** has a prospectivity for a **Type of Deposit** different and could be interest to develop it, if it has been **Qualified** for such purpose o if it associates with one who has the corresponding Capacity requirements. In any case, the awarding of each **Contract** will be according to the criteria or Factors detailed in Number 7.5, according to the classification of Areas established in these Terms of Reference.

Form Annex No. 14.



- 1.46 **Participant:** Legal entity or group of legal entities that have acquired the **Information Package** and intend to submit to the **ANH** the documents for **Qualification** and to present a **Proposal** in furtherance of this **Bidding Process**. In the case of **Plural Bidders**, only one of their members need acquire said **Package**.
- 1.47 **Net Worth:** The Net Worth of assets of the **Individual Bidder** or of each of the legal entities part of **Plural Bidders** after deducting its liability. Corresponds to the Patrimony established in the General Purpose Financial Statements, or in the Accounting and Financial Information prepared according to the "*International Financial Reporting Standards – IFRS*" or to the "*Generally Accepted Accounting Principles – US GAAP*", to the valid general standards and principles in the corresponding country, or in general, to international general standards and principles, depending on the country of origin of the legal entity involved, submitted by **Individual Bidders** or by each member of a **Plural Bidder** in order to evidence **Financial Standing**, and to which the following adjustments to be determined in **Form of Annex No. 7**:
- The calculation of the **Net Worth** must be certified by the legal representative, the accountant and the statutory auditor or external auditor (comptroller) of an **Individual Bidder** or of each member of a **Plural Bidder**.
- 1.48 **Residual Net Worth:** The **Net Worth** of the **Individual Bidder** or **Plural** respectively, having deducted the exploration investment commitments pending to be executed, due to previous development contracts with **ANH**. It is determined by filling out the same **Form Annex No. 7** corresponding to the **Net Worth**.
- 1.49 **Term:** Period of time established to fulfill an obligation, perform an act or take any step in the course of this **Bidding Process**. For the purpose of counting any term established in these **Terms of Reference**, days shall be understood to mean calendar days, except for an express indication to the contrary. When any given term expires on a non-



business day in Colombia, the expiration date shall be the first business day thereafter.

- 1.50 **Stratigraphic Well:** Well drilled for the purpose of reconnoitering and sampling, aimed at determining the lithological makeup and the petrophysical and geochemical properties of the Stratigraphic sequence existing in the subsoil.

The drilling must comprise:

- The percentage of conventional cores extracted from the Stratigraphic Well must be cores covering at least five percent (5%) of the total thickness of a Stratigraphic column for the remainder of sidewall cores along the target interval every twenty feet (20).
- The log of fluids and gases contained in the sequence.
- The taking of electrical, sonic, visual, radioactive and thermal well logs, among others.

Its final depth must be the required one to comprise the target formations.

- 1.51 **Exploratory Well:** Is a well drilled to look for or verify the existence of Hydrocarbons, in an **Area** not yet proven as Hydrocarbon producing, or to try to find additional not yet known deposits.

For **Conventional Deposits**. F.H. Lahee's definition for A3 and A2 wells, accepted by the Colombian Ministry of Mines and Energy.

In the case of **Unconventional Deposits**, the wells drilled in the Exploratory Confirmation Program are considered Exploratory.

- 1.52 **Bidding Process:** Orderly and coordinated series of actions and steps aimed at objectively selecting, among **Bidders** previously **qualified** for such purpose in accordance with the **Capacity** requirements established in these **Terms of Reference** and on strictly equal terms, the most favorable offer for the **ANH** and for its intended purposes, in order to



enter into the **Technical Evaluation Agreements -TEA-** and **Exploration and Production -E&P- Contracts** in specified **Areas**, upon a prior public call for bids and subject to applicable law and the mentioned **Terms**.

Whenever the pertinent **Documents** contain a reference to this **Bidding Process**, they must be understood to refer to the **Ronda Colombia 2014**.

- 1.53 **Exploratory Confirmation Program**: Comprises all exploratory activities designed to confirm that there is a hydrocarbon discovery in an **Unconventional Deposit**. It includes, among other activities, the drilling of at least four (4) **Exploratory Wells** and the design of the **Well** logging, stimulation and “*completion*” of wells.
- 1.54 **Exploratory Program**: Set of exploratory activities offered by the **Bidder** and which the **Contractor** agrees to carry out in the course of the respective agreement, indicating the timing and terms to execute them, together with the determination of the necessary investments for such purpose. Includes both the **Minimum Program** required by the **ANH** and the **Additional** or supplementary program offered, and accordingly, also the minimum and additional investments.
- 1.55 **Pledge of Future Partnership** (*Promesa de Sociedad Futura*): Form or type of association contemplated in the third paragraph of article 7 of Law 80 of 1993, under which two (2) or more legal entities submit a joint **Proposal** in relation to this **Bidding Process**, under a Pledge of Future Partnership, duly executed and formalized, pursuant to article 119 of the Commercial Code, in order to enter into, perform, complete and settle, also jointly, the **Contract** or **Contracts** that may be awarded to them, in which case they must enter into the pledged Partnership Agreement for said execution, performance, completion and settlement.

The Parties to the **Pledge of Future Partnership** and the partners in the Pledged Partnership, as the case may be, undertake joint and several and unlimited liability in front of the **ANH** for the timely,



effective and efficient fulfillment of any and all commitments and obligations derived from the formulation of the **Proposal** and from the award, execution, performance, completion and settlement of the **Contract** or **Contracts**, including the consequences and effects of any actions or omissions of each of them and of the Partnership, if established, by reason or in furtherance of the **Procedure, Proposal(s)** and **Contract(s)**.

- 1.56 **Bidder:** Legal entity or group of legal entities, either domestic or foreign, seeking the assignment of **Areas** for the purpose of conducting hydrocarbon exploration and production or technical evaluation activities, and which submit a **Proposal** within this **Bidding Process**, with the aim of entering into an **Exploration and Production -E&P- Contract** or a **Technical Evaluation Agreement -TEA-**. In the case of **Plural Bidders**, the association among their members may take the form of a **Consortium**, a **Temporary Union** or a **Pledge of Future Partnership**.
- 1.57 **Proposal:** A formal offer by an **Individual** or **Plural Bidder** seeking the assignment of one or several **Areas** to carry on technical evaluation and/or hydrocarbon exploration and production activities in furtherance of this **Bidding Process**, in which they determine the **Exploratory Program** they agree to undertake, over and above the **Minimum Program** imposed by the **ANH**, together with the funds they offer to invest for such purpose, the **Additional Investment**, without prejudice to eventual balances that must be turned over to such, **Remaining Investment**; as well as the **Share of Production (X%)** they are prepared to turn over to the **ANH**, without prejudice to the **Royalties** and to the other **Economic Rights** in favor of the latter, as the case may be, all this with the purpose of executing and performing one or several **Exploration and Production Contracts -E&P-** and/or one or several **Technical Evaluation Agreements -TEA-**, in accordance with the law, these **Terms of Reference** and the provisions of the respective **Draft of contract** or model form, together with all their **Annexes**. The **Proposal** may also be referred to as the **Offer**.



- 1.58 **Terms of Reference or TOR:** Is this document, which contains the regulations, requirements and necessary information to participate in the **Bidding Process**.
- 1.59 **Royalties:** Consideration in cash or in kind in favor of the State, on account of the exploitation of hydrocarbons belonging to the Nation, in accordance with the Political Constitution, the law and the respective **Contracts**.

Subject to First Paragraph of Article 14 of Law 1530 of 2012, about the hydrocarbon production coming from **Unconventional Deposits** it is governed by sixty percent (60%) of the applicable percentage over the one originated in **Conventional Deposits**.

- 1.60 **Temporary Union:** Form or type of association contemplated in paragraph 1 of article 7 of Law 80 of 1993, under which two (2) or more legal entities submit a joint **Proposal** in furtherance of this **Bidding Process**, in order to enter into, perform, complete and settle, also jointly, the **Contract** or **Contracts** that may be awarded to them. The parties conforming the **Temporary Union** undertake joint and several and unlimited liability to the **ANH** for the timely, effective and efficient fulfillment of each and every one of the commitments and obligations derived from the formulation of their **Proposal** and from such award, execution, performance, completion and settlement, including the consequences and effects of actions or omissions of any or all of them, by reason or in furtherance of the **Procedure, Proposal** or **Proposals** and **Contract** or **Contracts**. Nevertheless, eventual fines or other penalties for breach of such obligations and commitments shall be imposed and enforced pro rata to the participation of each member in the **Temporary Union**.
- 1.61 **Conventional Deposit:** Rocky formation in which hydrocarbon accumulations occur in Stratigraphic and/or structural traps. Characterized by a single natural pressure system, in such a way that the hydrocarbon production of one portion of the deposit affects the reservoir pressure throughout its entire area. It is limited by geological barriers, such as impermeable strata, structural conditions and water in



the formations, and is effectively isolated from any deposit that may be present in the same geological structure or area.

- 1.62 **Discovered Deposit Not Developed:** The well revealed by drilling activities returned to **ANH** for having been estimated Non-Commercial or for any other reason, therefore it is managed by ANH.
- 1.63 **Unconventional Deposit:** Rocky formation with low primary permeability which must be stimulated to improve mobility and hydrocarbon recovery conditions. Typical **Unconventional Deposits** include, among others, tight sands and carbonates, methane gas associated with coal seams, gas and oil from shale and bituminous sands and Methane Hydrates. (*Cfr. Decree 3004 of 2013*)

Nevertheless, under this **Bidding Process**, hydrocarbon exploration and exploitation activities do not include the bituminous sands nor the methane hydrates.

Regarding Methane Gas Associated with Coal Seams (CBM), the allocation of Areas and the awarding of Contracts for exploration and production of this Unconventional Deposit shall take place by Special Bidding Process procedure, after "Ronda Colombia 2014". Nevertheless, with the acquisition of Technical Information Package to the latter, for Areas Type 2 and 3, the interested parties acquire the right to participate in it.

Other special terms or concepts relevant to this **Bidding Process**, which require for their interpretation any additional clarification to that derived from the natural and obvious sense of the words, shall have the meaning assigned to them when used in these **Terms of Reference**.



CHAPTER TWO

PURPOSE AND SCOPE OF THE PROCESS

2.1 PURPOSE

The purpose of the **RONDA COLOMBIA 2014 Bidding Process** is to objectively select, from among previously **Qualified Bidders**, as a function of the **Capacity** requirements established in these **Terms of Reference** and on strictly equal terms, the most favorable **Proposals** for the **ANH** and for the purposes it is seeking, in order to assign specified **Areas** for exploration and production of hydrocarbons belonging to the Nation under **Technical Evaluation Agreements - TEA-** and/or **Exploration and Production Contracts, E&P**, upon a prior public call for bids and subject to applicable law and to the mentioned **Terms**.

2.2 SCOPE

Accordingly, the **Bidding Process** includes the following general steps:

2.2.1. Public Call for Bids

2.2.2. **Qualification**

2.2.3. Determination of **Order of Eligibility** of the **Proposals**

2.2.4 **Contract** award and **Assignment of Areas**

2.2.5 **Contract** execution

2.3 LEGAL FRAMEWORK



The following are applicable to the **"RONDA COLOMBIA 2014"** **Bidding Process** and to the **Contracts** that may be entered into in furtherance thereof: the special legal regulations concerning hydrocarbon exploration and production and the General Royalty System; specially, laws 756 of 2012 and 1530 of 2012, the pertinent regulations of the Petroleum Code; Decree-Laws 1760 of 2003 and 4137 of 2011; the Contracting Regulations issued by the Directive Council of the **ANH** for the proposed legal transactions, contained in agreement No. 04 of 2012; added by the one known as 3 of 2014; Law 80 of 1993, and 1050 of 2007 and; Decree-Law 19 of 2012; their developments and regulations, insofar as pertinent, as well as the general rules of private law contained in the Colombian Civil and Commercial Codes.

The actions and steps inherent to said **Bidding Process** are governed by these **Terms of Reference** and their **Addenda**, without prejudice of the specific references to regulations listed in the previous paragraph.

The **Areas** subject to **allocation** were defined as special for the contracting of hydrocarbon evaluation, exploration and production activities by the Directive Council of the **ANH**, under Agreement 02 dated February 19, 2014, which delegated their specific delimitation to the President of the Entity.

Said **Areas** are located in the following basins: **Caguán-Putumayo, CAG-PUT, Catatumbo, CAT; Colombia; Eastern Cordillera; COR; Chocó, CHO; Offshore Chocó, CHO OFF, Guajira, GUA; Offshore Guajira, GUA OFF; Llanos, LLA; Sinú - San Jacinto, SIN-SJ; Offshore Sinú, SIN OFF; Tumaco, TUM; Offshore Tumaco, TUM OFF; Lower Valley of Magdalena, VIM; Magdalena Mid Valley, VMM, and Magdalena Higher Valley, VSM.**

Resolution 187 dated **February 19**, and **390 of May 2, both in 2014** issued by the President of the **ANH**, that developed **Agreement 02 of 2014**, designated and delimited the **Special Areas** to be allocated in furtherance of the **"Ronda Colombia 2014" Bidding Process.**



The proposed **Contracts** are subject to the provisions of the draft **Hydrocarbon Exploration and Production -E&P- Contracts** and **Technical Evaluation Agreements -TEA-** attached hereto, which are an integral part of these **Terms of Reference**.

In addition, the pertinent regulations in the matter of protection of natural resources and the environment, and of ethnic groups or communities, must be applied in the performance of the mentioned **Contracts**.

In accordance to the law, the contractual activity inherent to the **"Colombia Round 2014" Bidding Process** and the actions of those taking part in it, must materialize the mandate of objective selection; observe the postulates governing the administrative function and fiscal actions, and be carried out in strict compliance with the principles governing State contracting, in particular those of Equality, Morality, Economy, Celerity, Transparency, Responsibility, Due Process, Objective Selection, Impartiality, Public Disclosure, Contradiction, Legality and Quality, and Planning, in the terms of article 3 of **Agreement 04 dated May 4, 2012**, of the Directive Council.

All the mentioned regulations and texts, as well as any others under Colombian law applicable to this contractual action, are presumed to be known by all interested parties, **Participants, Bidders, Awardees** and **Contractors**.

2.4 **CALL FOR BIDS**

The **Agencia Nacional de Hidrocarburos (ANH)** is inviting domestic and foreign legal entities of the hydrocarbon sector to participate in the **"Ronda Colombia 2014" Bidding Process**; to submit to the **ANH** an application for **Qualification** accompanied by the documents evidencing their respective **Capacity**, as well as to submit a **Proposal** for the assignment of the **Areas** subject thereto and the execution of the



corresponding **Technical Evaluation Agreements -TEA-** and/or **Exploration and Production -E&P- Contracts**, according to the classification set forth in the following **Chapter**, all of this subject to the applicable legal framework and to these **Terms of Reference**.



CHAPTER THREE

AREAS

3.1 UNIVERSE

The total number of **Areas** to be assigned under the "**Ronda Colombia 2014**" is ninety five (95), of which seventy-six (76) are **Continental** and nineteen (19) **Offshore**.

3.2 Classification

The **Areas** to be assigned in furtherance to the "**Ronda Colombia 2014**" are classified as indicated below:

3.2.1 According to Technical Information

As a function of the technical information available and the geological knowledge of the **Areas**:

3.2.1.1 **Type 1:** Located in mature basins, for which there is extensive geological knowledge. These shall be assigned under **Exploration and Production -E&P- Contracts**. Of the ninety-five (95) Areas to be allocated, fifty-three (53) are of this Type, forty-one (41) **Continental** and twelve (12) **Offshore**. Of the forty-one (41) **Continental**, eleven (11) correspond to **Discovered Deposits Non-Developed**.

3.2.1.2 **Type 2:** Located in basins with new prospectivity, for which there is some geological knowledge. It is anticipated that these will also be assigned under **Exploration and Production - E&P- Contracts**. Eighteen (18) of the ninety-five (95) Areas to be allocated belong to **Type 2** and are prospective **Continental** areas for **Unconventional Deposits**.



3.2.1.3 **Type 3:** Located in frontier basins, for which there is little or no geological knowledge. They will be assigned under **Technical Evaluation Agreements -TEA-**. Of the ninety-five (95) Areas to assign, twenty-four (24) are **Type 3**, of which seventeen (17) are **Continental** and seven (7) **Offshore**, all prospective for **Conventional Deposits**.

3.2.2 According to the Type of Deposit

Of the ninety-five (95) Areas to allocate eighteen (18) Type 2, Continental, have been selected for **Exploration and Production of Unconventional Deposits**.

Nevertheless, if in the course of performance of the respective **Exploration and Production -E&P- Contract**, the exploratory activities undertaken lead to the conclusion that for Conventional Deposit prospectivity, the **Contractor** may be authorized to explore and exploit them, in the terms and conditions stipulated in the respective legal transaction.

On the contrary, if in the course of performance of an **Technical Evaluation – TEA- Contract** or **Exploration and Production -E&P- Contract**, the evaluation done or the exploratory activities evidence **Unconventional Deposit** prospectivity, the **Contractor** shall **NOT** be authorized to exploit them, unless it has been **Qualified** to develop these **Areas** and **Deposits**, of it associates with a third party having the Capacity requirements for such purpose.

3.3 **LOCATION**

The **Areas** to be **assigned** in furtherance to the "**Ronda Colombia 2014**" were determined and delimited by the Presidency of the **ANH** through **Resolution 187** dated **February 19, and 390 of May 2, both**



in **2014**, exercising powers expressly delegated by the Directive Council, identifying the basins to which they belong.

All **Areas** are shown graphically in the **General Area Map** attached to the **Terms of Reference**; they are located according to the corresponding drainage basin in the **Location Maps** also annexed to Resolution 390 of 2014.

Their respective coordinates may be consulted in the digital file identified entitled "**Coordinates**", which will be available to interested parties on the web page of the **ANH** <http://www.rondacolombia2014.com> and also found in the Annex.

3.4 **Social-Environmental Data Sheet** (included in digital file)

With the purpose of guiding interested parties, **Participants**, **Bidders** and **Contractors** regarding the social and environmental aspects of each of the **Areas** to be assigned, the **ANH** prepared **Social-Environmental Data Sheets**, of an exclusively informative nature, including general information regarding the name and **Type** of each **Area**; the municipalities in which they are located and the department to which those municipalities belong; the regional autonomous entities with jurisdiction and competence in environmental and natural resource matters in the **Area**; the "*Collective Territories*" legally established in favor of ethnic communities or groups, and the areas defined as "*Protected Areas*", among them, national and regional parks, special management areas and forest reserves, as well as the so-called "*Strategic Ecosystems*", such as wetlands, coral reefs, *páramos* (moors), sea grasses and mangrove swamps.

The information contained in the **Social-Environmental Data Sheets** does not include indigenous and Afro-Colombian communities and *ROM* people, which have had ancestral possession of territories, but have no collective title to them, which will only be confirmed upon issuance of the certification regarding presence of ethnic communities or groups in



the respective **Area** by the Ministry of the Interior, at the request of the respective **Contractor**.

Such information is subject to variations as determined by the competent authorities, and it is the responsibility of **Contractors** to update it and comply strictly with the regulations governing all of these matters.

3.5 Return of Areas

Exploration and Production -E&P- Contracts will contemplate partial returns of an allocated **Area**, according to its **Type**, size and **Type of Deposit**, as follows:

3.5.1 Type 1 Areas

- **Continental**, including **Discovered Deposits Non-Developed**, prospective for **Conventional Deposits**, foreseen to be allocated under **Exploration and Production -E&P- Contracts**.

If the surface area exceeds forty-five thousand hectares (45,000 Ha), the **Contractor** must return to the **ANH** fifty percent (50%) or the quantity exceeding those forty-five thousand hectares (45,000 Ha) at the end of **Phase I**.

Otherwise, if the surface is equal or less than such amount there will be NO partial returns.

Also, there will be no returns if dealing with **Discovered Deposits Non-Developed**

- **Offshore**, prospective for **Conventional Deposits**, which are foreseen to be allocated under **Exploration and Production -E&P- Contracts**.



The **Contractor** must return to the **ANH** fifty percent (50%) of the allocated **Area** or the part that exceeds the forty-five thousand hectares (45,000 Ha) once the **Second Phase** of the Exploratory Period has been completed.

3.5.2 Type 2 Areas. Continental. Prospective for Unconventional Deposits under Exploration and Production -E&P- Contract:

NO partial returns of **Areas** are contemplated during the **Exploratory Period, except the following:**

The **Contractor** must return all the allocated **Area**, in case of not having submitted on time to **ANH** for a **Exploration Confirmation Program**, adapted and proper for **Unconventional Deposits**, made subject to the pertinent contractual requirements, once the sixth (6th) year has expired of contractual execution, corresponding to Second Phase.

The return of the **Areas** once the **Exploration Period** has expired is regulated by the requirements of the corresponding **Contract**.



CHAPTER FOUR

EXPLORATORY PROGRAMS TO BE UNDERTAKEN

4.1 General

In compliance with and performance of the **Technical Evaluation Agreements -TEA-** and **Exploration and Production -E&P- Contracts, Contractors** undertake the obligation to conduct specific and precise exploratory activities, at the times and within the stipulated time frame, for which purpose they agree to make the investments demanded by their timely performance.

That series of activities is referred to as the **Exploratory Program**; it includes both the **Minimum Program** required by **ANH** and the **Additional** or Supplementary Program offered in the **Proposal**, and therefore also involves the making of minimum and additional investments.

4.2 Exploratory Programs

For the **Technical Evaluation – TEA – Contracts** the full implementation of the **Exploratory Program** is a mandatory requirement.

For **Exploration and Production –E&P- Contracts**, it is mandatory those activities and investments part of the **First Phase** of the **Exploratory Program**, both the **Minimum** and the **Additional**, except that, after the first eighteen (18) months of the duration term for said **Phase**, the **Contractor** exercises its right to waive the **Contract**, in which case it should submit to **ANH** the investment amount remaining to be executed of the **Minimum Exploratory Program** and one hundred (100%) percent of inherent activities for the **Additional Exploratory Program** that has not been totally and effectively developed, resources called **Remaining Investment**.



Nevertheless, prior to ANH authorization, the **Individual or Plural Bidder** may destine the **Remaining Investment** for the development of exploratory activities corresponding to other valid **Contracts**, entered into with the Entity, or to the one of exploratory activities of **ANH** in **Areas** administered by it, in which case, all the information collected shall be exclusive property of ANH.

For such purpose, together with the resignation communication, the **Individual or Plural Bidder** may submit a written authorization, dully motivated.

If accepted, the two Parties shall agree on the **Exploratory Program** to be developed and the corresponding execution term.

If the **Contractor** does not exercise its right to waive the **Contract** as instructed for such purpose, it assumes the obligation to develop all activities inherent to the **Second** and **Third Phase**, as the case may be, as well as to make the investments demanded for the fulfillment of the execution until the **Exploratory Program** is completed.

4.3 **Minimum Exploratory Programs by Type of Area and Deposit**

The **ANH** has established the following **Minimum Exploratory Programs** for the **Areas** subject to evaluation, exploration and production, broken down according to their **Type** and that of the corresponding **Deposits**, as well as the term to carry out the activities and make the pertinent investments:

4.3.1 **Type 1 Areas – Continental –Conventional Deposits- Exploration and Production -E&P- Contracts:**

- ✓ **Phase I:** Thirty-six (36) months duration
 - 2D Seismic:



Minimum of two hundred kilometer (200 km)

- One (1) Exploratory Well.
- ✓ **Phase II:** Thirty-six (36) months duration
 - 3D Seismic:
 Minimum of one hundred square kilometer (100 km²)
 - Two (2) Exploratory Wells

**4.3.2 Type 1 Areas – Offshore -Conventional Deposits
 Exploration and Production -E&P- Contracts**

- ✓ **Phase I:** Thirty-six (36) months duration
 - 3D Seismic:
 Acquisition and/or reprocessing of at least fifty percent (50%) of the total **Area** extension.
 - Eighty (80) "*Piston Core*" assays
- ✓ **Phase II:** Thirty- six (36) months duration
 - One (1) Exploratory Well
- ✓ **Phase III:** Thirty-six (36) months duration
 - One (1) Exploratory Well

**4.3.3 Type 1 Areas – Evaluation of Discovered Deposits Non-
 Developed - Exploration and Production -E&P- Contracts**

- ✓ **Phase I:** Twelve (12) months duration



Reprocessing of existing seismic information and petro physics reevaluation

✓ **Phase II:** Twenty (24) months duration

- Re-entry or one (1) Exploratory Well

4.3.4 **Type 2 Areas: Unconventional Exploration and Production - E&P- Contracts**

✓ **First Phase:** Thirty-six (36) months duration

- 2D Seismic:
Minimum of 200 kilometer (200 km) or reprocessing of the existing seismic.
- Two (2) exploratory or Stratigraphic Well

• **Second Phase:** Thirty-six (36) months duration

- Four (4) exploratory wells

• **Third Phase or Exploratory Confirmation Phase:** Thirty-six (36) months duration

- Four (4) Exploratory wells

4.3.5 **Type 3 Areas: Continental –Conventional Deposits and Technical Evaluation - TEA - Contracts**

✓ **Single Phase:** Thirty-six (36) months duration

- Mapping of the hydrocarbon anomalies from the surface geochemistry over the total extension of the area.
- Seismic 2D



Minimum two hundred kilometers (200 km)

- One (1) Stratigraphic Well, which final depth should be the required to include the target formations.

4.3.6 **Type 3 Areas: Offshore - Conventional Deposits and Technical Evaluation TEA Contracts:**

- **Single Phase:** Thirty-six (36) months duration
 - Eighty (80) "Piston Core" assays.
 - Seismic 2D
Minimum six kilometers (6.000 Km.)

Notwithstanding the aforementioned, with the prior express written approval of **ANH**, equivalences may be made between 2D and 3D in the execution of seismic programs, through the application of the one point six (1.6) conversion factor.

All Exploratory Wells must be of the A3 type.

4.4 **Exploratory Program and Additional Investment**

In addition to the development and performance of the technical activities conforming the **Minimum Exploratory Program** required by **ANH** for each **Area**, with its corresponding investment of funds, **Bidders** must offer and **Contractors** assume the obligation to undertake and carry out the complementary activities listed in of the **Additional Exploratory Program**, which along with the indication of the **additional** investments required for such purpose, they also agree to carry out, if awarded the proposed **Contract** or **Contracts**.



Therefore, according to the concept set forth under **Chapter One - Definitions**, an **Additional Investment** is understood to mean the partial and total sums of money, expressed in United States dollars, in multiples of one hundred thousand (USD 100,000), if talking about **Continental Areas** with prospectivity for **Conventional Deposits** and **Discovered Non-Developed** or of one million dollars (USD1.000.000) for **Offshore Areas** and prospective for **Non-Conventional Deposits**, which an **Individual** or **Plural Bidder** offers to invest to cover the costs and expenses of the **additional** exploratory activities proposed, in excess of those determined in the **Minimum Program** established by **ANH** for the First Phase of the Exploration Period if it is **E&P Contracts** or the Single Phase if they are **TEA Contracts** regarding each **Area** subject to allocation.

The **Additional Investment** is considered an essential and integral part of the **Exploratory Program**. It must be invested in the course of **Phase I of Exploration and Production -E&P- Contracts** or during the term of performance of **Technical Evaluation Agreements -TEA-**, under penalty of paying over to **ANH** the balance not actually invested, called the **Remaining Investment**.

If the **Additional Investment** proposed does not reach minimum one hundred thousand (100.000) or one million (1.000.000) United States Dollars, according to the **Type** of **Area** it is and its prospectivity, the **Proposal** will be Rejected. If it does not correspond to the multiple numbers demanded, **ANH** shall round up the amount offered to the immediately higher multiple.

The **additional** technical activities offered, the amount of the investment proposed for each and the total amount of the **Additional Investment** must be indicated in the **Form** enclosed to these **Terms of Reference** as **Annex No. 13**.

In order to determine the amount corresponding to the technical activities of the **Additional Exploratory Program** and establish the partial and total investments required and offered for their timely, complete, effective and efficient performance, in magnetic files, and as Annex below is a **Unit Price**



Table which must necessarily be observed by **Bidders** when formulating the respective **Program** and correctly filling out the respective **Form**.

For eventual exploratory activities other than those listed in the **Unit Price Table**, **Bidders** must establish the amount of the corresponding investment, duly supported.



CHAPTER FIVE

DEVELOPMENT OF THE BIDDING PROCESS

5.1 Stages, Actions and Schedule

The "**Ronda Colombia 2014**" Bidding Process will consist of four (4) **Stages**, as follows: (i) Dissemination and Information; (ii) **Bidder Qualification**; (iii) submission, validation and award of **Proposals** and consequent **assignment** or declaration of unawarded of the **Areas** subject thereto, and (iv) execution of the corresponding **Contracts** and fulfillment of the requirements to commence their performance.

The Process includes the steps set forth in the following **Schedule**, with an indication of the dates in which they are to take place or the time frame within which they must be carried out.

As established in relation to the **Addenda** to the **Terms of Reference**, in section 1.2 of **Chapter One - Definitions**, ANH may make adjustments in the **Schedule** of the **Bidding Process**, at any time, provided these are published at least two (2) business days regarding the milestone or the corresponding act or before the expiration of the deadline thereof.

SCHEDULE

Activity	Date
Dissemination and Information Stage	
Launching of Proposal in Bogotá	19-02
Exploration Opportunities Workshop	20-02
Opening of the Proposal	20-02
Publication of Draft Terms of Reference	21-02
"Road Shows"	



Activity	Date		
	Calgary	27/28	02
	Houston	3 - 7	03
	London	<u>17/18</u>	<u>03</u>
	Beijing	<u>31/1</u>	<u>03-04</u>
	Jakarta	<u>03-04</u>	<u>04</u>
Projects and Contract Drafts Publication	24-03		
Data Room Sessions	3-03 to 18-07		
Observations/Suggestions to Draft Terms of Reference	21-02 to 28-03		
Observations/Suggestions to E&P Contract Draft	24-03 to 21-04		
Responses of ANH to observations to Terms of Reference	2-05		
Publication of Final Terms of Reference	2-05		
Response to Observations and Final Minutes Publication	9-05		
Bidder Qualification Stage			
Observations/Suggestions to Terms of Reference and Final Minutes	12 to 16-05		
Workshop to Clarify Doubts, Terminology and Drafts	20-05		
Answers given by ANH	23-05		
Due Date for Publishing Addendum, except Schedule	12-06		
Submission of Documents for Bidders Qualification	2-05 to 19-06		
Study of Documents and publication of Preliminary List of Qualified Participants	2-05 to 27-06		
Observations to the Preliminary List of Qualified Bidders	28-06 to 03-07		
Answers ANH and Publication of Final List of Qualified Bidders	8-07		
Proposal Submission, Validation and Award Stage			
Submission of Proposals / Bid Bonds / Public Hearing for Opening of Bids	23-07		
Validation of Proposals	24 to 30-07		
Publication of the Preliminary List for Proposals' Eligibility	31-07		
Observations to Preliminary Eligibility List	1 to 5-08		
Responses, Publication of Final List and Award or Declaration of Unawarded of Areas	11-08		
Contract Execution Stage			
Execution of Contracts	From 12-08		

5.2 Dissemination and Information Stage

5.2.1 Launch



The "**Ronda Colombia 2014**" **Bidding Process** was officially launched in Bogotá on February 19, 2014, in a public act at which indicators and targets of the Colombian Hydrocarbon Sector related to oil and gas production, technical information acquired since the year 2005, the direct foreign investment registered in the sector, and data regarding reserves and new discoveries were presented, as well as comparative information among the Latin American countries about perception within the industry of the attractiveness of investing in this Sector and the reasons that make Colombia a country with very good business opportunities. The **Areas** to be assigned, the basins to which they belong and their general location were identified and the manner in which they were classified was explained, together with an estimate of the exploration activities to be undertaken, their social-environmental characteristics, and a general outline of the **Project**, of the **Bidding Process** and of the **Contracts** to be entered into as a result of the award of the **Proposals** and the assignment of the corresponding **Areas**.

5.2.2 **Information Packages**

As indicated under section 1.42 of **Chapter One - Definitions**, the **ANH** has prepared and has made available for sale to companies interested in participating in the **Bidding Process** a collection of data, coordinates, figures and, in general, indications and references in the matter of seismic and wells, together with technical reports on the **Areas** subject thereto, which must be mandatorily purchased, examined and assessed by **Participants**, under the title **Information Package**.

These **Packages** are different for **Type 1** or **Type 2** and **3 Areas**.

Their purchase is an essential requirement to apply for **Qualification** and to submit a **Proposal**, according to the type of **Area** or **Areas** in which the Bidder is interested. Nevertheless, in the case of **Plural Bidders**, only one of their members needs to have acquired the **Information Package or Packages** corresponding to the **Area** or **Areas** of their interest.

The price of the **Information Package** is forty thousand or one hundred thousand United States Dollars (USD 40,000) or (USD 100,000), including the



applicable sales tax, VAT, equivalent to sixteen percent (16%), respectively, for **Type 1** or **Type 2 and 3 Areas**. These amounts will **NOT** be reimbursable for any reason. Therefore, in the event that the buyer does not submit an application for **Qualification** or a **Proposal**, it will not be entitled to a refund of the amount paid on account of the **Package** or **Packages** bought.

The prices thus fixed may be paid in Colombian Pesos, in which case they will be converted at the Market Reference Rate of Exchange (TRM for its acronym in Spanish) for US Dollars published by the Colombian Central Bank (*Banco de la República*) and in force on the date of the respective payment. Said Rate may be consulted on the web page of the Central Bank, <http://www.banrep.gov.co>.

The amounts may also be paid from abroad, in United States Dollars or their equivalent in Euros or Pounds Sterling on the date in which the respective payment is made. The applicable Exchange Rate can also be found in the same Web page of Banco de la Republica.

The **Information Packages** will be delivered to interested parties at the offices of the **ANH**, within two (2) business days following confirmation of the respective payment of the price of those that are to be acquired.

In order to purchase **Information Packages** in the country or from abroad, interested parties must observe the following procedure:

- Send an e-mail message to the address paquetedeinformacion@anh.gov.co, and a copy to the following address: rondacolombia2014@anh.gov.co indicating their interest in acquiring the **Information Package** corresponding to the **Type 1 Areas**, for forty thousand United States Dollars (USD 40,000) and/or that of **Type 2 and 3 Areas**, for one hundred thousand United States Dollars (USD 100,000).

In order to issue the corresponding sales invoice, the e-mail message must include the following information:



- Full name of the requesting legal entity.
 - Name of the Legal Representative or Agent authorized for such purpose.
 - Tax Identification Number, NIT, if the applicant is a taxpayer in Colombia.
 - Country and city of the principal domicile of the applicant
 - Address
 - Phone
 - E-mail
 - Information Package desired, either for Type 1 Areas and/or for Type 2 and 3 Areas.
- As of the second (2nd) business day following remittance of the e-mail message, the interested party must claim the corresponding sales invoice from Price Waterhouse Coopers A.G. Ltda., at Centro Empresarial Dorado Plaza, Avenida Calle 26 No. 85D-55, Green Module, 3rd Floor, Offices 248 – 249 – 250, Bogotá D.C., through the Representative, Agent or person duly authorized for such purpose.

- Payments must be made as follows:

In Colombia - Collection in Colombian Pesos (COP)

- ✓ Electronic Transfer via ACH through the electronic banking systems available for such purpose to:

Financial Institution:	Helm Bank
Account Number:	005-55884-1
Account Type:	Savings
Account Holder:	Agencia Nacional de Hidrocarburos
NIT:	830.127.607-8

- ✓ Deposit at the bank – National Deposit Form (*Formato de Recaudo Nacional*):



At Helm Bank offices in Colombia, the Agencia Nacional de Hidrocarburos account, using the "Online Collection Form" (*Formato de Recaudo en Línea*), available at any bank branch office, with Agreement Code 9185 and indicating that is client of **ANH**.

From abroad:

✓ In United States Dollars (USD)

Intermediary Bank: Citibank, New York
 Swift Code: CITIUS33
 ABA: 021000089

Bank of Beneficiary: Helm Bank
 Swift Code: BCTOCobb
 Account No.: 10953817
 Name of Beneficiary: Agencia Nacional de Hidrocarburos
 Account No.: 005-55884-1
 Description of Payment: Include description

✓ In Euros (EUR)

Intermediary Bank: Deutsche Bank – Frankfurt
 Swift Code: DEUTDEFF
 IBAN Code: DE35500700100951306000

Bank of Beneficiary: Helm Bank
 Swift Code: BCTOCobb
 Account No.: 100951306000
 Name of Beneficiary: Agencia Nacional de Hidrocarburos
 Account No.: 005-55884-1
 Description of Payment: Include description

✓ In Pounds Sterling (GBP)

Intermediary Bank: Barclays Bank PLC – London



Swift Code: BARCGB22

Bank of Beneficiary: Helm Bank
Swift Code: BCTOCobb
Account No.: 20325370259241
Name of Beneficiary: Agencia Nacional de Hidrocarburos
Account No.: 005-55884-1
Description of Payment: Include description

- Interested parties must bear in mind the following:
 - Payments deposited into accounts other than those indicated will be deemed not made.
 - The **ANH** will verify that the funds have been credited into the Savings Account identified above, in its name, and that the amount calculated in a currency other than US Dollars is equivalent or actually corresponds to the price indicated in these **Terms of Reference** for the **Information Package(s)** requested.
 - Any cost or expense incurred by interested parties to pay for the **Information Packages** shall be for their exclusive account.
 - In order for the **ANH** to hand over the **Information Package(s)**, interested parties must forward to the Entity the deposit receipt or evidence of the electronic transfer, scanned and attached to an e-mail message addressed to holman.bustos@anh.gov.co, and copy to sergio.lopez@anh.gov.co .
 - The **Information Packages** will be handed over to the interested parties that have acquired them and sent the corresponding evidence of payment, at the offices of **Agencia Nacional de Hidrocarburos**, Avenida Calle 26 No. 59-65, Cámara Colombiana de la Infraestructura Building, 2nd floor, in Bogotá, D.C., Monday to Friday, from 7:00 a.m. to 12:00 noon and from 1:00 p.m. to 4:00 p.m.



- **Packages** will be handed over to the legal representative or agent of the **Participant**, or to a person expressly empowered for such purpose, duly accredited, designated or authorized, who must present a Certificate of Existence and Legal Representation of the Participant, issued by the Chamber of Commerce of the principal domicile of the legal entity, or a similar document issued by a competent authority of the country of origin, in the case of foreign legal entities without a domicile in Colombia, no more than thirty (30) days before, and a power-of-attorney with the legal requirements or an express written authorization for such purpose, as appropriate.

5.2.3 “Road Shows”

In order to promote the **“Ronda Colombia 2014” Bidding Process** and the hydrocarbon exploration and production projects to be undertaken within the framework of the industry and among investors and companies of the sector, at both the domestic and international levels, **ANH** has scheduled a number of tours and presentations in various cities in several continents, as established in the **Schedule**.

5.2.4 Data Room

The data and, in general, the **Information** contained in the **Packages** will be exhibited to all parties interested in seeing and examining them, with the assistance and technical support of specialized personnel, who will answer any questions and concerns that may arise in the respective sessions, in the so-called **Data Room**. To such end, there will be sessions of same abroad, in the cities stated in the **Schedule** for this purpose and on the dates there mentioned, as well as in Bogota, during the time foreseen in the **Schedule**.

Those interested will have the right to enter into one or more **Data Room** sessions. The number of sessions per interested party will depend on availability to take care of all under the same conditions.

ANH has programmed permanent activities about the **Data Room** in Bogota, between March 3 and July 18, 2014 at the **Agencia Nacional de**



Hidrocarburos – ANH – address, Avenida Calle 26 No. 59-65, Camara Colombiana de la Infraestructura building, 2nd floor.

To access a **Data Room** session, interested parties must:

Submit a request through an e-mail message sent to the address sesionesdedata@anh.gov.co, with a copy to rondacolombia2014@anh.gov.co, indicating the date and city of their interest, in accordance with the **Schedule**, including the following information:

- Full name of the requesting legal entity.
- Name of the Legal Representative or Agent authorized for such purpose.
- Tax Identification Number, (NIT for its acronym in Spanish), if the applicant is a taxpayer in Colombia.
- Country and city of the principal domicile of the applicant
- Address
- Phone
- E-mail
- Basins and Type of Areas of their interest
- City in which they wish to hold the **Data Room** session
- Number of sessions of their interest

Once the corresponding request is received, **ANH** has a term of three (3) business days, after receiving the pertinent request, to inform the interested party, via e-mail, of the date or dates and time assigned for the corresponding session.

During the “Data Room” session, the companies will have the technical support by specialized staff, in order to clarify doubts as a result of the session.

5.2.4 **Draft Terms of Reference**

The **ANH** conducted preliminary studies to establish the hydrocarbon exploration and production projects to be undertaken through the **“Ronda Colombia 2014” Bidding Process**, in accordance with the action programs



of the Entity and the goals of the National Development Plan; it determined and delimited the **Areas** to be assigned; it defined the minimum exploratory programs to be developed by **Contractors** and the investments required for such purpose; it determined the types of **Contracts** to be entered into, carried out a general verification in the matter of environmental restrictions and presence of ethnic communities or groups in the selected **Areas**, and prepared **Draft Terms of Reference** in order to establish the rules applicable to the **Bidding Process**; the stages, time frame, hearings and proceedings inherent to said Process; requirements to participate; requirements for **Qualification** and manner and timing in which it is to take place, including information requested and documents required in order to establish the **Capacity** of the interested parties; grounds for denying such **Qualification**; form, content and timing for submission of **Proposals**; requirements thereof that can and cannot be corrected; grounds for rejection; terms and conditions of the guarantees required; evaluation, rating and award factors; grounds to declare the process totally or partially void, **Area or Areas** and draft of the **Contracts** to be entered into.

This **Project** has been posted both on the web page of the Entity, www.anh.gov.co and on that of the **Bidding Process**, www.rondacolombia2014.com, in order to provide interested parties with its details and to receive their observations and suggestions regarding its content.

For this latter purpose and in accordance with the **Schedule**, the **ANH** established a peremptory term.

Observations and suggestions must be submitted to the Entity within the term indicated in the **Schedule**, through e-mail messages sent to the address rondacolombia2014@anh.gov.co or through written text referencing "**Ronda Colombia 2014**", personally delivered or sent to its offices, at Avenida Calle 26 No. 59-65, Cámara Colombiana de la Infraestructura Building, 2nd floor, to the attention of Mr. Nicolás Mejía Mejía, Vice President of Promotion and Area Allocation.

The **ANH** will analyze the content of the messages received, replying within the term provided in the **Schedule** and through general postings on its web



page and on that of the **Bidding Process** to any questions or concerns that are submitted to it, and at the same time will evaluate the observations or suggestions it considers well-founded and according to law, in order to make the pertinent adjustments in the final text of the **Terms of Reference**.

5.2.5 **Formal Opening of the Bidding Process**

Through an administrative act stating the pertinent reasons that will be likewise posted on the date indicated in the **Schedule**, both on the web page of the Entity and on that of the process, the **ANH** will formally open the **"Ronda Colombia 2014" Bidding Process**.

5.2.6 **Final Terms of Reference**

Concurrently with the opening of the **Bidding Process**, the **ANH** will post the final text of the **Terms of Reference** on the web page of the process www.rondacolombia2014.com, and on the general web page of the Entity www.anh.gov.co.

The **Final Terms of Reference** will likewise be subject to observations and suggestions, as well as to requests for clarification or explanation, during the period of time determined in the **Schedule**, and subject to amendment or **Addenda** within the time frame and with the limits that ensure compliance with the guiding principles of contractual action.

The **ANH** will analyze the content of the messages received, replying, within the term provided in the **Schedule** and through general postings on its web page and on that of the **Bidding Process**, to the questions or concerns that are formulated, and at the same time will evaluate the observations or suggestions it considers well-founded and according to law, in order to make the pertinent adjustments through **Addenda**.

The answers of the **ANH** to the questions, suggestions, observations or requests for clarification formulated by the **Participants** are simply explanatory, and in no way modify the **Terms of Reference**.



5.2.7 **Addenda**

The **ANH** has the power to make additions, deletions, amendments, adjustments, clarifications, explanations and/or substitutions to the text of the **Terms of Reference**, its **Annexes** and **Tables**, including **Forms**, **Instructions** and **Commitments** and the **Drafts** of the **Contracts** to be entered into, after the date of publication of the **Final Terms** and before the end of the fourth (4th) business day prior to the deadline for submission to the **ANH** of the **Bidder Qualification** documents, except for adjustments in the **Schedule** of the **Bidding Process**, which may be made at any time, provided they are published at least two (2) business days in advance, regarding the date of the milestone or of the diligence it is about or the due date of the term thereof.

5.2.8 **Interpretation of the Terms of Reference**

The **Terms of Reference** must be interpreted in the light of applicable law, in conformity with **Chapter Two on Definitions** hereof and according to the natural meaning of the words, except for technical expressions, which must be understood in relation to the respective science or subject matter.

It is the exclusive responsibility of **Participants** to examine, study and interpret the **Terms of Reference**, as well make inquiries to the **ANH** or to third parties regarding their content and scope, so that all conclusions adopted, any deductions done, errors and omissions adopted based on their own analyses, interpretations or conclusions shall be for their sole account and risk.

As previously noted, the answers given by **ANH** to the questions, suggestions, observations or requests for clarification submitted by **Participants** are simply explanatory, and in no way modify the **Terms of Reference**.

5.2.9 **Actions, Publications, Determinations and Correspondence**

Unless these **Terms of Reference** expressly state otherwise and without prejudice to any notices required by law, any actions, publications, announcements, queries, observations and suggestions; answers; **Addenda**;



determinations of the **ANH**; communications, and, in general, any correspondence and documentation related to the "**Ronda Colombia 2014**" shall be made or given through electronic means and shall be posted on the web page of the process www.rondacolombia2014.com, and on the general web page of the Entity www.anh.gov.co, without prejudice to interested parties, **Participants**, **Bidders** and **Awardees** submitting on physical media requests, communications, observations and correspondence, the text of which will be posted on the mentioned web pages.

The addresses for such purpose are the following:

AGENCIA NACIONAL DE HIDROCARBUROS

Oficina Asesora Jurídica

Ref. **Procedimiento de Selección "Ronda Colombia 2014"**

Avenida Calle 26 No. 59 – 65, Piso 2

Bogotá, Colombia

Tel: (571) 593-17-17

Fax: (571) 593-17-18

E-mail address: rondacolombia2014@anh.gov.co

Both letters and e-mails sent by **ANH** during the **Bidding Process**, and those sent to it, are subject to the binding force, legal effect and other provisions of Law 527 of 1999 on Electronic Commerce.

5.2.10 **Costs and Expenses**

Costs and expenses incurred by interested parties, **Participants** and **Bidders** during the **Bidding Process** and throughout all **Stages** thereof, in particular those required to prepare and submit to the **ANH** the documents for **Qualification**, as well as to put together and present a Proposal, will be for their exclusive account and cost, and therefore the **ANH** will not recognize or reimburse any amount for the aforementioned items.

5.3 **Qualification Stage**



Will take place in accordance with the procedure, will consist of the actions, and is subject to the rules determined in **Chapter Six** hereof.

5.4 **Proposal Submission, Validation and Award Stage**

Will take place in accordance with the procedure, will consist of the actions, and is subject to the rules determined in **Chapter Seven** hereof.

5.5 **Contract Execution Stage**

Will take place in accordance with the procedure, will consist of the actions, and is subject to the rules determined in **Chapter Eight** hereof.



CHAPTER SIX

BIDDER QUALIFICATION

6.1 Bidders:

Domestic and foreign, public, private or mixed-capital legal entities that evidence compliance with the **Capacity** requirements established in this **Chapter**, may submit an individual or joint **Proposal** in the “**Ronda Colombia 2014**” for which they must obtain **Qualification** from the **ANH**.

Thus, **NO Proposals** from branches or evidence of compliance with requirements by legal entities other than an **Individual Bidder** or those making up a **Plural Bidder**, will be accepted, unless the parent or **Controlling** company of the legal entity evidencing such requirements assumes joint and several liability for the timely, effective and efficient fulfillment of the obligations and commitments incumbent upon the **Bidder** and eventual **Contractor** by means of joint and several guarantee issued by parent or **Controlling** company, regarding the concept and requirements adopted in number 1.38 in **Chapter One** under **Definitions**.

6.2 Qualification:

ANH will examine and verify the information submitted with the application for **Qualification** by an **Individual Bidder** or by the parties conforming a **Plural Bidder** in order to confirm that they meet the conditions and requirements regarding **Legal and Financial Capacity, Technical and Operational and Environmental Capability** and **Corporate Social Responsibility** to undertake the hydrocarbon technical evaluation, exploration and production activities that are the subject matter of the proposed **Contracts**, in the terms set forth in **Chapter One - Definitions**, and will make the pertinent determination.



6.3 Legal Capacity

Domestic and foreign, **legal entities** with legal capacity according to law, whose capital is represented in registered shares or quotas or ownership interests, and which meet and evidence the following requirements, are competent to enter into the proposed contracts, either individually or jointly, under the mode of **Consortiums, Temporary Unions or Pledges of Future Partnership**, having the following requirements:

- 6.3.1 Its corporate purpose must include conducting hydrocarbon exploration and production activities, in the case of **Individual Bidders** or of the **Operator**. For all other members of a **Plural Bidder**, their corporate purpose must include the performance of **Supplementary Activities** to the foregoing.

If in keeping with the legislation of their country of origin, the corporate purpose does not list or include the corresponding sectors of activity, or refers to industrial, commercial or service activities or business in general, the requirement referred to in this paragraph may be evidenced with the items submitted to prove **Technical and Operational Capability**, as appropriate, or through contracts or certifications that enable establishing their engagement in **Supplementary Activities** to hydrocarbon exploration and production, including a declaration under oath by the Legal Representative and the Statutory Auditor, external auditor or whom ever may act as such, if the legal entity is required to have one, or otherwise, by the internal auditor (Comptroller), or whom ever may act as such, describing in detail the framework of activity of the legal entity.

- 6.3.2 They must have been organized with such corporate purpose or have incorporated it at least five (5) years before the date of submission of the application for **Qualification**. In the case of **Plural Bidders**, this requirement refers to the **Operator**. For all other members, the time required to include the mentioned corporate purpose will be a minimum of one (1) year.



- 6.3.3 The term of duration of an **Individual Bidder** and of the members of **Plural Bidders**, as well as the term of the respective association, **Consortium, Temporary Union** or **Pledged Company**, may not be less than that of performance of the proposed contract plus three (3) years.
- 6.3.4 Neither an **Individual Bidder** nor the members of a **Plural Bidder** may have incurred grounds for disqualification, incompatibility or prohibition in accordance with the Colombian Political Constitution and law, and they must irrevocably agree to withdraw their **Proposal** or to assign the legal transaction entered into as a result of the award, or their participation therein, with the prior written authorization of **ANH**, or to terminate it by reciprocal agreement, in the event of the supervening occurrence of any of such grounds.

Conflicts of interest shall be handled as per the provisions contained in the law in particular, article 40 of Law 734 of 2002 and the Mission-related Contracting Manual of **ANH** and with Agreement 01 of 2009 of the Directive Council.

The purpose of disqualifications, incompatibilities, prohibitions and conflicts of interest is an objective and impartial contract management. Therefore, when the existence of one of such circumstances, prior or supervening, is identified or reported, **ANH** shall verify the factual assumptions supporting it for the purposes imposed by law.

The regulations regarding incompatibilities, disqualifications, prohibitions and conflicts of interest are those contemplated in the Political Constitution, in Laws 80 of 1993, 734 of 2002, 1474 of 2011 and other rules of the same nature on the subject, as well as in those that amend, add to, substitute or supplement them.

Without prejudice to the responsibilities that pertain to **ANH, Bidders** and **Contractors** shall be responsible for verifying that they have not incurred grounds for incompatibility, disqualification, prohibition or



conflict of interest, and immediately inform the Entity of any that may supervene in the course of the various Stages of the contract, in order to proceed according to law.

6.3.5 Neither an **Individual Bidder** nor the members of **Plural Bidders** may be in the process of judicial liquidation or a similar circumstance in accordance with the law of their country of origin, such as bankruptcy, voluntary or forced liquidation and, in general, any process or circumstance that may result in the extinction of the legal entity, nor may they have pending litigations, judicial proceedings, or be in any other situation or contingency that could materially compromise the timely, effective and efficient fulfillment of the obligations and commitments derived from the submission of the **Proposal** or the award of the proposed **Contract** or **Contracts**, and from their execution, performance or termination.

6.3.6 Neither an **Individual Bidder** nor the members of a **Plural Bidder** may have permitted or may permit their operations to be used as an instrument to conceal, manage, invest or benefit in any way from money or other assets obtained from criminal activities or intended for their financing, or to give the appearance of legality to criminal activities or to transactions and funds related thereto, without prejudice to the functions which in the matter of prevention and control of asset laundering and financing of terrorism are assigned by the legal regulations to **ANH**, and they must formally and irrevocably agree not to permit the foregoing in furtherance of their activities and in the performance of the proposed **Contract** or **Contracts**.

In any event, based on article 27 of Law 1121 of 2006, which demands full identification of legal entities entering into contracts with the Colombian Government, as well as of the origin of their funds, in order to prevent criminal activities, the **ANH** reserves the right to carry out analyses, inquiries and verifications to establish the origin of the funds of **Bidders** and **Contractors**, before or after the application for **Qualification**, the submission of the **Proposal**, the assignment of **Areas**, and even the award and execution of the respective **Contracts**.



- 6.3.7 Not having ANH declared expiration, the unilateral termination or direct revoke of the awarding of the contract between an **Individual Bidder** or any member of a **Plural Bidder** by administrative act, executed and firm during the five (5) years preceding.
- 6.3.8 In the case of **Individual Bidders** or members of **Plural Bidders** that are foreign legal entities without a domicile in the country, they must agree to establish a branch in Colombia or to extend the purpose and term of the existing one, as appropriate, as well as to promptly fulfill all obligations incumbent upon said branches, in the event of an award of the proposed **Contract** or **Contracts**.
- 6.3.9 The legal representative of an **Individual Bidder** or the designated representative of a **Plural Bidder**, or their special agents, duly appointed and accredited, as appropriate, must have specific and sufficient authority and powers to submit a **Proposal** in relation to the "**Ronda Colombia 2012**", including the submission of documents for their **Qualification**; promptly, effective and efficiently fulfill the commitments derived from said submission; enter into the proposed **Contract** or **Contracts**; meet the requirements for performance; furnish the required guarantees, and, in general, bind the legal entity or the association for all of the foregoing purposes, represent its interests and act in its name in all acts, steps and procedures inherent to the contract.
- 6.3.10 Foreign companies not domiciled in the country must appoint an agent domiciled in Colombia, with the capacity to represent them in and out of court, in addition to being invested with the powers established in the previous paragraph, in compliance with the legal requirements and until the establishment of a branch, in case of award.
- 6.3.11 Neither an **Individual Bidder** nor the members of **Plural Bidders**, their partners or shareholders, or their administrators, reported in the latest publication of the Bulletin of Fiscally Liable Persons (*Boletín de Responsables Fiscales*) of the Office of the Comptroller-General of the



Republic of Colombia, nor may they have a disciplinary record at the Office of the Attorney-General of the Nation, which entails disqualification. This requirement is NOT applicable to open companies partners or registered in stock exchanges.

6.3.12 An **Individual Bidder** and the members of **Plural Bidders** must be in good standing with respect to their obligations to the General Social Security System and in the matter of payroll taxes, CREE tax in the event in which they are subject to the respective system in Colombia.

6.3.13 The **Operator** must have and keep a minimum participation of thirty percent (30%) in the respective association and assume the leadership and representation of the association and the direction of the contractual performance and of relations with **ANH**, in the case of **Plural Bidders**.

6.3.14 An **Individual Bidder**, the **Operator** and all members of **Plural Bidders** must formally and irrevocably agree not to assign or transfer the proposed **Contract**, or their respective participation and interest therein, in whole or in part, without the prior express written authorization of **ANH**. In any event, the assignee must meet, at least, the same **Capacity** requirements as the assignor.

In addition, eventual assignments by the **Operator** to another member of a **Plural Bidder** will be subject to the limitation that the former retain at least a thirty percent (30%) participation and interest in the **Contract**.

Any change in the **Real** or **Controlling Beneficiary** of an **Individual Bidder**, of the **Operator** and of the company or companies that have evidenced the **Financial Standing**, in cases of **Plural Bidders**, shall also require the prior express written authorization of **ANH**.

Mergers or spin-offs of a legal entity acting as **Individual Bidder**, **Operator** or any other member of a **Plural Bidder** which has evidenced the **Financial Standing** requirements, shall be subject to



the same condition, in order to establish that the essential grounds that led to the **Qualification** are maintained.

Excepted from the provisions stated under last two (2) paragraphs above, that is, from obtaining the prior express written authorization of the **ANH**, but NOT from informing the Entity, are transactions in which the total amount of the investment in exploration corresponding to the **Contract** or **Contracts** entered into with the **ANH**, including both the mandatory **Minimum** and the **Additional** investment offered, and/or the assets derived from the Production Stage of such **Contracts**, respectively, do **NOT** exceed twenty percent (20%) of the total assets of the **Individual Contractor**, the **Operator** and the parties that evidenced the **Financial Standing** in cases of **Plural Contractors**.

The obligation to inform **ANH** of any change in the **Real** or **Controlling Beneficiary**, as well as of mergers or spin-offs, and that of obtaining the prior express written authorization of Entity, if necessary, must likewise constitute a formal and irrevocable commitment.

What is provided in this paragraph is based on the fact that State contracts are *intuitu personae*.

- 6.3.15 **Bidders** must provide accurate, reliable and truthful information, a circumstance that must be declared under oath, as well as expressly and irrevocably authorize **ANH** to verify all information submitted in relation to their **Qualification** and **Proposal**, including any supporting and other documents presented to evidence **Capacity** and obtain a **Contract**, which authority is reserved by the **ANH** at all times, both before or after the **Qualification**, the assignment of one or several **Areas**, the award of the proposed legal business proposed, and the execution thereof, by reason of the general interest involved in the contractual action. The mentioned declaration and authorization shall be set forth in the documents of the "**Ronda Colombia 2014**", and specifically, in the **Cover Letter** and in the **Proposal**.



6.3.16 To sign an anticorruption Commitment; on Prevention and Control of Asset Laundry. Terrorism Funding and other criminal activities; in the matter of Changes in Control, Environmental Management, and Corporate Social Responsibility, in the terms of the **Forms** established by **ANH**.

6.4 Evidence of Legal Capacity

In order to prove that they meet the established conditions as well as the **Legal Capacity** requirements, each **Individual Bidder** or member of a **Plural Bidder** must present the following documents:

6.4.1 **Colombian Legal Entities:** In addition to the common ones listed below:

- Certificate of existence and legal representation or Single Business and Corporate Registration, (RUES in Spanish) once the company is in operation, issued by the Chamber of Commerce of its principal domicile, no older than thirty (30) calendar days prior to the date of submission of the respective application.
- Copy of the current corporate by-laws, as well as of the amendment or amendments evidencing the pertinent modifications in the corporate purpose, in the terms of section 6.3.1 above, if necessary because such Certificate is not reflecting such modifications.
- Copy of the minutes of the competent corporate body stating the powers and authority granted to the legal representative, in accordance with section 6.3.9 above, in case he or she has limitations for any of the purposes established therein.
- Evidence of the powers of the agent, if such were the case, through a mandate granted in compliance with the legal formalities.

6.4.2 **Foreign Legal Entities:**



- Certificate of existence and legal representation or equivalent document pursuant to the applicable legislation, issued by the competent authority of their country of origin and by that of their principal domicile, if different from that of establishment or incorporation, no older than sixty (60) calendar days prior to the date of submission of the application for **Qualification**.

When the respective document does not contain complete information regarding the corporate purpose, term of existence, legal representation and/or powers or authority of the various directive and administrative bodies, it will be necessary to submit, in addition, a certificate issued by the legal representative and by the statutory auditor or individual or legal entity responsible for the external audit of their operations, certifying the foregoing circumstances.

- Copy of the current corporate by-laws, as well as of the amendment or amendments evidencing the pertinent modifications in the corporate purpose, in the terms of section 6.3.2 above, if applicable.
- Copy of the pertinent minutes, resolution, agreement or determination of the competent corporate body evidencing the powers and authority granted to the legal representative, in accordance with section 6.3.9 above, in case he or she has limitations for any of the purposes established therein.
- Mandate setting forth the powers and authority of the agent in Colombia, as indicated in section 6.3.10. Also the Legal Entity can be represented by the manager of its branch in the Country, if it has all the attributions and powers established in sections 6.3.9 and 6.3.10 above.

6.4.3 **Consortiums, Temporary Unions and Pledges of Future Partnership**



In addition to the documents evidencing the **Legal Capacity** of each of the parties making up the respective association, in line with sections 6.4.1 and 6.4.2 above, they must present the documents listed below, depending on whether they belong to the first two or the third category:

▪ **Consortiums and Temporary Unions**

Agreement setting forth the respective association, including the following:

- Parties, representatives or agents; powers to execute the agreement and to undertake all activities and actions subject thereto, as listed in the following paragraph, as well as to bind the legal entity in question, represent its interests and act in its name in the acts, steps and procedures inherent to the contractual action.
- Description of the purpose, including submission of a **Proposal** in furtherance of the "**Ronda Colombia 2014**", under that form of association, as well as of the documents required for **Qualification** of a **Plural Bidder**; the timely, effective and efficient fulfillment of the commitments derived from such submission; the execution of the proposed **Contract** or **Contracts**, in case of award; the consequent fulfillment of the requirements preceding and following such award, and the performance of the former or the latter, which must include commitments and obligations, as well as the furnishing of the required guarantees.
- The term of duration of the contract or agreement, in line with section 6.3.3 above.
- The percentage (%) of participation of each member of the association and the distribution of activities, if such were the case.
- The legal entity that is to act as **Operator**, which shall be responsible for the exploration, evaluation and production activities,



in keeping with the proposed type of **Contract**, and for the direction of the contractual performance and of relations with **ANH**.

- The appointment of the designated representative and of two (2) alternates to replace him/her during his/her temporary or accidental absences, while the title holder is nominated.
- The precise determination of his/her powers and limitations.
- The directive, coordinating or administrative bodies, if they are established, and their corresponding responsibilities or functions.
- The fact that the parties are jointly and severally liable for the fulfillment of each and every one of the obligations and commitments derived from the application for **Qualification**; from the submission of the **Proposal** and from the execution, performance and termination of the proposed **Contract** or **Contracts**, as the case may be, and until the final settlement thereof, in addition to undertaking the commitments that survive this act.

If the association is in the form of a **Temporary Union**, without prejudice to the joint and several liability imposed by law, the liability for the payment of fines and other monetary penalties shall be distributed among the entities conforming the respective association, in proportion to their percentage of participation therein.

- **Pledge of Future Partnership**

Pledge of Future Partnership Agreement, duly executed and formalized, strictly subject to article 119 of the Commercial Code, in which all members of a **Plural Bidder** agree on the following:

- **Parties**

Name, legal nature, nationality, domicile and purpose.



Representation and powers.

Each legal entity must act through a duly authorized representative or legally appointed agent for such purpose, whose names, identification document, nationality, domicile, status and powers are specifically detailed for the corresponding party.

- **Purpose**

The irrevocable and reciprocal **pledge** by all parties to establish a commercial company in the Republic of Colombia and under its legislation, with the exclusive purpose of entering into, formalizing, performing, carrying out, terminating and settling the proposed **Contract** or **Contracts**, in the event that the group made up by them, in the form of a Pledge of Future Partnership, is awarded one or several **Areas** in the **Bidding Process**. Said partnership shall have the characteristics and shall be governed by the by-laws established in that same document, all in accordance with the pertinent legal system and the rules and documents of the **Bidding Process**.

- **Condition Precedent**

The execution and formalization of the Pledge of Future Partnership shall be exclusively subject to the condition that the **Bidding Process** is awarded to the **Parties** associated under the mentioned **Pledge of Future Partnership**, in such a way that the proposed **Contract** or **Contracts** are entered into with the Pledged Partnership.

- **Timing of Incorporation**

Should the condition precedent occur, that is, if the parties to the **Pledge of Future Partnership** are successful in the **Bidding Process**, the **Partnership Agreement** shall be entered into and formalized and the corresponding public or private instrument shall be recorded in the Public Register of the Chamber of Commerce of the



principal domicile, within fifteen (15) calendar days following the notice of the respective decision, and, in any event, before the day on which the respective **Contract** or **Contracts** are to be signed with **ANH**.

▪ **Obligations of the Parties**

In furtherance of the **Pledge of Future Partnership**, each **Party** must contract the following obligations, in addition to those stipulated by law and to the rules and documents of the **Bidding Process**:

- ✓ Promptly attend the execution and formalization of the Agreement through which the **Pledged Partnership** is legally organized, in the event that the condition precedent is fulfilled, as well as undertake any other action aimed at perfecting and recording it, all in accordance with the law and the rules and documents of the **Bidding Process**.
- ✓ Remain as a partner or shareholder in the new company throughout the term of performance of the proposed **Contract** or **Contracts** and until their final settlement, or until their early termination, and also after they are settled, in the case of the **Operator**, and of the other partner or partners that have evidenced the **Financial Standing** of the **Bidder**, except with the express prior authorization of **ANH** and provided the assignee meets at least the same requirements as the assignor.

▪ **Joint and Several Liability**

In conformity with article 119 of the Commercial Code, the future partners answer jointly and severally and without limitation for the acts and transactions they enter into or perform in furtherance of the business of the **Pledged Partnership**, before its incorporation.

In addition, pursuant to paragraph 3 of article 7 of Law 80 of 1993, the partners in the **Pledged Partnership** shall answer jointly and severally to **ANH** for the fulfillment of each and every one of the



obligations derived from the "**Ronda Colombia 2014**"; for the submission of the **Qualification** documents; for the formulation of the **Proposal**, and for the proposed **Contract** or **Contracts**, as the case may be.

- **Appointment of Sole Representative**

The pledging **Legal Entities** must appoint an individual as sole representative of all of them, with two (2) alternates to replace him/her during his/her temporary, accidental or absolute absences, until a new principal is appointed. Such representatives must be given ample powers to act in the name of all partners, as well as in representation of the group, without limitation, in all aspects related to the **Bidding Process** and to the proposed **Contract** or **Contracts**, from the submission of the **Qualification** documents, to the formulation of the **Proposal** and the establishment of the **Pledged Partnership**, in particular, to submit the former and formulate the latter; execute any document related to the **Partnership**; answer eventual requisitions or requests for clarification; receive notices, including that of award; attend hearings and act as spokesperson in them, as well as bind and make all co-participants in the process responsible for all steps of the **Bidding Process** and for the performance of the **Pledge Agreement**.

- **By-laws of the Pledged Company**

In accordance with Colombian law, in keeping with its legal nature and type, and in particular, article 110 of the Commercial Code.

6.4.4 **Common Accreditation Requirements**

- Declaration signed under oath by an **Individual Bidder** or by all members of a **Plural Bidder**, stating the following:
 - That they have not incurred grounds for disqualification, incompatibility or prohibition, and not having any conflict of



interest, under the Colombian Political Constitution and the law, and irrevocable commitment to withdraw their **Proposal**, assign the legal transaction or their participation in it, with the prior express written authorization of **ANH**, or to terminate it by reciprocal agreement, in case of occurrence of any of such grounds, a circumstance which shall also be set forth in the respective **Contract** or **Contracts**.

- That they are not involved in a judicial liquidation process or similar circumstance under the law of their country of origin, such as bankruptcy, voluntary or forced liquidation and, in general, any process, or situation that may result in the extinction of the legal entity, or have pending litigations, judicial proceedings in progress or find themselves in any other situation or contingency that may materially compromise the timely, effective and efficient fulfillment of the obligations and commitments derived from the application for **Qualification**; the submission of the **Proposal**, the award of a **Contract**, and its execution, performance or termination.

Otherwise, the declaration must specify such litigations, proceedings, circumstances and situations, with an indication of their nature, description, amount, current status, risks and provisions. In these cases, **ANH** may request a bank guarantee securing the payment of eventual rulings or contingencies.

- That the funds and resources allocated to the performance of the proposed **Contract** or **Contracts**, and in particular to the investments required, have been obtained from lawful activities.
- Commitment by the **Operator** to have and retain at least a thirty percent (30%) participation in the association in question, and to undertake the exploration, evaluation and production activities, the leadership of the association and the direction of the contractual performance and of relations with **ANH**, in the case of **Plural Bidders**.



- Formal and irrevocable commitment by an **Individual Bidder**, the **Operator** and the parties that evidenced the **Financial Standing**, in the case of **Plural Bidders**, not to assign or transfer the proposed **Contract** or **Contracts** or their participation and interest in it or in them, in whole or in part, without the prior express written authorization of **ANH**.
- Formal and irrevocable commitment by the **Operator** to maintain at least a thirty percent (30%) participation and interest in the respective **Contract**, in cases of partial assignment to another member of a **Plural Bidder**.
- Formal and irrevocable commitment to obtain the prior express written authorization of the **ANH** to carry out any transaction involving a change in the **Real** or **Controlling Beneficiary**, as well as events of merger or spin-off, of an **Individual Bidder**, the **Operator** and the party or parties that have evidenced the **Financial Standing** requirements, in cases of **Plural Bidders** if such authorization or formal and irrevocable commitment is required about informing the Entity on any of the referred operations.
- Formal and irrevocable commitment to obtain the prior express written authorization of **ANH** in the event of a total or partial assignment or transfer of the ownership interests in an **Individual Bidder** legal entity, the **Operator** or any other member of a **Plural Bidder** which may have evidenced the **Financial Standing** requirements, including merger or spin-off transactions, as required.
- Excepted from the provisions stated under last two (2) paragraphs above, that is, from obtaining the prior express written authorization of **ANH**, but not from informing the Entity, are transactions in which the total amount of the investment in



exploration corresponding to the **Contract** or **Contracts** entered into with Entity, including both the mandatory **Minimum** and the **Additional** investment offered, and/or the assets derived from the Production Stage of such **Contracts**, respectively, do **NOT** exceed twenty percent (20%) of the total assets of the **Individual Contractor**, the **Operator** and the parties that evidenced the **Financial Standing** in cases of **Plural Contractors**.

- The obligation to inform **ANH** of any change in the **Real** or **Controlling Beneficiary**, as well as of mergers or spin-offs, and that of obtaining the prior express written authorization of Entity, if necessary, must likewise constitute a formal and irrevocable commitment.
- Formal and irrevocable commitment to provide accurate, reliable and truthful information, as well as express authorization to the **ANH** to verify the information submitted for purposes of **Qualification** and **Proposal**, a right that is reserved by the **ANH** at any time, both before or after said **Qualification**, the assignment or award of the proposed legal transactions, and the execution thereof.
- Power-of-attorney duly granted to the respective agent in accordance with the law, in the event that an **Individual Bidder** or any member of a **Plural Bidder** makes use of this instrument of representation to act in their name, with express indication of their powers and those of the grantor, as set forth in sections 6.3.9 and 6.3.10.
- Printed copy of the latest publication of the Bulletin of Fiscally Liable Persons (*Boletín de Responsables Fiscales*) of the Office of the Comptroller-General of the Republic, as well as of the Certification of the Office of the Attorney-General of the Nation stating that neither the **Individual Bidder** nor the members of a **Plural Bidder**, or their partners and administrators, have a disciplinary record.



These requirements do NOT apply for open companies partner or registered in the stock exchange.

- Certification issued by the legal representative and the statutory auditor, if the legal entity involved is required to have one, stating that an **Individual Bidder** and the members of a **Plural Bidder** are in good standing with respect to their obligations to the General Social Security System and payroll taxes, the parafiscal taxes and the Income for Equity Tax CREE, in case they are subject to the respective system in Colombia, as per provided under articles 50 of Law 789 of 2002 and 23 of Law 1150 of 2007, and Law 1607 of 2012, or under any rules that develop, amend, supplement or substitute the aforementioned laws.
- Certification issued by the legal representative and the statutory auditor or external auditor, if the legal entity involved is required to have one, or if otherwise, by the internal auditor (Comptroller) or whom ever may act as such, that would clearly and precisely identifying those who have the condition of **Real Beneficiaries** or Controllers of the **Bidder** or of the members of **Plural Bidders**, as well as the stock or quota or ownership interest composition, except when the capital stock is listed at a stock exchange.
- **Joint and Several Guarantee**, in its case, duly signed, legalized, notarized translation, and a validity and binding certificate in accordance with the legislation of the grantor's country of origin, according to Section 1.38 of **Chapter One** on **Definitions**.

6.5 Evidence of Financial Standing

An **Individual Bidder** and each member of a **Plural Bidder** must prove that they have sufficient financial resources to attend in a timely, effective and efficient manner to the projects and commitments under their responsibility and to assume the obligations and commitments derived from the **Contract** or



Contracts that may be entered into as a result of the "**Ronda Colombia 2014**" Bidding Process.

The **Financial and Economic Capacity** for each **Area** of the **Proposal, Form No. 10**, is determined by the **Residual Net Worth**, the **Indebtedness Capacity** and the **Debt Service Coverage**, using the following formula:

$$CEF = (50\% * PNR) + (25\% * RE * PNR) + (25\% * RSD * PNR)$$

Where:

CEF	Financial Economic Capacity
PNR	Residual Net Worth
RE	Indebtedness Range
RSD	Debt Service Range

The **Residual Net Worth** of the **Individual Bidder** or each member of a **Plural Bidder** corresponds to the one obtained from completing **Form Annex No. 7**, called **Residual Net Worth**.

To determine the **Indebtedness Range** of the **Individual Bidder** or members of a **Plural Bidder**, according to the following Table, the **Form Annex No. 8**, called **Indebtedness Capacity**, must be completed.

Net Debt /EBITDA	Indebtedness Range
0 <= 1.5	1,00
1.5 <= 3	0,67
3 <= 4.5	0,33
> 4.5	0

On the other hand, to determine the **Debt Service Coverage** of the **Individual Bidder** or members of a **Plural Bidder**, in accordance with the following Table, the **Form Annex No. 9**, called **the Debt Service Coverage** must be completed.



EBITDA/Debt Service	Debt Service Coverage Range
<u>≤ 1.2</u>	<u>0</u>
<u>$1.2 <= 2.0$</u>	<u>0,33</u>
<u>$2.0 <= 3.0$</u>	<u>0,67</u>
<u>> 3.0</u>	<u>1,00</u>

In order to determine the **Financial Standing** in case of **Plural Bidders**, the result of the calculations of each member, obtained in proportion to its participation in the given association must be added.

As support of said **Annex**, domestic legal entities must present general-purpose financial statements, as per provided under articles 36, 37 and 38 of Law 222 of 1995 and 21 et seq. under Regulatory Decree 2649 of 1993 or under regulations amending, substituting or supplementing them, duly certified and audited, together with their notes, for the last three (3) fiscal periods.

In the case of foreign legal entities, this accounting and financial information must have been prepared in accordance with the "*International Financial Reporting Standards - IFRS*", or the "*Generally Accepted Accounting Principles - US GAAP*", to the standards and general principles valid in the respective country, or, in general, to international valid general principles and must be presented duly audited.

If the legal entity has not been incorporated three (3) years before, the accounting and financial documentation requested must correspond to the period of existence and operation thereof.

To convert to United States Dollars the amounts expressed in Colombian Pesos, the Market Exchange Rate (TMR in Spanish) certified by the Financial Superintendency or published by the Central Bank (Banco de la Republica), corresponding to the Financial Statements cut date or the corresponding Accounting and Financial Information.



If dealing with figures in other currencies, it is convenient to use the corresponding Exchange Rate, for the same date, that is also published by the Central Bank (Banco de la Republica).

The corresponding **Forms** should clearly state the Exchange Rate used and the source it was taken from.

Without prejudice of the obligation to submit the corresponding **Forms, shall be exempted from submitting financial evaluation to establish their Financial Standing those Individual Bidders, Operators** and members of **Plural Bidders** that are listed in the latest publication of “*The Energy Intelligence Top 100: Ranking the World's Top Oil Companies Corporate Comparison Analytics*” of “*Petroleum Intelligence Weekly*”, as companies of the integrated or “Upstream” type, as well as those companies which prove to **ANH** that during the past year they obtained a risk rating, on international scale equal to or greater than those established in the following table:

Risk Rating Agency	Rating
Standard & Poor’s	BBB
Moody’s	Baa
Fitch Ratings ⁽¹⁾	BBB

(1) Rating equivalent to **AAA** in the Colombian scale case

The **Financial Standing** required from the **Individual** or **Plural Bidder** to determine the required for **Qualification** varies as a function of the **Type of Area** and **Deposit**, as follows:

6.5.1 **Type 1 Areas**

- **Continental – Discovered Deposits Non-Developed - Exploration and Production Contracts, -E&P-**



The **Financial Standing** must be equal to or greater than **two million dollars of the United States of America (USD 2,000,000)**, for each **Area** proposed.

- **Continental**, prospective for **Conventional Deposits Exploration and Production Contracts, -E&P-**

The **Financial Standing** must be equal or greater than **six million of the United States of America (USD\$6.000.000)**, for each **Area** proposed.

- **Offshore** prospective for **Conventional Deposits – Exploration and Production Contracts, -E&P-**

The **Financial Standing** must be equal to or greater than **two hundred million dollars of the United States of America (USD (USD\$200,000,000))**, for each **Area** proposed.

6.5.2 **Type 2 Areas – Continental** with prospective for **Unconventional Deposits - Exploration and Production Contracts, -E&P-**

The **Financial Standing** must be equal to or greater than **two hundred million dollars of the United States of America (USD 200,000,000)**, for each **Area** proposed.

6.5.3 **Type 3 Areas –**

- **Continental** with prospective for **Conventional Deposits** and **Technical Evaluation Contracts, -TEA-**

The average **Financial Standing** must be equal to or greater than **twenty million dollars of the United States of America (USD 20,000,000)**, for each **Area** proposed.

- Offshore prospective for **Conventional Deposits– Technical Evaluation Contracts, -TEA-**



The average **Financial Standing** must be equal to or greater than **two hundred million dollars of the United States of America (USD 200,000,000)**, for each **Area** proposed.

6.6 Evidence of Technical and Operational Capacity

An **Individual Bidder** or the **Operator** in the case of **Plural Bidders**, intending to submit a **Proposal** in furtherance to the "**Ronda Colombia 2014**", must evidence that they have the **Technical and Operational Capacity** required, in terms of production levels, volumes of reserves and wells drilled, from which it is possible to assume that they have the experience to conduct the operations of the proposed **Contract** or **Contracts**, in accordance with the best practices and most recent (state-of-the-art) technologies of the oil industry.

To such end, they must complete **Form No. 11** and submit it, signed by the legal representative the accountant and the statutory auditor or external auditor, if the respective legal entity is required to have one, or if otherwise, by the internal auditor (Comptroller), or whom ever may act as such.

In the case of operations in Colombia, the information will be confirmed with the Ministry of Mines and Energy and/or with **ANH** records.

If the wells drilled and/or the production correspond to operations carried out abroad, the data must be presented together with a certification issued by the competent authority of the respective country, which in doing so must indicate its powers and authority.

The information regarding reserves must be presented audited by an independent third party, in accordance with the guidelines of the Petroleum Resources Management System (SPE-PRMS) and the reserve auditing standards, or by a competent authority of the respective country.

The conversion factor to be used in converting gas production into equivalent oil is: 1 BPE is equivalent to 5.700 PCG.



Without prejudice of the obligation to submit the corresponding **Form** are exempted from evaluation to establish their **Technical and Operational Capacity, Individual Bidders** and the **Operator** in the case of **Plural Bidders** appearing in the latest publication of "The Energy Intelligence Top 100: Ranking the World's Top Oil Companies" of "Petroleum Intelligence Weekly" as companies of the integrated or "Upstream" type.

Also exempted from the obligation to evidence the **Technical and Operational Capacity** requirements established in this paragraph, are **Individual Bidders** or the **Operator** in cases of **Plural Bidders** which evidence fulfillment of one of the following conditions: i) Having operated contracts whose purpose is or incorporate activities of exploration and production of hydrocarbon during the past ten (10) years, with investments in excess of five hundred million United States Dollars (USD 500,000,000) or their equivalent, **or** ii) Having assets in excess of one billion United States Dollars (USD 1,000,000,000) or their equivalent during the last fiscal period and which at the date of the application for **Qualification** are operators of at least five (5) contracts whose purpose is or incorporate activities of exploration and production of hydrocarbon.

An **Individual Bidder** or the **Operator** in cases of **Plural Bidders**, which has not been incorporated or has not included within its corporate purpose the performance of hydrocarbon exploration and production activities, at least five (5) years prior to the date of submission of the request for **Qualification**, may substitute this requirement by evidencing compliance with the condition established in subsection ii) above.

The execution and performance of contracts whose purpose is or incorporate activities of exploration and production of hydrocarbon must be certified by the respective Contracting party, indicating the date, purpose, term of execution, investments made and general performance of the respective legal transaction.

The requirements to evidence **Technical and Operational Capability** vary according to the **Type of Area** and **Deposit**, as follows:



6.6.1 **Type 1 Areas - Continental for Discovered Deposits Non-Developed - E&P Contracts**

- Minimum of one (1) Exploratory Well drilled during the past three (3) years, **or**
- Own Proven Reserves, for the last fiscal year, reported in the Financial Statements, not less than fifty thousand barrels of oil equivalent (50,000 BPED), **or**
- Minimum Production Operated of three hundred barrels of oil equivalent per day (300 BPED). It should be reached at any given time during the three (3) years preceding the date of submission of the **Qualification** documents.

6.6.2 **Type 1 Areas – Continental with prospective for Conventional Deposits – E&P Contracts**

- Minimum of two (2) Exploratory Wells drilled during the past three (3) years.
- Own Proven Reserves, for the latest fiscal period, reported in the Financial Statements, of no less than two million barrels of oil equivalent (2 MMBOE).
- Minimum Production Operated of one thousand barrels of oil equivalent per day (1,000 BPED). Must have been attained at any time during the three (3) years immediately preceding the date of submission of the **Qualification** documents.

6.6.3 **Type 3 Areas – Continental with prospective for Conventional Deposits – TEA Contracts.**

- Own Proven Reserves, for the latest fiscal period, reported in the Financial Statements, of no less than five million barrels of oil equivalent (5 MBPE).



- Minimum Production Operated of five thousand barrels of oil equivalent per day (5,000 BPED). Must have been attained at any time during the three (3) years immediately preceding the date of submission of the **Qualification** documents.

6.6.4 **Type 1 Areas - Offshore** with prospectivity for **Conventional Deposits – E&P Contracts**

Type 2 Areas - Continental with prospectivity for **Unconventional Deposits – E&P Contracts**, and

Type 3 Areas – Offshore with prospectivity for **Conventional Deposits – TEA Contracts**

- Own Reserves Proven, for the last fiscal exercise, reported in the Financial Statements, not less than fifty million barrels of equivalent oil (50 MBPE).
- Minimum Production Operated of twenty thousand barrels of equivalent oil per day (20.000 BPED). Must have been attained at any time during the three (3) years immediately preceding the date of submission of the **Qualification** documents.

6.7 **Evidence of Environmental Capacity**

An **Individual Bidder** or the **Operator** in cases of **Plural Bidders**, seeking the award of an **Area** or **Areas** for hydrocarbon exploration and production, must provide evidence of having implemented and put into effect environmental management systems for the follow-up metering of operations, and for the performance of activities that may have an impact on natural resources and the environment.

Said demonstration may be made through an ISO 14001 or other equivalent certification.



If the entity has no certifications in the aforementioned matter, it must present a document containing the corporate environmental policy and management system established and being implemented, signed by the legal representative, and the statutory auditor, the external auditor or whoever may act in their stead, without prejudice of assuming the obligation to obtain a certification in environmental matters within the first two (2) years of contractual performance, if favored with the award.

6.8 **Evidence in the Matter of Corporate Social Responsibility**

An **Individual Bidder** or the **Operator** in the case of **Plural Bidders**, seeking the assignment of one or several **Areas** for hydrocarbon exploration and production, must provide evidence of having implemented and put into effect corporate regulations, practices and goals in the matter of **Corporate Social Responsibility**.

Said demonstration may be made through a certificate evidencing the adoption and implementation of national or international parameters or standards such as ISO 26000 or similar.

In addition, it must present a document containing the regulations, practices and corporate goal of **Corporate Social Responsibility** adopted and ongoing, signed by the legal representative.

It should also be submitted a document having the standards, practices and responsibility standards respect to ethnically diverse groups or communities, stating its commitment to their fulfillment.

6.9 **Application for Qualification**

Within the term indicated in the **Schedule** for this purpose, an **Individual Bidder**, each member of a **Plural Bidder** and the respective association as such, must submit an application for **Qualification** by filling out communication **Form No. 1**, signed by the legal representative or agent and by the designated representative, duly empowered for such purpose,



accompanied by a photocopy of the Single Tax Registration, (RUT for its acronym in Spanish), for those who are taxpayers in Colombia; photocopy of the identity document of the legal representative, conventional or agent, and of all documents indicated in this **Chapter** to evidence **Legal Capacity, Financial Standing**, as well as **Technical and Operational** and **Environmental Capability** and **Corporate Social Responsibility**, subject to the law and to these **Terms of Reference**.

Said documents must be presented in the Spanish language or accompanied by an official translation.

Documents issued abroad must observe the requirements established in article 480 of the Commercial Code, except for public documents originating in signatory countries of The Hague Convention of October 5, 1961, adopted in Colombia through Law 455 of 1998, in which case they require an apostille, in the terms of said Convention.

These may be submitted via certified mail and filed before the **ANH** prior to the expiration of the term indicated in the **Schedule** for such purpose. No applications or documents sent by fax or e-mail will be accepted.

Those sent or filed after the deadline will **NO** be considered and will be returned to the sender without being opened.

Applications, **Forms** and documents must be submitted in original and one (1) identical copy, with no amendments or erasures, duly numbered with an indication that the page is "x" of "y", with an accurate, clear and complete statement of all information requested, preceded by an index and deposited in separate closed envelopes.

Both envelopes must contain the same information. In case of discrepancy the original will prevail.

The reference shown must be "**Ronda Colombia 2014**"; the envelopes must indicate that they contain the documents for **Qualification**; be marked with the name of the **Individual Bidder** or **Plural Bidder**, their domicile, address,



phone numbers, fax and e-mail, a contact name, and the indication of whether what is contained is the original or a copy.

The address, telephones, fax and e-mail shown in the request for **Qualification** will be used by **ANH** for all purposes related to the communications and notices referred to in these **Terms of Reference**. Therefore, each **Bidder** is exclusively responsible for informing **ANH** sufficiently in advance and in writing of any change in such information.

The **Forms** must be filled out in accordance with the instructions included in their text or in the **Terms of Reference**, without introducing changes or adjustments in them or altering the order of the information requested.

6.10 **Clarifications and Submission of Documents Subject to Correction**

The **ANH** may request clarifications regarding the documentation submitted for **Qualification** purposes, request supplementary data and even request the submission or replacement of those that do not meet the requirements established by law or by these **Terms of Reference**.

Said requests must be responded to, the additional information provided and the new or replaced documents delivered within the peremptory term established by **ANH** in the respective official communication, under penalty of denial of the application for **Qualification**.

In any event, **ANH** reserves the right to verify the information provided and check the documents submitted, either before or after the **Qualification**, the **Award** and even the execution of the respective **Contract**. Bidders shall expressly accept this circumstance in the application **Form** and in that corresponding to the **Cover Letter** of the **Proposal**. With their signing of the documents, **Bidders** declare under oath that the information set forth and the documents submitted are accurate, true, and reliable and may be verified at any time.



Said verification may be carried out through phone inquiry or by written physical or magnetic medium, a request for conformity and in general in any way that will allow the establishment of its veracity and accuracy, not requiring special steps or formalities related to judicial proceedings, without prejudice of the duty of **ANH** consisting in formulating the pertinent reports.

If as a result of said verification **ANH** determines that the **Bidder** provided false or inaccurate information, it shall abstain from granting the requested **Qualification**.

6.11 **Preliminary List of Qualified Bidders**

Upon completion of the examination and verification of applications, documents and information submitted for **Qualification** purposes, **ANH** will post the results of the same, with the **Preliminary List of Qualified Bidders**, on the web page of the **ANH** and of the "**Ronda Colombia 2014**".

The **List** shall establish for each **Qualified Bidder** both the number and **Type** of **Areas** for which it may submit a **Proposal**, depending on whether such **Areas** are **Type 1, 2 or 3, Continental or Offshore**, and their prospectivity for **Conventional or Unconventional Deposits**, without prejudice to the right established in section 6.13 below.

Participants may formulate only once duly supported observations and objections to the **List**, within the term established in the **Schedule** for this purpose.

The Entity shall answer said observations or objections in writing, stating the pertinent reasons, which shall be likewise posted at the time indicated in the **Schedule**.

6.12 **Final List of Qualified Bidders**



Once the observations or objections of **Participants** have been resolved, the **Final List of Qualified Bidders** will be published on the date indicated in the **Schedule**.

In this case too, the **List** shall establish for each both the number and **Type** of **Areas** for which each **Qualified Bidder** may submit a **Proposal**, depending on whether such **Areas** are **Type 1, 2 and 3, Continental** or **Offshore**, and their prospectivity for **Conventional** or **Unconventional Deposits**, without prejudice to the right established in section 6.13 subsequent.

6.13 **Subsequent Qualification of Plural Bidders**

Qualified Individual Bidders may form any one of the associations contemplated in these **Terms of Reference** in order to submit a **Proposal** as **Plural Bidders**, in which case they must submit with it the pertinent association agreement, the pertinent documents for the purpose of verifying that the Plural Bidder thus formed is duly **Qualified**.



CHAPTER SEVEN

PROPOSALS

7.1 Presentation and Content

On the date and at the time fixed in the **Schedule** for such purpose, **Qualified Bidders** may make their **Proposal** or **Proposals** for the allocation of **Area** or **Areas** of their interest, provided they meet the **Financial Standing** and the **Technical Operational Capacity** requirements established according to the **Type of Area** and of the **Deposits** for which they are prospective.

The **ANH** will only analyze the offers of those **Bidders** that have been **Qualified** to participate, and will return all others.

A separate **Proposal** must be submitted for each **Area** and no **Bidder** may submit more than one Proposal for a same **Area**.

Proposals must be submitted in original, in the Spanish language and in the envelopes provided by **ANH** to **Qualified Bidders** and must contain:

7.1.1 Cover Letter prepared on **Form No. 12**.

7.1.2 **Additional Investment** offered by filling out **Form No. 13**, prepared for this purpose.

7.1.3 **Percentage Share of Production (X%)** offered, which must be equal to or greater to the total after deducting royalties, also indicated in **Form No. 14**, prepared for this purpose. This must be a whole number greater than or equal to one (1). **NO** fractions are allowed. In such case, **ANH** will round up the figure to the next highest whole number.



This same **Form** should state the Percentage Share of Production (X%) offered, in case the **Contractor**, in development of exploratory activities in the **Area** allocated finds that same is prospective for a different **Type of Deposit**; is **Qualified** to develop it or associates with whom ever has the **Capacity** requirements for such purpose, and therefore, agrees with ANH to explore and produce hydrocarbons coming from same. If the Area is prospective for **Unconventional Deposits**, such percentage should be higher than the one offered for same. Otherwise, thus, if the **Area** is prospective for **Conventional Deposits** it can be less.

7.1.4 Bid Bond for each **Proposal**, in accordance with section 7.2 of this **Chapter**.

7.1.5 Pertinent documents for **Plural Bidders** formed by previously **Qualified Individual Bidders** previously **Qualified**, is also duly **Qualified** as such to submit a **Proposal** for the pertinent **Area**.

Said documents are:

- **Consortium, Temporary Union or Pledge of Future Partnership** Agreement, in the terms of section 6.4.3.
- Statement contemplated in section 6.4.4, regarding the circumstances set forth in the fourth, fifth, sixth, seventh and eighth bullets (-).

The **omission** of any one of the previous documents is considered **NOT** subject to correction and will result in the rejection of the **Proposal**.

All documents of the **Proposal** must be presented in the Spanish language or accompanied by an official translation.

Documents issued abroad must observe the requirements established in article 480 of the Commercial Code, except for public documents originating in signatory countries of The Hague Convention of October 5, 1961, adopted in



Colombia under Law 455 of 1998, in which case they require an apostille, in the terms of said Convention.

The **ANH** is authorized to request clarifications or explanations regarding the content of the **Proposals** by means of a writing submitted physically, via fax or e-mail, a copy of which will be posted on the web page of the Entity and of the **"Ronda Colombia 2014"**.

In responding to these requests, **Bidders** may not complete, supplement, amend or improve their **Proposals** in any way, nor to submit extemporaneously the documents omitted.

The requests must be answered within the peremptory term established by **ANH** in the respective official communication, under penalty of the **Proposal** being likewise rejected.

The **Cover Letter** of the **Proposal** and the other **Forms** included in it must be presented duly signed by the legal representative or the agent of an **Individual Bidder** or by the designated representative or agent of a **Plural Bidder**, duly accredited or appointed in connection with the **Qualification**.

If such representatives or agents were not the same ones accredited during the **Qualification** process or were designated or appointed afterwards to form **Plural Bidders** among **Qualified Individual Bidders**, the **Proposal** must be accompanied by the pertinent documents established in sections 6.4.1 and 6.4.2 in order to evidence the legal capacity of the **Bidder**.

The **Forms** must be filled out in accordance with the instructions included in their text or in these **Terms of Reference**, without amendments or erasures, duly numbered, indicating that the page is "x" of "y", with a precise, clear and complete statement of all information requested, without introducing changes or adjustments or altering the order of said information, preceded by an index and deposited in closed envelopes.

Any additional explanation or clarification must be made in a separate numbered annex.



Any corrections must be clarified and validated in the document itself, with the signature of the legal representative or agent who signs the **Cover Letter**.

Envelopes must be addressed to **Agencia Nacional de Hidrocarburos**, with the reference "**Ronda Colombia 2014**", indicating that they contain a **Proposal** for **Area ____**, specifying it according to its name and **Type, 1, 2, or 3, Continental or Offshore** and the **Type of Deposit** for which it is prospective; and marked with the name of the **Individual Bidder** or **Plural Bidder**, its domicile, address, telephone numbers, fax and e-mail.

The Forms must be personally delivered by the person who signs the **Cover Letter**, and therefore no **Proposals** will be sent by mail, courier, facsimile or e-mail will be accepted.

Alternative or supplementary **Proposals**, amendments to those already submitted, partial **Proposals** or those containing any type of conditions will not be accepted.

Proposals and, in general, any document delivered after the date and time set for holding the respective hearing, shall be deemed not presented and shall be returned without opening.

The submission of a **Proposal** implies an obligation for the **Bidder** to keep it in force for its validation and eventual award, as well as for the execution of the respective **Contract**, if such were the case, in such a way that it must be understood as valid during the time that elapses from the delivery date and allocation of the respective **Area** to another **Bidder**, or until the approval of the contractual guarantees if successful, during which period the Bid Bond must also remain in force, and will be collected if the **Bidder** withdraws its Proposal or fails to fulfill any of the commitments arising from said submission, unless there are supervening grounds for disqualification or incompatibility for reasons beyond the responsibility and diligence of the **Bidder**.

Therefore, no **Proposal** may be withdrawn or amended after its deposit in the corresponding box.



7.2 Bid Bond

In order to guarantee the good faith of each **Proposal**, the respective **Bidder** shall obtain and submit a bond in favor of **ANH**, effective from the date of submission of the Proposal to the date of the approval of the contractual guarantees which must be furnished within six (6) business days counted as of the first of the mentioned dates, extendable as a function of the foregoing, in such a way that the guarantor acquires the commitment to extend it, if necessary, until the time of said approval.

Such Bonds have to have the purpose to strengthen the seriousness and firmness of the offer; of maintaining in firm its terms and conditions until approval of contractual guarantees; of timely attending the execution, conclusion and implementation of the **Contract** in case it is awarded; of granting in time the contractual guarantees mentioned, under the law and legal business terms, as well as to extend its validity in case **ANH** so requires it.

The amount insured should correspond to one hundred thousand United States Dollars (USD 100.000) or its equivalent in Colombian pesos, according to the Dollar Market Exchange Rate -TRM- valid on the date of issuing the corresponding Guarantee; such Rate must be included in the text for the **Proposal** on prospective **Continental Areas** for **Conventional Deposits**, and one hundred and fifty thousand United States Dollars (USD 150.000) or its equivalent in Colombian pesos, also according to the Dollar Market Exchange Rate -TRM- valid on the date issuing the Guarantee, such Rate must be included in the text for **Proposal** on **Offshore Areas** and prospective for **Unconventional Deposits**.

The insured value constitutes at the same time a monetary penalty for breaching any of its obligations and commitments undertaken by the Bidder when submitting its Proposal in agreement with articles 115 and 136 of the same regulatory decree 1510 of 2013.



The Bid Bonds of the **Proposals** may consist in any of the regulated ones in articles 129 to 136 and 140 to 146 of the Regulatory Decree 1510 of 2013, as well as to adjust to the requirements and conditions established in articles 110 10 113, 115 and 127 of the same Bylaw, or in the provisions that replace, modify or supplement it.

The **ANH** will hold the guarantees in custody and return those furnished by **Bidders** to which the respective **Area** or **Areas** are not awarded, or otherwise, after signing the respective **Exploration and Production -E&P- Contracts** or **Technical Evaluation Agreements -TEA-** and approved the contractual guarantees to the corresponding **awardee**.

7.3 **Delivery and Public Opening of Proposals**

At the place and on the date indicated in the **Schedule** for holding the hearing for delivery and opening of **Proposals**, those delivered in time will be deposited in a closed box.

At the time designated to commence the hearing, the **Proposals** deposited in the box will be opened and all those received in time will be listed, indicating the respective **Bidder**; the **Area** for which it is making its bid; the list of documents included in it; the Percentage Share of Production (X%) offered for the Type it corresponds to and the amount of the **Additional Investment** proposed.

A record of this hearing will be drawn up and posted on the web page of **ANH** and of the **Bidding Process**.

7.4 **Examination, Verification and Validation**

In the first place and in accordance with the law and the **Terms of Reference**, there will be a formal verification that each **Proposal** is complete, i.e., that it includes all documents required and the duly filled out **Forms**.

Once the formal verification has been completed, a determination will be made as to which **Proposals** meet the requirements and which do not.



Defects, deficiencies or omissions which according to the **Terms** may be corrected, will be made known to the respective **Bidders** through a posting on the web page of the **ANH**, indicating the peremptory term to make the appropriate corrections and/or submit the missing information.

Defects or deficiencies which cannot be or are not corrected or remedied in the manner and within the time limits established by the **ANH** will result in the rejection of the respective **Proposals**.

The **ANH** reserves the right to request clarifications to the **Proposals**, provided their content is not altered or their scope modified, and it is not omissions that can not be corrected, and subject to the guiding principles of equality, transparency, objective selection, impartiality, public disclosure and contradiction.

The absence of certain requirements or documents regarding the future contracting or the **Bidder** which are **NOT** necessary for a comparison of **Proposals** will not justify the rejection of an offer. Therefore, all requirements that do **NOT** affect the **Order of Eligibility** may be clarified or supplemented in the manner and within the term indicated in the respective request.

In any event, the **ANH** reserves the right to verify the information provided and check the documents submitted throughout the contractual process, either before or after the **Qualification**, the Award and even the execution of the respective **Contract**. This circumstance will be expressly accepted by **Bidders** in the **Cover Letter** of the **Proposal**, where the representatives or agents will declare under oath, which shall be understood as made with their mere signature, that all information and documents submitted are accurate, truthful, reliable and may be verified at any time.

Complete **Proposals** that meet all requirements are considered validated and will be subject to evaluation and rating to establish the **Preliminary Order of Eligibility** for award of the respective **Area**, as a function of the criteria or weighting factors applicable thereto.



7.5 Evaluation and Rating

The purpose of the rating of validated **Proposals** is to establish the **Preliminary** and **Final Order of Eligibility** for purposes of the award of the proposed **Contract** or **Contracts** and the assignment of the corresponding **Area** or **Areas**.

It will be made as a result of the evaluation of the following weighing factors:

7.5.1 Type 1 Areas – E&P Contracts

- Continental for Discovered Deposits Non-Developed, and
- Continental prospective for Conventional Deposits

Primary Factor:

Higher **Percentage Participation in Production (X%)** offered. This must be a **whole number** greater than or equal to one (1) and up to one hundred (100).

If there are fractions, ANH will round up to the offered amount to the next highest whole number.

Secondary Factor:
(Tiebreaker Criterion)

Higher **Additional Investment in Exploration** over and above the **Minimum Exploratory Program** established by the **ANH**, expressed in United States dollars (USD) in multiples of one hundred thousand (100.000), and minimum – the latter amount, or subject to rejection.

If the amount offered is not of such multiples, ANH will round up to the amount to the next highest multiple.

7.5.2 Type 2 Areas – E&P Contracts



Offshore with prospectivity for Conventional Deposits

Type 2 Areas – E&P Contracts

Continental, with prospectivity for Unconventional Deposits

Type 3 Areas – TEA Contracts

Offshore, with prospectivity for Conventional Deposits

Primary Factor:

Higher **Additional Investment in Exploration** over and above the **Minimum Exploratory Program** established by **ANH**, expressed in United States dollars (USD) in multiples of one million (1.000.000), and – minimum – the latter amount, or subject to rejection.
 If the amount offered is not of such multiples, ANH will round up to the amount to the next highest multiple.

Secondary Factor:
 (Tiebreaker Criterion)

Higher **Percentage Participation in Production (X%)** offered. This must be a **whole number** greater than or equal to one (1) up to one hundred (100).
 If there are fractions, **ANH** will round up to the offered amount to the next highest whole number.

7.5.3 Type 3 Areas – TEA Contracts

Continental, with prospectivity for Conventional Deposits

Primary Factor:

Higher **Additional Investment in Exploration** over and above the **Minimum Exploratory Program** established by **ANH**, expressed in United States dollars (USD) in multiples of one hundred thousand (100.000), and – minimum – the this amount, or subject to rejection.
 If the amount offered is not of such



multiples, ANH will round up to the amount to the next highest multiple.

Secondary Factor:
(Tiebreaker Criterion)

Higher Percentage Participation in Production (X%) offered. This must be a **whole number** greater than or equal to one (1) up to one hundred (100).

If there are fractions, ANH will round up to the offered amount to the next highest whole number.

If the tie between **Bidders** for the same **Area** persists, the **ANH** will offer the tied **Bidders** the possibility of entering into the proposed **Contract** jointly, on the basis of doing so in equal shares, provided they unanimously agree to this. Otherwise, it will assign the **Area** by drawing lots and the Bidder drawing the higher number will be the winner.

The offers must be filled out in **Forms No. 13** and **14 Annexed**.

7.6 Preliminary Order of Eligibility

After applying the award criteria or factors and preparing the **Preliminary Order of Eligibility**, **ANH** will post it on its Web page and on that of the Entity and of "**Ronda Colombia 2014**", together with the record of the evaluation and rating. Said **Order** will contain the list of **Bidders** who submitted a **Proposal** for each **Area**, in descending order from highest to lowest according to their respective offers.

Participants may formulate duly supported observations and objections thereto only once, within the term established in the **Schedule** for this purpose.

The Entity will resolve said observations or objections in writing, stating the pertinent reasons, which will be likewise posted, also at the time indicated in the **Schedule**.



7.7 Final Order of Eligibility

Once the observations or objections of **Participants** have been resolved, the **Final Order of Eligibility** will be published, on the date indicated for such purpose in the **Schedule**. If there are any changes with respect to the **Preliminary Order**, the reasons that led thereto will be set out, duly supported.

In this case too the **Order** will contain the list of **Bidders** who submitted a **Proposal** for each **Area**, in descending order from highest to lowest according to their respective offers.

7.8 Award or Allocation of Areas

Once the procedure of analysis, validation, evaluation and rating of the **Proposals** has been completed and the **Final Order of Eligibility** has been published, after receiving and resolving eventual observations to the **Preliminary Order**, at a public hearing held at the place, date and time indicated in the Schedule, **ANH** will proceed to award the **Contracts** and **Areas** subject to the **Bidding Process**, in whole or in part, and to declare unawarded those determined as such, should one or several of the grounds established for such purpose occur, all this through a well-supported administrative act, against which there will be no appeal.

During the hearing and prior to the adoption of the final decision of award, interested parties may submit comments regarding the answers of **ANH** to the observations or objections made to the **Final Order of Eligibility**.

The act of award is irrevocable and binds the Entity and the awardee. Nevertheless, if within the term that elapses between the award of the **Contract** and the signing thereof there are any supervening grounds for disqualification or incompatibility or it is verified that the act was obtained by unlawful means, it may be revoked. In the latter case, the amount of the Bid Bond for the **Proposal** shall pass to **ANH**, by way of a penalty, without prejudice to any legal actions conducive to compensation for any damages caused and not covered by the amount of the bond.



7.9 **Grounds for Declaring Unawarded Areas**

- When there are no **Proposals** for them.
- When none of the **Proposals** submitted complies with the **Terms of Reference**.
- When there are justified reasons or grounds that prevent an objective selection.

7.10 **Correction of Arithmetical Errors**

The **ANH** will determine whether there are any errors in the results of the arithmetical operations related to the quantities and the unit and total amounts of the **Exploration Programs** and will proceed to correct them. If the Awardee refuses to accept such corrections, the Bid Bond for the **Proposal** will be collected and the proposed **Contract** will be signed with the **Bidder** qualified in the second place of eligibility, provided its **Proposal** is favorable to **ANH**.

7.11 **Grounds for Rejection**

The **ANH** will reject **Proposals** in the events or circumstances indicated below:

- Submission of more than one **Proposal** for the same **Area** by the same **Individual Bidder**; by legal entities making up more than one **Plural Bidder**, or by **Plural Bidders** conformed by a legal entity which has submitted a **Proposal** for the **Area**, either directly or indirectly, by itself or through a third party.
- If a **Proposal** does not include the **Cover Letter** or is submitted without the signature of the legal representative or agent, or if these are not duly designated or accredited.



- If a **Proposal** does not contain the essential **Forms** established in sections 7.1.2 and 7.1.3.
- If a **Proposal** does not include the Bid Bond.
- If a requisition or request for clarification from **ANH** has not been promptly or completely and satisfactorily answered, or if a document or requirement that can be corrected has not been submitted in time and in legal form.
- If **ANH** has determined that all or part of the information and documents submitted are inaccurate or contrary to actual fact.
- Any other circumstance established in these **Terms of Reference** as grounds for rejection.

7.12 **Second Round**

ANH has the power to have a second **Round** to request **Proposals** in order to allocate **Areas** declared unawarded, and to such effect will use the same rules established in these **Terms of Reference** without prejudice of issuing the corresponding **Schedule** and to call the **Qualified Bidders**.



CHAPTER EIGHT

CONTRACTS

8.1 Timing of Execution

On the date and time indicated in the **Schedule** or established by the **ANH** in the respective order or summons the **Contract** or **Contracts** will be executed with the **Awardee**.

To such end, the aforementioned Awardee must submit the following documents to the **ANH**:

- Update of the documents evidencing legal standing to sue and be sued in the name of the **Awardee** in case there is any element modification.
- Certification regarding the fact that they have fulfilled in a timely, effective and efficient manner the obligations inherent to the General Social Security System and to payroll taxes, in accordance with section 6.4.4, or evidence of not being subject thereto, issued no less than ten (10) calendar days prior the execution of the **Contract(s)**.

8.2 Content

The terms, conditions and, in general, the provisions of the **Contracts** will correspond to those established in the **Drafts** approved by the Directive Council of **ANH** and published as an **Annex** to these **Terms of Reference** for the type of legal transaction involved and which are in force at the time, in accordance with their essence and purpose, and in line with common, civil and commercial law, the general **Regulations** governing them and the best practices of the hydrocarbon industry, without prejudice of the specifics derived from the legal nature and representation of the Contractor, the designated **Operator**, the winning **Proposal** and the negotiations carried out in aspects permitting them.



They may include modes, conditions and, in general, provisions which the Directive Council deems necessary and appropriate, provided they are not contrary to the Constitution, the law, public order, the contracting principles and aims of **ANH** and those of good administration.

8.3 **Guarantees**

Once the legal transaction has been signed within ten working days (10) following the **Effective Date**, that varies if there is the so called Phase 0, the **Individual** or **Plural Bidders** must establish and seek approval from **ANH** of guarantees and insurance demanded, following the pertinent provisions of the corresponding **Contract**.

The Performance Bond must consist of “*Standby*” letters of credit, irrevocable, and confirmed, under the terms established in article 146 Decree 1510 of 2013, or the regulations amending, substituting or supplementing them, as the case may be, issued by a banking institution established in Colombia or by a foreign credit institution, provided the negotiable instrument is accepted by a domestic credit institution.

The **Contract Drafts** establish the class and level covered regarding risks derived from entering into, executing and concluding the legal business, as well as in those cases, due to its characteristics, complexity and execution term, the performance bond may be divided in accordance with the execution Phases or Stages and the inherent risks each one implies, and may be reduced as the contract develops, prior to a written and express authorization from **ANH**.

The **Contractor** must reestablish the guarantees amount when these have been reduced due to claims from the Entity or third parties.

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Likewise, in the event of any extension or deferment of the term of performance of any of the Phases or Stages of contractual development, the



Contractor shall accordingly extend the effective term of the guarantees and insurance.

In case of non-performance of the obligation to obtain, extend, renew or restore the guarantees and insurance covering the timely satisfaction, efficient and effective of social benefits, commitments and obligations derived from the formalizing, execution and settlement of the **Contract** and its inherent risks, **ANH** will be entitled to unilaterally terminate the respective legal business.

In general the guarantees to be constituted and approved by **ANH** are the following:

8.3.1 In order to guarantee timely, effective and efficient compliance of the benefits, contractual obligations and commitments, "Standby" Letter of Credit irrevocable, and confirmed for the amount equal to fifty percent (50%) of the **Minimum Exploratory Program**, effective for the term equal to half of the duration of the **First Phase** in the case of **Exploration and Production Contracts –E&P-** or half of the total execution time, in **Technical Evaluation Agreements – TEA**.

8.3.2 In order to guarantee timely, effective and efficient compliance of the activities inherent to the **Additional Exploratory Program**, "Standby" Letter of Credit irrevocable, and confirmed for the amount equal to fifty percent (50%) of the amount of the **Investment** correspondingly, also effective for the term equal to half of the duration of the **First Phase** in the case of **Exploration and Production Contracts –E&P-** or half of the total execution time, in **Technical Evaluation Agreements – TEA**.

Nevertheless, the **Contractor** may choose to provide a (1) Letter of Credit including activities of the **Minimum Exploratory Program** as well as the **Additional**, in which case the amount should correspond to fifty percent (50%) of the amount of the investments inherent to each one.

At the expiration of the first eighteen (18) months of execution of the activities and activities inherent to the **First Phase** of the **Exploration and Production Contract –E&P-**, or contractual execution of **Technical Evaluation**



Agreements -TEA-, if the Contractor chooses to maintain legal business, not later than one (1) month before, it must extend the term of the guarantees of paragraphs 1 and 2 above, or of the Guarantee including both (2) for the eighteen (18) months remaining in the **First Phase** or the total execution time six (6) months, depending on the type of **Contract**.

For the next **Phases**, the Letter of Credit must have an amount equal to fifty percent (50%) of the amount of the Investments corresponding to the Minimum Exploratory Program, and remain effective for all the duration of each one and six (6) more months.

Nevertheless, these guarantees can also be given for periods of one (1) year, and extend them for equal time, and the last one for one (1) year and six (6) months, at the latest one (1) month before the corresponding expiration date.

All guarantees must be approved by **ANH**.

As of the effective implementation of the activities under the **Exploratory Investment** once received at the Oil Information Bank, **BIP** or **EPIS** the resulting technical information, and prior written express consent of the **ANH**, the **Contractor** may reduce the amount corresponding to the guarantee, according to the value of the actual activities and fully implemented to the satisfaction of Entity.

8.4 **COLLECTION OF GUARANTEES**

Upon the occurrence of any of the events of default or any of the risks covered or secured by the guarantees or insurance, they shall be collected in accordance with the following rules:

In cases of lapsing, unilateral termination, declaration of default or imposition of fines, after exhausting due process and guaranteeing the rights of defense and opposition of the **Contractor** and the guarantor, in accordance the corresponding administrative act shall be issued, which, besides the fund determination, the criminal clause will be made effective in its case; with the final determination and the quantification of damages, if possible and



appropriate, and both the **Contractor** and the guarantor shall be simultaneously ordered to pay the applicable monetary penalties.

The determination of lapsing, unilateral termination, imposition of fines or default implies the occurrence of the loss covered by the respective guarantee.

8.5 **Regulations Applicable to Guarantees and Insurance**

In all those aspects expressly non regulated by these **Terms of Reference** and by the **Contract Drafts**, the Guarantees and contractual Insurance will abide by the provisions contained in Title Third of the Regulatory Decree 1510 of 2013, or by the regulations replacing it, modifying it or supplementing it.

8.6 **Subcontracts**

Contractors under **Technical Evaluation Agreements -TEA-** and/or **Exploration and Production -E&P- Contracts** are fully and exclusively responsible for the execution, performance, completion and settlement of all legal transactions they enter into in order to obtain or dispose of the goods and services required for the performance thereof, which activities they must carry out for their sole account and risk, without the **ANH** undertaking any commitment or liability for any of the foregoing items.

8.7 **Analogical Application of The State Contracting Standards**

Regarding matters not covered specifically by the contractual provisions relating to guarantees and insurance, **ANH Contractual Regulations** and regulations that cover the state contracts shall apply, in particular, Article 7 of Law 1150 of 2007 and its required 1510 of 2013, or the provision that modify, supplement or replace it.

8.8 **Publication**

Once the **Exploration and Production -E&P- Contracts** and/or the **Technical Evaluation Agreements, TEA**, have been signed, their text must be posted on the Web page of **ANH**.



8.9 **Exceptional Clauses**

The contracts shall contain exceptional stipulations regarding lapsing; unilateral termination; fines; monetary penalty; indemnity, and reversion, in the event of occurrence of any of the specific grounds agreed upon pursuant to law, in terms that satisfy the general interest and protect the resources belonging to the Nation, and ensure the exercise of the rights of defense, opposition and, in general, due process.

8.10 **Phase 0**

In those **Areas** where there is information regarding the presence of ethnic communities or groups or where they may occur, the **Contracts** resulting from the "**Ronda Colombia 2014**" shall include a **Phase 0**, during which the **Contractor** agrees to take steps to obtain verification and certification of such presence in the area of influence of the exploration activities of **Phase I** and to carry out the respective Prior Consultations. In these cases, the fulfillment of the contractual obligations and commitments, subject to or dependent on the completion of said steps, shall be suspended and subjected to the effective verification, certification and consultation. Furthermore, during **Phase 0** activities to satisfy requirements and diligences concerning the environment could also be started.

Within the first sixty (60) Calendar Days counted from the execution date of the respective **Contract**, the **Contractor** must commence the Prior Consultation before the Colombian Ministry of the Interior. Otherwise, or if the Contractor does not act diligently, the **ANH** has the power to proceed to unilaterally terminate the **Contract**.

Phase 0 shall have a maximum duration of one (1) year, extendable for six (6) additional months, and even due to additional extension, it must comply with the contractual budget with the prior express written authorization of the **ANH** and shall end once the Prior Consultation procedure has been completed or at the expiration of the original term or its extensions.



During this **Phase 0 NO** pecuniary rights shall accrue in favor of the **ANH**.

If there are no communities or ethnic groups in the **Area** subject to the **Contract**, its performance shall commence with **Phase I**, and the calendar day immediately following that of its execution shall be deemed the **Effective Date**.