



August 19th, 2021

## Workshop Article 33 Table

### **1. In the analysis did you involve development and exploratory wells in the algorithm?**

**A:** Some wells are in the development part; however, most are exploratory wells both A3 and A2.

### **2. The original table contained some points scores that barely covered the cost of a well regardless of the basin. Why lower the points in a new table which discourages any type of investment valued in points or transferred in points?**

**A:** The points in the new table are more in line with today's market prices especially for the group of companies that are interested in exploration. Perhaps for companies that want to transfer obligations from one area to another, having the prices in the table may not be convenient. In principle, we are promoting exploration and investment in the country, so our interest is that those who come to the country for the first time have a low point score and thus, add to the investments.

### **3. The evaluation criteria are not adjusted to the reality of an operation and should be adjusted to the basin and not generalized to the region.**

**A:** It is important to keep in mind that it is difficult to get a single value of average depth of a basin, when it is understood that you can have many wells in different geological positions and different depths. In this exercise we tried to group a mean and use the value of this, plus the standard deviation of that value to cover the largest number of wells and generate an average value. It is understood that having a single value may favor those who have or want to drill wells at very shallow depths. So, looking for that average plus the standard deviation has been a titanic task. We have searched for the fairest way of compilation, so the exercise was done by basins.

### **4. When will you be updating the minimum points currently in the proposed Annex B for this cycle?**

**A:** We are in the process of developing the document.

### **5. For the cases of investment transfer requests that are already under evaluation by the ANH, will the version of the Article 33 table that will apply be the one at the time the request was sent or will it change when this new table is approved and therefore, the proposed activity to be transferred must be reformulated?**

**A:** All documents that are part of the process, in the future, will not have retroactive effect and it has not been contemplated to do so.



**6. The change of the table has a very big impact on future transfers, have you evaluated how to apply this table in these cases?**

**A:** Two important topics are currently under discussion: transfers and exploratory activity. The Round revolves around the exploratory activity, which is expected to be effectively carried out and implemented in the country. Therefore, this case is being analyzed.

**7. There are many places in the country where vertical wells are not viable due to environmental location. Likewise, in many places, due to surface costs, it is necessary to drill from Cluster with which 90% of the wells must be deviated and therefore do not fit the models presented.**

**A:** Such situations can occur. Extremes in statistics can give rise to such cases. The point value chosen is the mean plus the standard deviation.

**8. The scoring of Foothill wells in the proposal does not reflect the real costs of drilling in that basin. The conversion with the average WTI table yields a value of approximately US\$10M when a well in that basin is worth more than US\$40M. The same happens in the VIM, VMM and VSM basins where the real costs exceed the values that would result from the conversion. Where were the costs of the exploratory wells in Foothills obtained from? Were the statutory auditors' certificates presented by the companies with the real values of the costs of the wells and seismic considered? Likewise, the case of Boranda 3 does not reflect a real value since it was drilled from an existing pad, which resulted in a saving of more than US\$1.5M and our VIM wells exceed US\$16M.**

**A:** There is a difficulty with Piedemonte because there are not many wells in this area, which is why we used wells from the vicinity of Capachos, so it is possible that the values are very low; however, the previous values were out of phase. A new model is currently being developed for this specific area, which is why we are also working on enriching the database.

**9. Is it possible to include points for wells in each basin that already have platforms, civil works, etc.? This is important because when a transfer is going to be made, many times it is to contracts that already have infrastructure and have already built platforms. Then the wells have lower values than if it were a well that requires civil works and platform, etc.**

**A:** This table of the 02 Agreement from 2017 includes the cost of drilling given that it involves working with the medium base line and the standard deviation, because even when it is possible that this happens, they are isolated cases.

**10. In the case of unconventional wells, we consider it important to include an item with its own score, eliminating the addition of 3896 points for exploratory wells, since the conversion of the table with the WTI would yield a value of more than US\$45M per exploratory well.**

**A:** Non-conventional are not included in this table.



**11. Regarding the table presented today: in Addendum No. 20 of the Terms of Reference published on August 11, nothing was mentioned about the VEE, so it seems that the same terms of Cycle 3 would have been left. For Cycle 4, will proposals be taken into account by points or will this change with a new Addendum and will the VEE plus the values of the table presented today be taken into account?**

**A:** Yes, it will be adjusted as mentioned in this presentation.

**12. Does this mean that we are going back to the point system, and how does this fit in with the VEE?**

**A:** The table allows us to project what the EEV would mean; that is, the table is the vehicle for identifying what the Economic Value of Exclusivity is for the activity proposed by the companies.

*(This Workshop took place on August 19th)*