

GENERAL CHARACTERISTICS OF ECOPETROL ASSOCIATION CONTRACTS

1. The objective is to explore an area agreed upon between ECOPETROL and the operator and to extract the hydrocarbon products in that area.
2. The associate operator assumes all risks and investments required for exploration activities. The association contract generally establishes precise obligations to carry out seismic surveys and to drill a specific number of exploratory wells during the initial three-year exploration phase. Half of the well exploration costs can be recovered if the well eventually enters into commercial production.
3. The operator is obliged to provide ECOPETROL with detailed information on exploration activities in the contracted area as well as geological, geophysical and seismic information and analysis without restriction.
4. The initial three-year exploration period may be renewed for up to three more years. If a commercial field is found, the contracted area is progressively reduced to the commercial field plus a surrounding five-km belt.
5. The exploitation period ordinarily lasts up to 22 years. The exploration and exploitation period together cannot exceed a total of 28 years.
6. During the development stage, ECOPETROL and the operator share costs and revenue equally and act jointly to execute the contract. Decisions are adopted through an executive committee in which both parties are represented and have the right of veto. During this period the operator is reimbursed by ECOPETROL from its share of production for 50 percent of the exploration costs within the commercial fields that have entered into production.
7. Total production, after deducting 20% for government royalties, is shared equally between ECOPETROL and the operator. ECOPETROL administers payment of the 20% royalty to the national and regional governments and municipalities according to Colombian law. The Nation thereby receives 60% of the oil and the associate 40%.
8. On expiry of the association contract, the production field with its reserves and infrastructure reverts to ECOPETROL without obligation by ECOPETROL to pay any indemnization.