



OVERVIEW OF THE PARTICIPATION CONTRACT

FERNANDO DEL CASTILLO

September 25TH 2018

AGENDA

PRE-CONTRACTUAL DOCUMENTATION

EXPLORATION AND PRODUCTION
PHASES

FIELD UNITIZATION

CONTRACTUAL GUARANTEES

ENVIRONMENTAL REQUIREMENTS

DISPUTE RESOLUTION

The Intracampos Round is regulated by five documents

COLH Guidelines	Contractual Bases	Registration and Qualification	Bid Evaluation	Participation Contract
Establishes the operation and procedures for bidding processes	General bidding conditions and guidelines	Conditions and procedures that determine the qualification and registration of interested companies	Bidding evaluation methodology that determines bid prioritization	Establishes the obligations and rights for exploration and production activities

Note: COLH – Hydrocarbon Bidding Committee

Legal framework for the Participation Contract

Constitution

Provides the legal principles that regulate the hydrocarbon industry in the country

International Treaties

Establish legal principles that regulate the relationship between private parties and States

Laws

Establishes and regulates the bidding procedure and contract execution

Participation Contract

Regulations

Technical parameters for the execution of the contract

Decrees

Rules for the Participation Contract. Executive Decree 449 (12/07/2018)

Contract Terms

Rights and obligations for awarded blocks

AGENDA

PRE-CONTRACTUAL DOCUMENTATION

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FIELD UNITIZATION

CONTRACTUAL GUARANTEES

ENVIRONMENTAL REQUIREMENTS

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A total of 24 - 26 years between Exploration and Production Phases

Exploration Phase

Up to 4 years, but can be extended for an additional 2 year period

Exploration Programs

Corresponds to the minimum required exploration commitments for each block plus the additional exploration commitments offered by bidders

Declaration of Commerciality

Contractors propose the development plan to be executed on the block after the project is proven to be economically viable

Production Phase

Up to 20 years, but can be extended according to article 23 of the Hydrocarbons Law

AGENDA

PRE-CONTRACTUAL DOCUMENTATION

EXPLORATION AND PRODUCTION
PHASES

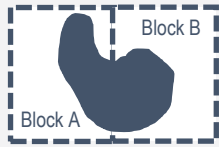
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ENVIRONMENTAL REQUIREMENTS

DISPUTE RESOLUTION

Joint development for fields located within multiple blocks is possible through block unitization



Reservoir unitization is possible, and field development can be done through unitized agreements, as established in the Hydrocarbon Operation Regulation



Parties establish a Unitized Operation Agreement in order to achieve better operational efficiencies and returns



The Agreement for Unitized Operations shall be established in terms of equivalent work units (UTE).



Either of the companies involved could operate the unitized agreement

AGENDA

PRE-CONTRACTUAL DOCUMENTATION

EXPLORATION AND PRODUCTION
PHASES

FIELD UNITIZATION

CONTRACTUAL GUARANTEES

ENVIRONMENTAL REQUIREMENTS

DISPUTE RESOLUTION

Companies must present guarantees 3 types of guarantees

	Description	Duration	Value
Solidary Guarantee	Safeguards the fulfilment of all contractual obligations by the parent company. Applies to subsidiaries	Contract duration	No value associated
Exploration Phase Guarantee	Ensures the satisfactory execution of all obligations during the exploration period	Valid through the exploration phase of the contract	20% of the value of all committed activities for the exploration period
Production Phase Guarantee	Ensures the satisfactory execution of all obligations during the production period	Reduced annually as obligations are executed. Returned upon fulfilment of all obligations for the first 3 years	20% of the value of committed activities during the first three years of the exploitation period

Nota: In case of any contract extension, Guarantees must be prolonged.

AGENDA

PRE-CONTRACTUAL DOCUMENTATION

EXPLORATION AND PRODUCTION
PHASES

FIELD UNITIZATION

CONTRACTUAL GUARANTEES

ENVIRONMENTAL REQUIREMENTS

DISPUTE RESOLUTION

The Social and Environment licensing process promote responsible execution of E&P activities



Operators must follow a well defined 8 steps process to get environmental licenses for E&P activities



The process involves the participation of the Ministry of Energy and Non Renewables Resources and the Ministry of Environment



The Ministry (MERNNR) chairs the Infrastructure and Non-Renewable Resources Advisory Committee



AGENDA

PRE-CONTRACTUAL DOCUMENTATION

EXPLORATION AND PRODUCTION
PHASES

FIELD UNITIZATION

CONTRACTUAL GUARANTEES

ENVIRONMENTAL REQUIREMENTS

DISPUTE RESOLUTION

Dispute resolution mechanisms

Direct Settlements

The Contract establishes procedures for direct conflict settlement

Arbitration Rules

Conflicts between parties shall be resolved by arbitration in accordance with the regulations of the United Nations Commission for International Trade Law, UNCITRAL

Applicable Law

The regulations applicable to controversies will be followed according to Ecuadorian law

Controversies below US\$ 10MM in value

Arbitration will be resolved through the Arbitration and Mediation Center of the Chamber of Commerce of Quito and will take place in Ecuador

Controversies that exceed US\$ 10MM or undefined value

Arbitration will be resolved by the Permanent Court of Arbitration based in the Hague and will take place in Colombia



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DE TODOS

Thank you

