

**POSSE  
HERRERA  
& RUIZ**

**A B O G A D O S**

**ANH EXISTING E&P ROYALTY AND ECONOMIC RIGHTS SCHEME**

**1. Royalties:**

According to the current contract, the Contractor shall deliver to ANH the percentage of royalties established in the Law.

Law 756 of 2002 introduced the current sliding royalty regime, with benefits for heavy crude and offshore areas. The royalty is as follows:

1.1. Oil:

<i>Production (bpd)</i>	<i>Royalty (%)</i>
<5000	8
5000-125.000	8-20
125.000-400.000	20
400.000-600.000	20-25
>600.000	25

Hydrocarbons with equal or less gravity than 15° API pay 75% of the royalties applicable to light crude. The conversion factor for gas is 1barrel= 5.700 cubic feet of gas.

1.2. Gas:

- Onshore and Offshore production at a depth less than or equal to one thousand (1000) feet pays 80 % of the royalties of crude.
- Offshore Production at a depth greater than one thousand (1.000) feet pays 60 % of the royalties of crude.

**2. High Price Share<sup>1</sup>:**

2.1. Liquids:

Applicable where gross cumulative production has exceeded 5 million barrels and oil price (WTI) is in excess of benchmarks, according to the following formula:

<sup>1</sup> This only applies to E&P Contracts signed after July, 2008, when the current draft contract was approved.

$$Q = [(P - P_o) / P] \times S$$

Where:

**Q = Payment to ANH**

**P = WTI price**

**P<sub>o</sub> = Reference price**

**S = Participation percentage**

### S Factor

WTI price (P)	Participation percentage (S)
$P_o \leq P < 2P_o$	30%
$2P_o \leq P < 3P_o$	35%
$3P_o \leq P < 4P_o$	40%
$4P_o \leq P < 5P_o$	45%
$5P_o \leq P$	50%

### Reference base price (P<sub>o</sub>)

API gravity of the Liquid Hydrocarbons	P <sub>o</sub> (USD\$/BI) (Year 2010)
More than 29° API	US\$ 32.14
More than 22° API and less or equal to 29° API	US\$ 33.37
More than 15° API and less or equal to 22° API	US\$ 34.61
Discoveries located over 300mts water depth.	US\$ 32.70
More than 10° API and less or equal to 15° API	US\$ 49.43

## 2.2. Gas:

Five (5) years after commencement of production and in the event that U.S. Gulf Coast Henry Hub Natural Gas benchmark price exceeds the Base Price P<sub>o</sub>.

$$Q = [(P - P_o) / P] \times S$$

Where:

**Q = Payment to ANH**

**P = Henry Hub**

**P<sub>o</sub> =**

Straight-Line Distance Between Delivery Point And Point Of Receipt In Destination Country	P <sub>o</sub> US\$/MMBtu (2010)
Less than or equal to 500	US\$ 7.42
>500 and ≤ 1000	US\$ 8.65

>1000 or LNG plant	US\$ 9.89
--------------------	-----------

2.3. Adjustment of Po:

For both liquids and gas, Po is updated as per the following formula:

$$Po = Po(n-1) \times (1 + I(n-2))$$

where:

Po(n-1): Is the Po value of the immediately preceding calendar Year.

I(n-2): Is the annual variation, expressed as a fraction, of the producer price index of the United States of America during the Calendar Year, two Years prior to that for which the calculation is performed, published by the U.S. Department of Labor.

3. Surface Rentals:

3.1. Exploration Areas:

These depend on the date when the relevant contract was signed. For 2008 Contracts they are the following:

Starting with the second phase of the Exploration Period and for each phase, the CONTRACTOR shall pay the following fee:

Amount per phase in US\$

<i>Size of Area</i>	<b>FIRST 100,000 HECTARES</b>		<i>Additional hectares (above 100,000h)</i>	
<i>Phase Duration</i>	$\leq 12$ months	$> 12$ months	$\leq 12$ months	$> 12$ months
<i>In polygons A and B</i>	0.75	1.0	1.0	1.5
<i>Outside Polygons</i>	0.5	0.75	0.75	1.0
<i>Offshore</i>	0.25			

For 2010 contracts:

<i>Size of Area</i>	<b>FIRST 100,000 HECTARES</b>		<i>Additional hectares (above 100,000h)</i>	
<i>Phase Duration</i>	$\leq 18$ months	$> 18$ months	$\leq 18$ months	$> 18$ months
<i>In polygons A and B</i>	US\$ 2.44	US\$ 3.25	US\$ 3.25	US\$ 4.88

<i>Outside Polygons</i>	US\$ 1.63	<i>US\$ 2.44</i>	US\$ 2.44	<i>US\$ 3.25</i>
<i>Offshore</i>	<i>0.81</i>			

Applies to all phases but if the duration of the first phase is less than 12 months, these payments will not apply.

3.2. Evaluation and Production Areas:

3.2.1. Liquids:

Semi-annual payment = Contractor’s share of production of liquids \* \$0.1162/Bbl (for 2009)

3.2.2. Gas:

Semi annual payment = Contractor’s share of production of liquids \* \$0.01162/1000 cubic feet for (2009)

Amounts indexed to U.S. inflation index using same formula as for high price share.

**4. Extension:**

In case of extension, Contractor must pay ten percent (10%) of the value of the production of light Liquid Hydrocarbons at the Delivery Point, or five percent (5%) in the case of gas or heavy oils (< 15 API) obtained by Contractor from the expiration date of the initial term of the production period after royalties. The surface rental payment shall not apply to this share. During the extension of the Exploitation the surface rentals shall only apply to the Contractor’s share after royalties.

**5. Transfer of Technology:**

5.1. Exploration Phase:

Twenty five percent (25%) of the amount of the surface rental of the current phase without exceeding US\$ 100,000.

5.2. Production Phase:

Ten percent (10%) of the surface rental for each calendar year without exceeding US\$ 100,000.