

FINAL TRANSCRIPT

Pacific Rubiales Energy Corp.

Second Quarter 2013 Earnings Call

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PRESENTATION**Operator**

Good morning. My name is Ryan (phon), and I will be your conference facilitator today. At this time, I would like to welcome everyone to the Pacific Rubiales Energy Second Quarter 2013 Results Conference Call.

This call is scheduled for 90 minutes. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. If you would like to ask a question during this time, simply press *, and the number 1 on your telephone keypad.

This call contains forward-looking statements which reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results for the Company to differ materially from those discussed in forward-looking statements.

Factors that can cause actual results or events to differ materially from current expectations are disclosed under the heading Risk Factors, and elsewhere in the Company's Annual Information Form dated March 14, 2013.

Any forward-looking statement speaks only as of the date in which it is made, and the Company disclaims any intent or obligation to update forward-looking statements. Thank you.

Mr. Pantin, you may begin your conference.

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Ladies and gentlemen, this is the Operator. I apologize. There will be a slight delay in today's conference. Please hold and the conference will resume momentarily. Thank you for your patience.

Ladies and gentlemen, I would now like to turn the call over to Mr. Pantin.

Ronald Pantin — Chief Executive Officer, Pacific Rubiales Energy Corp.

Good morning, everybody. Sorry for the technical difficulties that we had. We're very proud to announce very strong results for the second quarter, despite all the drop in oil prices that we had during the second quarter.

Actually, our production, net production, was 127,555, equivalent to the same net production that we had during the first quarter and 38 percent higher than the second quarter of last year. We have also to say that we have a growth in the gross production that we compensated the additional PAP payment to Ecopetrol due to the arbitration process.

We also have very strong revenues of over \$1 billion, \$1.056 billion. That is a 2 percent increase over last year. We have also, and you will see during the presentation, that all this happened that due to the windows in Coveñas we had a cargo of \$1 million that was delayed for the first stage of the third quarter; actually it was 1 million barrels, and that it's more or less over \$100 million in revenues and around \$60 million in EBITDA. But we will have that again in the third quarter, so no problem.

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Our EBITDA, it's the second largest ever, \$604 million. That's a 7 percent increase over last year, and that's something that is very important that we have our EBITDA at 57 percent of our total revenues. We have very strong funds from operations of \$475 million. That is an increase of 14 percent compared to the same period of 2012.

Our combined netbacks, 60.54, equivalent to the same amount that we had during the first quarter. The important thing here, remember that our prices dropped 6 percent during the second quarter compared to the first quarter, but our—we are able to reduce our costs in \$6; that's equivalent to 16 percent. So with that, we have exactly the same netbacks that we had during the first quarter despite in drop, the really important drop that we have in our prices.

Our operating cost reduction, as I mentioned before, was over \$6, \$6.18. That's a 16 percent decrease compared to the first quarter of last year. And you will see during the presentation that we have more to come. Right now we offer the market \$8 pro forma by the end of the year. We have already achieved \$6, and we have right now in place some structural changes in costs like the Bicentenario Pipeline that will reduce costs in transportation, the electric lines that will bridge Rubiales by October of this year, and we will have a very important savings in energy, and the same thing I can say for water disposal, where we will start at the end of the year the reverse osmosis plant for our irrigation project.

We also have a very important increase in cash dividend of 50 percent going to 0.65 per common share.

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Next slide. You can see here for those involved with Pacific Rubiales, I was wondering the importance of this. As you see, the first semester, the first six months of last year we were producing an average of 236, 237 gross for the Company. And right now we're producing over 310 for the semester of this year. That's 72,000 barrels more. The increase that Pacific Rubiales has in this last year in production is more than any other oil company here in Colombia.

Our net production went up from 94,000 the first semester of last year to 128,000 in the first semester of this year. One thing that is very important, you see that we have the same net production after royalty and PAP in the first and second quarter, and that was due that we had an increase in the gross production for the Company and to be able to compensate the increase in the PAP that was very close to 3,000 barrels more that we're paying to Ecopetrol for the incremental PAP into the resolution and the arbitration process.

Next slide, please. One thing also is that you can see here is the track record of delivery versus guidance. Pacific Rubiales have always meet or exceed our production guidance. You see here in 2010, we exceed our production guidance in 2011, and 2012 we meet our production guidance. And this year in the first semester in the first six months of the year we are over the top of the guidance. Our guidance was from 15 percent to 30 percent, so it was coming 113 to 127, and as you have seen, we're producing in the first quarter 128,000. So we are in the top of the guidance.

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Another thing that is very important is that you see that in the last years we have a compound annual growth rate of 31 percent. That's something that is very impressive, especially for a company that is producing the volumes that have Pacific Rubiales is producing.

Let me talk about the market. The market in the second quarter was very weak. Actually, the differential between Brent and WTI went down from \$20 that we had in the first quarter to almost \$23 in the second quarter. And the prices that we have, the realization prices, were \$96, and that's the lowest price that we have had in more than one year. And that drop is about \$6, and you will see that in all our financials we were able to compensate that through production growth and also through a reduction in costs.

One good news that you see that for July for this quarter, the third quarter, the prices have bounced back. Our realization price for July average was \$104. That is probably the highest price that we have had in one year. The first quarter of last year was \$111, but then you can see in the graph that we have had the 204 up to now; July, we have the highest price, realization price of the Company. So that's good news to come for the third quarter.

Our trading, again, we have a very diversified market. More or less 30 percent goes to Asia, 30 percent to North America, and 30 percent to Latin American, Caribbean, and Europe. So it's a very diversified market the one we have.

Another thing that you are used to see is that we have one quarter we have inventory go down, and the next quarter we have an inventory buildup. That's due to restrictions in Coveñas that

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we expect to solve through a new port in Puerto Bahía, but we had a cargo that left the country the first days of the third quarter, and that was 1 million barrels. For sure that affected revenues, EBITDA, and the net earnings of the quarter, really it's just a picture, a photograph that we have up for the 30th of June, but we will get that immediately in the next quarter, but again, as I mentioned before, good news for the third quarter of this year.

One very important thing that I want to emphasize, and Carlos Perez later on is going to be talking about that, is that for the Company cash is king. You have seen that we have the second largest EBITDA and revenues for more than one year, a record for the year, and if we include the cargo with what's left behind, it would be known as 100 million more in revenues and around \$60 million more in EBITDA.

So you can see here how the Company's producing a lot of cash. It's increasing the cash. You can see also that the cost, the cash cost is going down. We are producing more, and you see that the cash costs for the first quarter was 773, and with the reduction in costs that we have, now it's 589.

But one thing that we will be seeing in the future for the Company, and that's something that is very important to understand is that the noncash costs are increasing. The reason for that and it's mainly the DD&A, the depreciation in Rubiales. We have actually a very good depreciation because in the—the accounting rules says that since we have up to now Rubiales light (phon) until

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June of 2016 then we have to accelerate all the position. Carlos Perez is going to give you more details on that.

So you will see that the emphasis of Pacific Rubiales, since it's a growing company will be mainly on cash and cash generation.

Very good news from the netbacks, and this is something that tells you about the lines of this company. You have seen that we have the lone strike in one year, less than \$96 compared to the second quarter of last year that it was 101 or the first quarter of this year, 102, so that's a \$6 drop. But you see that the netbacks are the same, and the reason for that is that we were able to low our cost, our total cost from \$38.72 to \$32 in this quarter. So it's \$6 reduction. And there will be more to come. Right now we have been able to reduce costs in dilution, transportation, but in the near future we'll be also reducing in production costs, our OpEx, and that's due to the reduction, a very important reduction in energy when the power line gets to Rubiales. We expect that to be in October, and also with the water disposal through irrigation that we will have it by the end of the year.

And also in transportation we have now by the month of September, we will have the Bicentenario operating, where we will be reduced to zero the stocking, the transportation/delivery (phon) cost.

One thing that you have seen during the years is that to be able to put our production into the market we have to build into infrastructure. Right now that is the case of the Olecar line that

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connects Coveñas with Cartagena, Puerto Bahía, and the new refinery in Cartagena, and also the new port in Puerto Bahía. Pacific Rubiales has started with that. We were one of the initial investors in that, and we have right now our average share price what is around \$0.87 of a dollar, and as you know, the IFC invested \$150 million to acquire 26.1 percent interest. They did it at a gross of around 1.28, so you see that we have had a very important appreciation of our shares you know that we started from the very beginning of very close to 47 percent increase.

That's good news for the Company. Having the IFC is a premium valuation, and also it brings a seat of quality to our investment and also (unintelligible).

Good news from Peru. As you know, we have been expecting increased utilization, increased production in Peru with the drilling. We had some initial problems with the CX-15 platform. Now it's positioned; it's drilling.

We started the drilling in the Corvina field in July, and we also expect to start in a couple of weeks drilling in Albacora. So you will see a ramp-up of production in the Peru Z-1 Block. That's good news. And remember that we are on the top of our guidance. That would be barrels that would be additional to our guidance.

Probably the most important news that I have for you today is the STAR project. In the STAR project we started in February of this year. We netted the reservoir. We have a very successful synchronization of the fire flood. What does that mean? That we have been able to control the fire flood and to sweep oil in the reservoir. The results that we have up to now, we have more than

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doubled the recovery factor that we have in Quifa. The normal recovery factor in Quifa is leading with more than 15 percent, and we're ranging right now near 30 percent, and it's increasing. Remember that we have on storage (phon), and every day that we produce oil we're increasing the recovery factor.

We are certifying that the recovery factor with the independent engineer, RBC Scotia, that is the one that certified the reserves for Quifa. Then for sure when we have that it's going to be very good not only for Quifa and for the future reserve booking of Quifa and other oil fields where we can apply STAR, but also for the negotiations that we have with Ecopetrol for a new contract in the Rubiales field.

The next step will be we will continue producing in the pilot to see. We estimate that we can get up to 40, 41 percent. That's our estimation, but right now when we have the pilot certified we just have to revise that by the production, the accommodated production, and we will see how the recovery factor is increasing. Right now, as I mentioned, management estimates we're in the order of 30 percent right now.

One thing that we will start soon is in the adjacent pads, clusters to the pilot we will start doing STAR, and with that we will have increasing production, reducing water cut, and investment will be very small because they have all the cuts needed for the first cluster that we have in STAR.

One thing that you know and we have announced it before is the—it's been out of infrastructure projects that we have. As you know, we have very important assets here in Colombia,

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35 percent of ODL. That's oil in Los Llanos; 33.3 percent of Bicentenario; and 100 percent of the electric line of Petro Eléctrica de los Llanos. Those assets right now are in the order of probably more than 1.2 billion.

We have done a non-deal road show in New York talking to tranches who specialize in infrastructure, and we have a very good response from them. Actually some of them have said that they wanted to take around 40 percent of that. The important thing of this is that this is not giving any value to our shareholders if with that we can monetize some part of that, and also increase the value for the Company when we have the same in Puerto Bahía, a value for our assets that have a larger multiple than the multiple that we're having right now in the market.

And last, but not least, probably the most important is that we're very glad with what's happening here in Colombia with the licence process. In one year we have received very important licences. The first licence that you remember that was last year for the increase in the water injection in the Rubiales field for 400,000 barrels. You remember that with that we increased immediately 40,000 barrels per day.

We also have the Quifa exploration licence, exploration and production that also we will be increasing the production in Quifa and Cajúa. Right now Quifa and Cajúa are producing very close to 61,000 barrels per day.

A few days ago we received the water injection permit of 1 million barrels for Rubiales field, and that depends (phon)—right now we Rubiales is producing very close to 215,000.

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Remember that for the second quarter we were producing 210,000. We in a very short while, I would say in less than one week, we have increased the barrels in Rubiales around 5,000 barrels per day. And we will be ramping up that up to 220,000 barrels per day.

One very important thing also is that ANLA announced the simplification of the environmental licence process. We have seen that, and I think that the government and ANLA are committed to simplify and to make it easier all these problems that we had in the past in Colombia.

Right now we feel that it's something that belongs to the past, and we're having a very good response from ANLA and the government.

And probably the most important thing is that the CPE-6 blanket exploration and development licence. As you know, two weeks ago we had a community meeting where we explained the project to all the community, and today we're having the second meeting; they will tell us all their concerns. And then in three to six weeks time we expect to have the blanket exploration and development licence for CPE-6 that, as you know, is something that we have been expecting to drill and continue in the case of CPE-6.

Remember that in the case of Quifa we went from exploration, and when we drilled the Quifa-5 well to 60,000 barrels now in only two years. To do that in CPE-6, I think is going to be much easier because we have more infrastructure: we have pipelines, we have roads, we have electric lines, we have all the things that we need to ramp up production very quickly in CPE-6.

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Now I'm going to pass it to Mr. José Francisco that's going to give you the exploration results of the quarter.

José Francisco Arata — President, Pacific Rubiales Energy Corp.

Good morning. During the second quarter, the Company continued with its exploration activities in Colombia and offshore Brazil and Peru.

These activities included the drilling of seven exploration wells, of which five were completed. Two wells have resulted dry.

The Company also acquired 789 kilometres of 2D seismic and 1,785 kilometres of aeromagnetic and aerogravimetric surveys. Specifically in the Lower Magdalena basin in the Guama block, the Company drilled the Capure-1 well that was drilled to a total depth of 7,400 feet. This well was drilled two kilometres east of the previous well Pedernalito-1 well.

The petrophysical evaluation indicated a total of 157 feet of net pay averaging 8 percent porosity. This well resulted in a new natural gas and condensate discovery of the block, and presently we are preparing the well for hydraulic fracturing and testing.

Our internal margin and estimate are indicating 40 to 50 bcf are associated with this discovery, which underpins our plans to increase production in order to feed our important energy project, which is planned to start up in the second half of next year.

Staying in the Lower Magdalena basin in the La Creciente block, we also have a new natural gas discovery. In fact, the Company drilled the LCI-1X exploration to a total depth of 8,620

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feet. The preliminary petrophysical evaluation indicated 63 feet of net pay in the Ciénaga de Oro Formation, which is the formation that is producing in the existing fields of LC A and LC D, which has been producing now for over three years, new natural gas discoveries in the Lower Magdalena Basin, what management estimates are again in the order of 40 to 50 bcf of natural gas.

Between the Capure discovery at the Guama block, and this new one discovery in La Creciente block, the Company will add between 80 to 100 bcf of natural gas at the end of this year when we will certify these new reserves.

Now going into the Llanos Basin, we also have a new light oil discovery in the Yamu block. The Potrillo-1 exploration well was drilled to a total depth of 11,076 feet. The well found 14 feet of net pay resulting in a new light oil discovery, with production rate of 580 barrels of oil with a water cut of 68 percent. The oil here is of 53.6 API degree gravity.

Now going outside Colombia. In Brazil in the S-M-1166 Block, our partner Karoon Gas Australia, which is the operator of the block, finished drilling the Bilby-1 exploration well to a total depth of 14,489 feet. The petrophysical evaluation here indicated the presence of 33 API oil with an oil bearing column of 400 feet.

Karoon updated its contingent resources for the Kangaroo-1 discovery well, which was drilled at the beginning of the year and now reporting 155 million barrels of 2C resources, which are 62 million barrels additionally to the previous estimate. I would like to point out that this update does not include the resources of the Bilby prospect, which are still under estimation.

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The operator now is securing a new rig to drill two appraisal wells starting by the year-end, and then we will start full drilling the Kangaroo-2 well, the appraisal well, and then the rig will move to drill the Bilby-2 appraisal well. Also, we plan to drill a third exploration well at the Kangaroo West-1, but this well will be drilled during the first quarter of next year.

Now going into Peru in the Block 138 located in the Ucayali Basin. The Yahuish-1 exploration well was drilled to a total depth of 800,417 feet with and Cretaceous and Paleozoic as the main targets. The well's preliminary results show a fair to good oil show in two sand intervals in the Paleozoic, and two production tests undertaken with results are being evaluated to determine the next steps.

And for the third quarter the Company plans to drill five additional exploratory wells, and 23 wells for the last quarter of the year, which includes the six wells that once we get the licence, as Ronald mentioned for CPE-6, we will move three weeks there in order to drill the six wells before the year-end.

Now I'll pass the word to Carlos Perez, our CFO, who will talk about our financial results.

Carlos Perez — Chief Financial Officer, Pacific Rubiales Energy Corp.

Thank you, José Francisco, and good morning, everyone. So as Ronald said, this was an excellent quarter. I show you on the Slide #28 the P&L, the profit and loss this quarter, and the revenues, as mentioned by Ronald, were \$1.1 billion. This is the second largest in our history as a company, and represented a 2 percent increase compared to the same period last year.

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We'll see also additional details later in the presentation. Regarding the cost, the number we recorded for this quarter was \$375 million, 7 percent lower compared to the same period last year, but 20 percent—24 percent lower when comparing with the first quarter of this year.

So we are walking the talk in what we promised regarding all these programs of cost reduction, and we will continue working on that, as Ronald said. We'll have it from October one important piece in this cost reduction initiatives, which is the PEL, the power line is now another cost reduction and it's going to be built and delivery electricity to the field in October in 2013.

The DD&A is in line with the number we had in the last quarter. There is no significant changes there. That indicates to our EBITDA important increase, 7 percent compared with the same period last year, and representing a margin of 57 percent of the total revenues. That is an important increase comparing with the 54 percent we have in the same period last year. We're expected to reach close to 60 percent by the end of the year.

Regarding the DD&A, depreciation, depletion and amortization, we have a number of \$345 million. It's important to keep in mind that structurally now we are depreciating, as Ronald mentioned, the Rubiales field. On the Rubiales field represented \$200 million of this amount, but on the other hand this is the most important tax shield the Company has, but we produce for this \$345 million more than \$90 million cash, so this is important to keep in mind that in our policy we are focused on producing cash, in generating cash, and of course in fact it's inevitable income that is generating a lot of cash for the Company.

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Another example of this is the number we have in the funds flow from operations, which was \$475 million. So we are expected to reach by the end of the year a number of around \$2 billion in cash generation, which is a big number, of course, to be invested in production activities in the future.

You can see some grey blocks here. All the grey block are representing the noncash items, which affected the net income in this period. One of the most important was we have a devaluation of the Colombian peso of 5 percent during this quarter, and we had a net (audio gap) devaluations will have these types of input, but it's important to stress that this is an accounting impact and no represent in cash. It's all realized and now in the third quarter we are expected to have a reverse in oil prices because we are now the pesos is appreciating during this quarter, third quarter.

And then we have after reductions in the income tax expense, we have net earnings of \$58 million. Again, it's important to stress that the higher is the noncash DD&A, the higher is the cash generation, but with some impacts in the net earnings. And these net earnings of \$58 million was impacted mainly by the noncash items, including the depreciation and the impact of the foreign exchange for this devaluation I mentioned before, and lower noncash items detailed in this slide.

Going to the Page 29, we can see the table for revenues. As mentioned before, revenues were up despite lower realized prices. The prices decreased 6 percent from 97 to 91, but at the bottom you can see how with the volume we more than offset these negative impacts for the oil prices during the period.

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On the Page 30 we can see the detail of the netbacks Ronald explained explain before. I'd like to stress here the important reduction in the total cost, including overlift/underlift of more than \$6 compared with the first quarter of this year. Again, we are delivering what we promised, and \$2.37 when comparing to the second quarter of 2012.

Overall, in looking at our indicators, we have a very healthy company to continue with our growth. In the case of the debt ratios, where we're very comfortable with this with less than 1 time debt to EBITDA on an annualized basis, the quarter's ratio more than 60 times, and the rest of the items I think speak by themselves.

Having said that, we can start with the Q & A session and finally with the remarks from Ronald.

Ronald Pantin

Hello? Operator?

Q&A**Operator**

At this time, I would like to remind everyone due to the large volume of callers, we would like to ask you to keep your question brief and only ask one question maximum to allow others a chance to ask a question.

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You may ask a question or make a comment by pressing *, followed by the number 1 on your telephone keypad. Again, if you would like to ask a question, please press *, 1 on your telephone keypad. We'll pause for just a moment to compile a Q&A roster.

Your first question comes from the line of Matt Portillo from Tudor, Pickering. Your line is open.

Matt Portillo — Tudor, Pickering

Good morning, guys. Just one quick question for me. In terms of the Quifa STAR project, I was wondering if you could give us an update on where productions stands today on that field. And where under primary production it should have been? Just trying to get a sense of how much of a production uplift you're seeing. And then in terms of the reserve impact, could you give us a little bit more colour how applicable this will be throughout the rest of this year and then going into 2014 in terms of the implementation of the STAR project on Quifa?

Ronald Pantin

Okay. As you know, the STAR project, it's a pilot project where it's been very successful. I mean—and that's because we have proven what we said in that the oil production has increased, and also the water cut have come down, but probably more important than that is that we have been able to control, to harness the fire flood.

Right now we believe we can move the fire flood at our will through the synchronization process. And that's a very important thing in a fire flood project. Since we started the STAR project, I

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mean the primary and secondary recovery, we have one of two around 30 percent recovery. The normal recovery that we use for reserve certification and primary recovery in Quifa is around 13 percent, a little bit higher than 13 percent; probably 13.5 percent.

So you see that up to now we have more than doubled that. We will expand the pilot project to neighbouring clusters to continue learning from operations. We have had some problems, for example, in operational problems that we have solved, and things are nowadays I would say in a pretty good position.

So in the future what does that mean? If we can prove through the pilot and extension of the pilot that we can have a 40 percent, let's say, final recovery, that's a number that is going to be taken by the independent engineers in the future when we apply that massively to a new oil field. So that's something that we have very important—it's very important not only for Pacific, but also for Colombia.

Remember that we have in Pacific more than 10 billion barrels of oil in place, including Rubiales. I know that as I mentioned before, as you know, we are right now looking with Ecopetrol to see a new contract for Rubiales, and for sure this kind of results of STAR are very, very important for that negotiation.

Matt Portillo

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Thank you. And just my second question. In terms of the share repurchase that you guys have authorized, have you executed any of that share repurchase at this point? And just given your share price today, how do you guys think about that program on a go-forward basis?

Ronald Pantin

No, we have not. We increased our dividend; that you know. And we have—there are some funds of our employees that are buying shares, and that's why we have to do it. In the future we might use that, depending on the share price.

We think that we have a very strong goal and the Company is really going very, very well. Probably the main concern that we have in the past is left behind; that was the environmental licence processes. Now we feel that when we have the CPE-6 we will have a clear path for growth in production, reserves, and delivering to the market.

Matt Portillo

Thank you.

Operator

Your next question comes from the line of Caio Carvalho from JPMorgan. Your line is open.

Caio Carvalho — JPMorgan

Thank you. Hi. Good morning. I have a couple of questions. I'll start with CPE-6. Assuming the environmental permits will arrive at the expected date of three to six weeks after pretty much

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now, what would you see as the possible exit production from the field by the year-end 2013 net to Pacific Rubiales? I think that's my question on CPE-6.

My other question is on the water treatment. I think the Company did a great job in delivering this cost reduction program, but I want to understand a little bit about from this \$15.44 per barrel of production costs, how much is related to water treatment? And what can these new environmental permits for an additional 1 million barrels of water injection can mean? I understand what this can mean in terms of production increase, but what it could mean in terms of cost reduction? Or does it mean nothing for cost reduction and actually most of the initiatives to reduce water treatment costs is indeed related to the irrigation project? These are my questions. Thank you.

Ronald Pantin

Okay, Caio. Okay. On CPE-6, CPE-6, as we have mentioned before, we're pre-manufacturing the facilities that will be skid mounted, and we're going to move that immediately when we have the licence. With that we'll be able probably to be producing in the order of 5,000 barrels by year-end. Remember that we don't have the most time from here to the year-end.

But then we will be ramping up very quickly in 2014. We expect to have something very similar to Quifa. As I mentioned before, to develop CPE-6 it's going to be much easier than what we did in Rubiales and also in Quifa because we have facilities. We will have electric lines. We will have pipelines. We will have all the things that are close. So right now we have a lot of infrastructure in

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that area. Remember that that's only 80 kilometres away from Rubiales. In the case of Cajúa, it's 50 kilometres. So you can see that the distances are not very much.

In the case of the water, the cost reduction for the future, the most important thing is going to be energy. Right now around 40 percent of our cost is energy, and we are reducing significantly the cost of energy. In the case of the line, we have a reduction of around 80 percent when we convert—when we use diesel as a fuel for power generation. And then we also have around 50 percent when we use Rubiales for power generation. So the most important cut in OpEx will come from energy.

Also in the case of water treatment and irrigation, we will have a very important, we estimate, around 50 percent reduction in the water disposal through irrigation because we don't have to reinject the water into the reservoir. As you know, the cost is not only the cost of investment and the capital that we have to do drilling wells and also the injection pad, but also the important thing here is energy again. To reinject that into the reservoir we have to inject at high pressures, and that consumes a lot of energy. There was another point? I don't think so.

Caio, I don't remember if you have another.

Caio Carvalho

Pardon me?

Ronald Pantin

All right.

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Caio Carvalho

I'm sorry. I couldn't understand the last question, but if you'll allow me just a follow-up.

The number you've set for CPE-6 of 5,000 year-end.

Ronald Pantin

Yes

Caio Carvalho

It's gross or net for your interest? And when you mention that by '14 we should be getting close to the Quifa level, you're talking about Quifa alone? Or Quifa and Cajúa together?

Ronald Pantin

I'm talking Quifa SW.

Caio Carvalho

And—okay. Okay. Fine. Thank you very much, sir.

Ronald Pantin

Okay.

Operator

Your next question comes from the line of Gustavo Gattass from BTG. Your line is open.

Gustavo Gattass — BTG Pactual

Hi, guys. Good morning. First off, thanks. I had three quick questions; I'll limit myself to two. I was wondering if Carlos could first just give us an idea of how we should think about the uplift

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figure that we saw in this quarter. A good deal of the cost reduction seems to have come on that side, and I just wanted to have a sense of how that plays out over the course of the rest of the year. Okay. That's the first one.

The second one, if possible, I just wanted to know whether or not you could say anything else about the Peruvian well? We saw the commentary that it's still being analyzed, but any kind of additional colour would be interesting just so that we can understand both timing and possibility from here, given the data that you have.

Ronald Pantin

Gustavo, thank you for your questions. I think the reduction in costs are structure, and as you know we started last year with the acquisition of some companies like PetroMagdalena and C&C, and the only reason that we did that was to buy or to have, I'm sorry, access to low cost diluent. In the past, we were bringing in important natural gasoline with a very high cost, over probably \$5 probably over WTI, plus all the transportation costs, dip costs, the port, and the transportation costs to Rubiales, and also all the transportation after we blend it through the pipelines. So we have had a very important saving, and we will continue reducing that during the third quarter.

For the transportation, again it's a structural change. We have now a more than sufficient capacity through pipeline. During this quarter we have the agreement with Talisman and Total, but now we have the Bicentenario where we have very close to 40,000 barrels more of capacity. And

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remember that the reduction in cost is huge. When you transport by truck it's in the order of 25 to \$30 going to the coast, and here it's only \$12.

So that is a structural change. And then the other structural changes, and that will be in the OpEx as I mentioned before, will be through the energy. That's the power line that is 100 percent of Pacific Rubiales, and we'll be using that to reduce the cost of Pacific Rubiales where we need it. For sure there will be some benefit for our associates, but the main—it's an energy that we have in that area to be used to reduce cost to Pacific Rubiales.

José Francisco Arata

Gustavo, I think your question about the Yahuish well. As you know, we had oil shows in two sand intervals during the drilling. Unfortunately the operation of taking fluid samples was unsuccessful due to caving that we have, significant caving that we had in the bore hole, and also that had significant problems during the loggings.

Having said that, we had indications of low permeabilities in these sands, and we are presenting analyzing other possible ways to test these two zones where we have indications. Remember this is the first wildcat well that we drill in this block. We didn't have any preliminary information about the petrophysical evaluations, and we want to take all possible analysis out of the conditions in order to see what kind of productivity we can have from the well. That activity will take another, I would say, three to four weeks before we can get to conclusive results.

Gustavo Gattass

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Perfect, guys. Thank you.

Operator

Your next question comes from the line of Bruno Montanari from Morgan Stanley. Your line is open.

Bruno Montanari — Morgan Stanley

Good morning. Thank you for taking the question. I just want to try and understand how the second half of the year will shape up in terms of production, and how that may influence on your targets for the year, given that you're already at the top range of the production growth. So at this point what would be a more likely range for production for the full year? And is there room for it to surpass the 130,000 barrels a day net to PRE? Thank you.

Ronald Pantin

Okay. I'm not going to speak to the guidance at this moment, but I can tell you that right now we're producing 317,000 gross for the Company, gross. And that's around 132,000 at this moment, okay? And as you see what's happening right now, the incremental growth in CPE-6, and we're also increasing production in Cajúa, and right now Quifa and Cajúa are over 61,000, Rubiales, 215,000. The light medium is very close to natural gas around 40,000, so things are going extremely good for the Company.

I'm not going to change at this moment. And we will do it probably during this quarter the guidance, but this is a message that I want to tell everybody here. How many companies do you

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know our size that have a compound annual growth of 31 percent? That is huge, and we are—right now we have grown 38 percent, again, production from the second quarter of last year and we will continue growing.

So it's spectacular the growth, and I think we will have a larger growth and sometime in this quarter we will give you a new guidance. When we have the CPE-6 licence, if we have the CPE-6 licence for sure, we will give you a new guidance.

Bruno Montanari

That's quite clear. Thank you very much.

Operator

I would now like to turn the call back over to the presenters.

Ronald Pantin

Okay. All right. Guys, I would like to emphasize what is going on with Pacific Rubiales. In Pacific Rubiales we have a very important return growth this year. We have, as José Francisco mentioned, two main discoveries here in Colombia around 40 to 50 bcf each. So it will be between 80 and 100 bcf, and that's in the case of La Creciente and Guama.

We also have a very important discovery in Brazil. If you add all the numbers that have a—Karooon have mentioned for Kangaroo and also for Bilby, and those are very important numbers, and we will start doing the appraisal wells this year, and so more exploring in that area. I think it was a great success for the Company.

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We also have CPE-6, and when we have the licence we will start immediately with a very intensive drilling campaign not only for developing the production of developers, but also appraisal wells that will increase the reserves in CPE-6. And something that I consider very, very important, as I told you not only for Pacific Rubiales, but for Colombia, is the results that we have had in STAR.

This would mean a huge difference for reserves here in Colombia. If we could have a 41 percent recovery factor in the case of heavy oil here in Colombia, that will double the reserves of the country.

In the case of production, we are in the top of our guidance. We're increasing the production in the existing fields, and in the case of Rubiales, as I mentioned, in only one week we have increased it around 5,000 barrels per day. And we are increasing production everywhere.

If we have the licence in CPE-6, we'll grow the production in CPE-6 and also in Peru. Peru right now we will have a—we will be drilling two wells at a time from now on, and we will have a ramp-up in production in Peru that is not in our original guidance.

Another thing that is happening, very important, is the environmental licence. I think things are changing here in Colombia. That's something that the market had a hang-over Colombia on that—on the delays on the environmental licences. We see now and we feel that the government is committed to make that process more efficient, and we need to achieve that, and that's important to clear the way of growth of Pacific Rubiales.

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And another thing that is very important is in the last five years we were investing a lot of money on infrastructure to be able to—with our production in the market. And now with this right now it's time for the Company to get some value out of our infrastructure projects.

That is the case of the ODL, OBC, and Petroeléctrica de los Llanos where in this non-deal road show, the Funds really weren't very much interested to get up to 40 percent, and as I mentioned, that's over 1 billion to 42 billion and that will—we might be able to monetize and also to increase the value of that because there will be a reference price for the new vehicle.

And in the case of Puerto Bahía, as I mentioned before, we have also a very important appreciation of the engagement of Pacific Rubiales in that port, and in the case of Olecar.

So I think that what we have for the future is structural changes. We're not here to control changes. The market, you have seen that Pacific Rubiales even with a drop in oil prices of around 6 percent we have been able to maintain our net netbacks and also to increase our cash flow from operations.

Thank you very much to everybody.

Operator

This concludes today's conference call. You may now disconnect.

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