

Transcript of
GeoPark
Third Quarter 2015 Results Conference Call
November 11, 2015

Participants

James Park – Chief Executive Officer
Pablo Ducci – Capital Markets Director
Augusto Zubillaga – Chief Operating Officer

Analysts

Diego Mendes – Itau
Gavin Wylie – Scotiabank
Felipe Dos Santos – JP Morgan
Chris Dechiario – Marathon Asset Management

Presentation

Operator

Good morning and welcome to the GeoPark Limited Conference Call following the results announcement of the third quarter ended September 30, 2015. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. (Operator instructions.) As a reminder, this conference is being recorded.

If you do not have a copy of the press release, please call Grayling in New York at +1 646-284-9400 and we will have one sent to you. Alternatively, you may obtain a copy of the release at the Investor Support section on the company's corporate website at www.geo-park.com. A replay of today's call maybe accessed by dialing in on the numbers provided in the press release or by accessing the webcast in the Investor Support section of the GeoPark corporate website.

Before we continue, please note that certain statements contained in the results release and on this conference call are forward-looking statements rather than historical facts and are subject to risks and uncertainties that could cause actual results to differ materially from those described. With respect to such forward-looking statements the company seeks protections afforded by the Private Securities Litigation Reform Act of 1995.

These risks include a variety of factors, including competitive developments and risk factors listed from time-to-time in the company's SEC reports and public releases. Those lists are intended to identify certain principle factors that could cause actual results to differ materially from those described in the forward-looking statements, but are not intended to represent a complete risk of the company's business.

All financial figures included herein were prepared in accordance with IFRS and are stated in US dollars unless otherwise noted. Reserves figures correspond to PRMS standards.

On the call today from GeoPark is James F. Park, Chief Executive Officer; Augusto Zubillaga, Chief Operating Officer; Guillermo Portnoi, Finance Director; Pablo Ducci, Capital Markets Director; and Dolores Santamarina, Investor Manager.

And now, I'll turn the call over to Mr. James Park. Mr. Park you may begin.

James Park - Chief Executive Officer

Thank you, and good morning. GeoPark moved decisively at the end of 2014 to adjust to a sustained period of low oil prices which enabled us to adapt quickly to the new industry environment, find ways to continue achieving both organic and inorganic growth, and keep pushing forward with our long-term business plan.

GeoPark has a unique five country self-funding and asset-rich platform in Latin America, a region with big hydrocarbon opportunity and attractive business environment and very little competition. Our long-term objective is to build the leading independent in the region and both our team and business model have been proven by our consistent track record of growing production reserves and cash flow every year for the last nine years.

To capture the full value chain of our business, GeoPark has developed distinct capabilities as an explorer and operator and a consolidator, which can be seen in our results during this third quarter.

As explorers, we were back to finding oil with a drill bit with the discovery of two new oil fields, Jacana and Chachalaca, both in our operated Llanos 34 block in Colombia. Jacana is the third full discovery along the prolific 15 kilometer long Tigana, Tilo fault trend. A successful appraisal well, Jacana 2, has already been drilled and put on stream, as well as a new successful appraisal well on the Tilo field.

This three pool productive trend is already producing over 18,000 barrels per day gross from 13 wells, with a significant development opportunity to drill many new low risks, low costs and high economic return wells.

Chachalaca is a new discovery in the Northwestern part of the block which will add production and further extend and secure our exploitation acreage. Throughout the turbulence of 2015, GeoPark has been able to demonstrate continuous production and reserve growth in Colombia, with operated production growing by over 50% since January 1, and considering all GeoPark country business units, we are today at a record production level of over 23,000 barrels per day.

As operators, our team restructured our operations to deliver important cost savings and both reduced and refocused our capital investments. Opex is down 56%, capex has been reduced by 75% and drilling costs reduced by over 25%. These actions matched with the quality and diversity of our asset base, mean 85% of our production is profitable at \$25 to \$30 oil prices, and with more improvements coming.

Consequently our balance sheet has been kept strong and our cash safe with over \$90 million in the bank. While still investing in projects that will ensure our long-term growth, these investments have included new drilling in Colombia, the new compression plant in Brazil to ensure full development of the Manati gas field and the new Ache gas field development and treatment plant, representing a new oil field technology introduced in Chile.

As consolidators, we've also been able to continue adding to our large portfolio of assets in low risk proven hydrocarbon basins across Latin America. We continue to identify new opportunities, and in the latest bid round in Brazil, we acquired four new attractive blocks at good terms in the Potiguar and Reconcavo basins complementary to other GeoPark assets.

Regarding 2016, we are currently carrying out our capital allocation exercise to build our 2016 work program and budget. We believe this is one of GeoPark's differentiating strengths whereby we have the opportunity to review and select from a wide range of projects generated by each business unit team with different returns, risks, sizes timelines and geographies. This ensures that our capital always can be directed to our top shareholder value adding projects after ranking them on economic, technical and strategic criteria.

It also makes us comfortable in volatile environments by being able to easily add or subtract projects depending on oil prices and project performance. In our preliminary conservative 2016 scenarios where we use a \$40 base oil price and \$50 million to \$60 million in capital expenditures, we are targeting production growth of at least 10% to 15%. We will advise our complete 2016 program next month.

During this capital allocation exercise we also get to live and share in the culture, creativity and drive of the GeoPark team in each independent business units, and which again and again has proven to be our most resilient and important assets.

Our executive team is here with me today, Zubi, Pablo, Guillermo and Dolores. So let's please open up now for any questions you may have. Thank you.

Operator

Thank you. The floor is now open for questions. (Operator instructions.) Our first question is coming from Diego Mendes of Itau. Please proceed with your questions.

<Q>: Hi, good morning all. So Jim, you mentioned in your last statement, the capex that you intend to invest in the next year. Could you just repeat to us what is the numbers and also from where do you believe that 10% to 15% yearly growth will come from?

The second question is related to the possible investments in Mexico with regards to looking to participate in the round 1.3 or 1.5. And the third, and the last question, is regarding costs, if you believe there is much more room to cut cost from where you are to date? Thank you.

Pablo Ducci - Capital Markets Director

Hi, Diego. This is Pablo and thanks for your question. I'm going to start by giving some guidance on the work programs for 2016. Our idea is to work at three price scenarios comprises of \$40, \$50, \$65 per barrel throughout 2016. Our base case and the one presented by Jim in his words is the one at \$40 that consider our production growth of around 10% to 15% coming from Colombia and Chile. Our investments are planned to be in the same level of year in 2015, so between \$60 million or less than that.

Then I'm going to take the last part of your question regarding costs. We are constantly working and improve our costs. We have been able to success quarter-over-quarter on that. Our teams in each business units have focused throughout the 2015 and throughout the different quarters, so we expect to be able to still have strong improvement in our cost structures for the following quarters.

James Park - Chief Executive Officer

With respect to Mexico, yes, we're working in Mexico. We've approached that in three different directions. One is directly to work with PEMEX on some of their properties that they own and direct joint ventures. Two is on some of the contract migrations, the existing service contracts that are being migrated over, and three are in the bid rounds. And so, there is a bid round upcoming in December of this year and we expect to be making a bid in that round.

Operator

Thank you. Our next question is coming from Gavin Wylie of Scotiabank. Please proceed with your question.

<Q>: Yes, thanks guys, just few quick questions. The first one is, after the Tilo 2 and the Jacana 2 well results, how are you looking at those structures as it relates to potential combined trap against Tigana? Or are you starting to view those as separate structures? And if so separate, could you give us a sense of maybe what the

areal extent would be and how that would compare to some of the other discoveries you had on the block i.e. Tua or something of that nature?

And then the second question is just as it relates to your base program for 2016, when do you return back to Block 34 and begin additional appraisal and/or exploration drilling? And how many wells do you foresee in 2016 on Block 34?

Augusto Zubillaga - Chief Operating Officer

Okay, Gavin. Good morning. I'm Zubi. How are you? So as you mentioned, we drilled the second well in Jacana 2 and we're producing right now approximately 4,000 barrel of oil per day in such field. So going to your question, we don't know yet if they are connected with Tigana or not. The same thing happened Tilo. So we are restarting and reassessing our seismic. So until now, we don't know if they are connected or not.

Anyway we can estimate that reserve size in the Jacana could be the average of Llanos 34 Block. So we are really happy and excited of the Jacana discovery potential.

Pablo Ducci - Capital Markets Director

This is Pablo. Regarding the program in 2016, our idea is to develop and have some more exploration on that Block. In the base case work program, preliminarily we are estimating three to four new wells on that block at prices of \$40 and considering one out of those four wells, and one exploration well. So there is going to be three developmental wells and one exploration in the Llanos 34 and the idea is to start drilling again in the first quarter of next year.

<Q>: Okay, that's great. And to go back to the Jacana comment that you made, so as an independent structure, Jacana you think would be somewhere in that 10 to maybe 12 million barrel range given that that's kind of been the range for the 34 Block. Is that kind of a fair characterization?

Pablo Ducci - Capital Markets Director

Yes, maybe more. We have the reconciliation meeting with the D&M's team in December, and we plan to have final certified reserves in March 2016. So we may expect more than 15—between 15 to 20 million barrels gross in Jacana structure.

Operator

(Operator instructions.) Our next question is coming from Felipe Santos of JP Morgan. Please proceed with your question.

<Q>: Hi, Jim and Pablo just a follow-up. How are you? Just one question as a follow-up of a question before. In case of entering into Mexico and beating that, how do you think—how do you plan to finance the acquisition and finance the exploration program there?

And second question is could you detail a bit more on the strategy going forward for selling the output of the company at the wellhead? Thank you.

Pablo Ducci - Capital Markets Director

Hi, Felipe thank you, this is Pablo. Taking your questions, first in Mexico and in every acquisition and organic growth that we have been developing throughout the GeoPark history, we have been able to find different ways to fund that inorganic growth, not only with our own resources, but also with strategic partnerships that we have been able to develop.

Currently in Mexico, we have already some partnerships with one of our shareholders, the IFC, from the World Bank and also with LG to see opportunities in these three possibilities that Jim explained before. Besides that we are also in conversations with local partners to be able to have the flavor and more color on what's happened there and a local partner. Those conversations have been developed throughout the year, and we expect to in case we do an offer for an area to do that in that way with a strong group of partners being one of those partners.

Regarding the strategy on selling at the wellhead, there has been a change that you might have been seeing throughout the quarter in which we have been moving from selling probably 50% at the wellhead to 98% through the wellhead the last quarter for different reasons. Mainly the devaluation on the currency in Colombia is helping us to make this more attractive, the economics of selling at the wellhead, that means that we are increasing our margins, using this strategy and getting a better EBITDA. If you see that, with this commercialization we are getting a lower realization price but also zero transportation costs in our selling expenses. So in our margins we do see some increase due to this strategy.

What you can expect for the incoming quarter is to pursue this strategy to go through the wellhead. I believe the last quarter of 2016 and then to get some improvement in some commercial discounts that we're pursuing there. The other advantage of this methodology is that selling at the wellhead generates an advantage in our working capital when you track or transfer through pipeline to the cost you have 15 days of inventory that you have to take care. In this case you gain those 15 days because you receive the payment when you start the wellhead.

Operator

(Operator instructions.) Our next question is coming from Chris Dechiario of Marathon Asset Management. Please proceed with your questions.

<Q>: Yes, hi, good morning. So I think you just answered one of my questions which was, sort of what were the major factors driving the positive cash from working capital in the quarter and is that because of the increasing percentage of sales at the wellhead or were there other factors?

Pablo Ducci - Capital Markets Director

Mainly to that, yes.

<Q>: For the coming quarter and into next year what are you expecting in terms of cash use or from working capital?

Pablo Ducci - Capital Markets Director

Well, the idea of our cash position as we managed at the beginning of the year is to protect our cash, we expect to end the year with levels a little bit lower than the ones that we reported during this quarter, mainly for the activities that we pursue during the fourth quarter and maintaining that through the long term. So all the focus on our whole program is on cash preservation mode that we want to maintain at the company.

<Q>: Okay. And what is the current daily production rate now that you've done all this drilling? Where are you today in terms of daily production?

Pablo Ducci - Capital Markets Director

As you probably read on our release, currently, we are over 23,000 barrels which is mainly due to the fully production of the new fields that we covered, that we mentioned Jacana and Chachalaca, but also the appraisal wells that we drilled in Columbia, in the case of Columbia. Also in the case of Chile, we put in production our gas field Ache at Chile with a new gas stream and plant that we put in there and also increased the level of production in Chile over 1,000 barrels of oil equivalent and is going to be stable for the next couple of quarters.

So we're going to have a production over the quarter and it's going to be over the 23,000 barrels.

Operator

Thank you. We're showing no additional questions at this time. This does conclude today's teleconference. You may disconnect your lines at this time and have a wonderful day.