

Transcript of
GeoPark Limited
Fourth Quarter and Full Year 2015 Results Conference Call
March 11, 2016

Participants

James Park – Chief Executive Officer
Augusto Zubillaga – Chief Operating Officer
Andres Ocampo – Chief Financial Officer
Pablo Ducci – Capital Markets Director
Dolores Santamarina – Investor Manager

Analysts

Ben Hough – BCP Securities

Presentation

Operator

Good morning and welcome to the GeoPark Limited conference call following the results announcement for the fourth quarter ended December 31, 2015.

All lines have been placed on mute to prevent any background noise. After the speaker's remarks there will be a question and answer session. If you would like to ask a question during this time, please press star then the number one on your telephone keypad. If your question has been answered and you wish to remove yourself from the queue, press the pound key.

If you do not have a copy of the press release, please call Sard Verbinen & Co in New York at +1 212 687 8080, 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 may be accessed by accessing the Webcast in the Investor Support section of the GeoPark corporate website.

Before we begin, 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 principal 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 list of the Company's business.

All financial figures included herein were prepared in accordance with IFRS and are stated in U.S. 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; Andres Ocampo, Chief Financial Officer; Pablo Ducci, Director of Capital Markets; and Dolores Santamarina, Investor Manager.

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

James Park – Chief Executive Officer

Thank you and welcome everyone.

We are joining this morning from Bogota, Colombia, with our executive team to report on and answer any questions regarding our 4th Quarter and Full Year 2015 results.

We have described throughout 2015 our decisive steps taken to adapt to and manage through the lower oil price environment and keep us on a stable forward growth path. This effort has been anchored by and again demonstrated the quality of our assets, our financial discipline and stability, and the focus and experience of our teams.

Going directly to our key operational results:

Despite a significantly reduced work and investment program during the year, we hit record high oil and gas production in the fourth quarter. Total production was up 15 percent to 23,062 barrels of oil equivalent per day, which was up 20 percent from the previous quarter. Oil production was up 19 percent; up 16 percent from the previous quarter.

Gas production was up six percent; up 31 percent from the previous quarter. And, worth noting is the growth production from our Columbian Llanos 34 Block, operated by GeoPark, which we increased by 60 percent over 32,000 barrels per day; up 21 percent from the previous quarter.

We also achieved record high oil and gas reserves in 2015 as independently certified, and again, despite our reduced drilling program. Total net PDP – that's proven, developed, producing reserves – were up 25 percent with the reserve replacement of 150 percent. Our total net proved reserves increased by 19 percent to 71 million barrels with the reserve replacement of 2011 percent, and our total net proven and probable 2P reserves increased by three percent to 125 million barrels of oil equivalent.

Our independent reserve certifiers calculated the total net present value of our proven reserves to be 891 million, and the NPV of our 2P reserves to be \$1.65 billion. The attractive upside potential of our big asset platform – and our long term running room – was confirmed by an audit of our exploration resources estimated to be 800 million to 1.5 billion barrels of oil equivalent all in proven hydrocarbon basins.

On the financial front, we beneficially have used the industry downturn to beat down costs, wring out inefficiencies, improve the organization, introduce innovations, increase flexibility, re-prioritize the portfolio, and permanently adapt to thrive in a world of lower oil prices.

Meaningful savings in 2015 included capital expenditures down 80 percent, production and operating costs down 34 percent, drilling costs down 25 percent, G&A costs down 18 percent, cash costs down 38 percent. All resulting in over 85 percent of our production being cash flow positive at \$25 to \$30 oil prices.

Following a 50 percent decline in realized oil and gas prices during 2015, our financial results showed corresponding declines. The lower oil prices also caused us to make some non-cash accounting adjustments to our assets, totaling at approximately \$180 million of impairments and write-offs.

Importantly our cash and liquidity position is firm. We have up to \$230 million dollars in available funds consisting of \$83 million of cash, up to a \$100 million from an undrawn committed facility, and approximately \$37 million in uncommitted credit lines.

Looking at some of our recent strategic developments, we closed an offtake and up to \$100 million dollar prepayment agreement with Trafigura to improve crude oil sale prices and netbacks, reduce transportation costs and operational risks, and provide us with a healthy cash cushion.

As part of our continuous effort to expand in the region and build an upstream platform in Mexico, we entered into a new partnership with Grupo Alfa, a leading conglomerate in Mexico, to participate in the Mexican bid round for onshore projects. Our risk-balanced, multi-county exit platform, and the track record of our team in the region, gives us first mover advantage in the hunt for and acquisition of attractively valued new projects, and we remain active in billing our inventory with our partners.

Looking at the new year, we entered 2016 in good shape and ready for both growth and volatility. We designed and built a modular and flexible work program based on oil price scenarios from \$25 to \$50.

As prices plummeted at the beginning of the year, we could easily and immediately adjust our programs and allocate capital based on the lower oil price case. The new low case \$20 to \$25 million work program provides for flat to 5 percent production growth. Our base case work program, at a \$40 oil price, is cash flow neutral and provides for 10 to 15 percent production growth.

In January we drilled a successful new gas flow in the Pampa Larga field in Chile, which is already on production. And, as part of our ongoing cost reduction efforts, our team is continuing to come up with even more innovative operating and administrative savings, allowing us to further decrease our break-even price thresholds.

Thank you, and we now please invite any questions for our team and additional insight.

Operator

At this time I would like to remind everyone, if you'd like to ask a question, please press "star" then the number "one" on your telephone keypad. Once again, to ask a question please press "*1."

You do have a question from the line of Ben Hough of BCP Securities.

Ben Hough – BCP Securities

Hey guys. Congratulations on an exceptional job of navigating difficult environments and preserving the balance sheet and the optionality going forward.

I think in the past you had mentioned the possibility of looking at hedging future production, and just curious if you had any thoughts to share on progress in that direction, or if there's a level that you find attractive, or anything else you might be willing to share on that topic.

Andres Ocampo – Chief Financial Officer

Hi – thank you for your question. Yes, we've looked at hedging alternatives in the past. We do not have a portion of our production hedged today of our own production. Just remember that 25 percent of our production base is gas, which is unaffected by the oil prices, which is for a portion of it, a natural hedge.

Today the proposal that we have analyzed in terms of hedging – we do not see the levels in the market today that deserve hedging. But if prices recover or the curve shows an improvement, then we would move – move to hedge at least a proportion of our production. We are ready to do it, but today we do not see the levels in the market that would deserve us to do some hedging.

Ben Hough – BCP Securities

Is there a general range in the curve that you think will be attractive? Is it \$5 higher or is it substantially higher? Is there any thinking that you could share along those lines?

Andres Ocampo – Chief Financial Officer

I would say probably something that is in the range of where we want our base case. If we want to secure a portion of our cash flow positive case, we would analyze to do it in those levels.

Ben Hough – BCP Securities

Understood. Thank you very much.

Andres Ocampo – Chief Financial Officer

OK thank you.

Operator

Once again, if you'd like to ask a question please press "star" then the number "one" on your telephone keypad. At this time there are no further questions are there any closing remarks?

James Park – Chief Executive Officer

Well, thank you all again for joining us today to discuss our Fourth Quarter results and our start into 2016. Please do not hesitate to contact us if you have any questions. Good day to all.

Operator

Thank you for participating in today's conference call; you may now disconnect.

END