

Transcript of
GeoPark Limited
Fourth Quarter 2019 Results Conference Call
March 5, 2020

Participants

James Park – Chief Executive Officer
Andres Ocampo – Chief Financial Officer
Augusto Zubillaga – Chief Operating Officer
Stacy Steimel – Shareholder Value Director

Analysts

Stephane Foucaud – Auctus Advisors
Alejandro Demichelis – Nau Securities
Arthur Byrnes – Deltec Asset Management
Johanna Castro – Itaú Corretora de Valores S.A

Presentation

Operator

Good morning. Welcome to the GeoPark Limited conference call following the results announcement for the fourth quarter ended December 31, 2019.

If you do not have a copy of the press release, please call Sard Verbinen & Company 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 through this webcast in the Investor Support section of GeoPark corporate website.

Before we continue, please note that certain statements contained in the results press 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 the 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; and Stacy Steimel, Shareholder Value Director.

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 welcome everyone.

We are here this morning with our executive team in Bogota, Colombia to report on our fourth quarter and full-year 2019 results.

Firstly, congratulations and thanks to our team for delivering our 17th year of continuous performance growth – with new operational, financial and portfolio expansion records - demonstrating again that GeoPark is following the right plan for our industry today with the right blend of skill sets and working in the right region.

Our results this quarter and year include:

- Record oil and gas production
- Record oil and gas reserves
- Record asset values
- Record cash generation
- Record capital and cost efficiencies
- Record acreage and asset expansion

This consistent delivery is the result of a rabid focus on the fundamentals of our business:

1. being able to creatively find oil in the subsurface,
2. being the lowest cost, safest and cleanest operator, and
3. being a prudent buyer of new assets - always extending our future growth fairway.

And, the character and quality of GeoPark's growth is a big differentiator: beginning with the strength of our financial performance and balance sheet - with industry-leading returns on capital and cost efficiencies - following with our ability to return meaningful value to our

shareholders with a full mix of share buybacks, dividends and best-in-class stock market performance.

This reflects what we see as the true sustainable model for our industry today with self-funded growth and consistently returning value to shareholders.

It is important to emphasize the significant expansion of our project inventory over the year – including over 1.4 million new acres hugging the still-growing Llanos 34 block – one of the most profitable oil plays in Latin America today - that just hit a key milestone of producing 100 million bbls (still only about 10% of the original oil in place).

GeoPark's total 50 blocks – consisting of over 8 million acres – represent prime acreage in 11 proven low-risk hydrocarbon basins with attractive leads and prospects with over 1 billion barrels of certified exploration resources – providing a deep fairway for our continued short, medium and long-term growth. These new projects also bring new partnerships with key players, including Ecopetrol, ONGC and Oxy.

2020 has already begun at full speed ahead for us with our closing of the promising Amerisur acquisition. (None of these new assets, production or cash flow are yet included in our results). This acquisition brings with it the 'big prize' CPO-5 block, adjacent to and on trend with Llanos 34, and we are working hard now to accelerate the exploration of over 20 identified prospects and the development and appraisal of three discovered fields. It also gives us an entry into the underexplored and underdeveloped Putumayo Basin, which includes some high impact opportunities we are working on with and being carried by Oxy.

We financed the Amersiur acquisition with a successful and substantially over-subscribed seven-year bond which closed at the lowest rate ever for a single B issuer in Latin America – with the capital markets again voting their support for GeoPark's team, business plan and consistent performance.

With the recent movement in oil prices, GeoPark is ready to navigate through this volatility with a full toolbox of risk management instruments and levers at hand. These include our intentionally-flexible work program, hedges in place, partnerships, capital efficiency and our low-cost production base that generates cash at \$25-30 per bbl oil price. A repeatedly proven GeoPark strength over the last 17 years is our resilience and ability to continue to perform through crises both big and small - so we are ready and moving.

Underlying GeoPark's long-term success is our company-wide commitment to SPEED, our in-house integrated ESG system, which was established at our founding and which we continue to build on and improve. GeoPark's performance, reputation and opportunities are the result of our SPEED program and our pride in doing our job in the right way.

Thank you, and we would be pleased to answer any questions.

Operator

Our first question comes from the line of Stephane Foucaud of Auctus Advisors.

Stephane Foucaud – Auctus Advisors

Two questions for me please. First, in the context of the recent drop in oil price, have you seeing the differentials in Colombia moving? And then if we assume that oil price remains varied at the minute in the \$50 dollar-a-barrel range, how would that curtail your exploration program? I think in this case, it will be going towards the lower end of the guidance. So where would you dedicate your exploration dollar in that lower CapEx program?

Andres Ocampo – Chief Financial Officer

The connection is not very good. So I will try to answer and let me know if I got your question. The first one, I understand it's about the Vasconia differential in Colombia. Currently, we are seeing it was lower to around \$2 per barrel differential at the end of last year. Right now, we're seeing it widening to more or less around \$3, almost \$4 per barrel, and our estimation for the year is to remain within those levels.

And then your second question was about if the low oil prices or below \$50 oil prices remain for a long period of time, how would it impact our work program, is that right?

Stephane Foucaud – Auctus Advisors

Well, that would be if the oil price remains in the \$50, then the range of CapEx would be, obviously lower. So in this case, I guess, the amount of exploration capital would be less. And I was wondering which area you would be given priority to, in that lower CapEx environment for exploration?

Andres Ocampo – Chief Financial Officer

Right. So as you know, our work program was designed from the beginning to be flexible and to be changed and adapted based on different oil prices. We expect to remain with more or less the same work program, assuming oil prices as low as \$50. So within the levels that we are seeing this quarter, we should be expected to keep most of it. If it drops below \$50 for sustained period of time, we may start reducing some of the investments. There are no particular targeted activities that we would reduce, but more or less the estimation is a potential reduction of \$35 million, \$40 million down if oil prices remain below \$50 per barrel for a more sustained period of time. Remember also that we have more or less 35% of our oil

production hedged with floors of \$55 Brent. Those hedges go until the end of the year for almost 1/3 of our production -- oil production. So those also helped us push on this lower oil price situation.

Stephane Foucaud – Auctus Advisors

And the \$35 million to \$45 million lower Capex, so I guess some of that would be -- so there is no specific area where we decide where that's where the \$35 million to \$45 million would not be spent for it and it doesn't mean there will be less exploration or less exploration of or we're not doing Chile, you don't have that level of granularity yet, if we were to be below \$50?

Andres Ocampo – Chief Financial Officer

No, I'm sorry. That \$35 million, \$45 million is associated only to the work program that we announced, which does not include yet CPO-5 or Putumayo activities. And then I wouldn't characterize it as it targets most exploration. If you remember, in 2015 and '16, we did keep a portion of our campaign, even in lower price environments, some of our campaign dedicated to exploration because the importance of replacing our reserves. So it would be a combination of development, some exploration probably things like seismic and things that don't have immediate discoveries associated with them may get delayed before the prices drop below \$50. But we will give more clarity where we are in a situation to change the work program itself. Right now, preliminary, we can say that if you want to assume oil prices below \$50 for a sustained period of time, \$35 million, \$45 million of reduction is a reasonable number to assume. And we'll give more guidance if we are in a situation where we actually need to reduce the work program.

Operator

Our next question comes from the line of Alejandro Demichelis of Nau Securities.

Alejandro Demichelis – Nau Securities

Two questions. Just to clarify and to follow-up on the CapEx, yes? So you said that in the current CapEx guidance, it's not included Putumayo and it's not include CPO-5. Is that right?

Andres Ocampo – Chief Financial Officer

That's correct.

Alejandro Demichelis – Nau Securities

OK. So if we were to include the new what would be...

Andres Ocampo – Chief Financial Officer

Just for clarity -- just to give some clarity on that particular point, maybe it's worth taking a minute to explain what it is. As you know, we closed the acquisition of Amerisur in mid-January. This was a transaction that included a company listed in the U.K. with assets in Colombia. Basically 2 groups of assets CPO-5 which is a non-operated 30% stake in a very large block, which is adjacent to the south and on trend of Llanos 34. And this is, in our view, one of the key assets that we bought with this acquisition.

And then the second set of assets is the group of assets in the Putumayo basin that has a producing field and also a very large exploration acreage position, part of which is in partnership with Oxy, and we are being carried by Oxy in some of those exploration activities.

So we took over this company in mid-January. And since we closed the acquisition, we have been working with our partners in developing the work program for 2020. Our main goal for 2020 is to accelerate development and exploration activities in all of these assets. Some of these were more in control because we operate. And for CPO-5 itself, we have a relationship, a very good relationship with the operator, which is ONGC. We have been working very actively with them, designing the 2020 work program. That work program is not definitive yet. We have some preliminary agreements with them, and I'll explain what that is, but it's not yet definitive. So until it is definitive, we are not going to give a formal firm guidance. We expect to do that hopefully when we release our first quarter operational update, which should come a few days after the closing of the first quarter.

So roughly, for CPO-5, we are estimating around 5 or 6 wells, sorry, the potential of the block is very significant. We have identified 3 different plays jointly with ONGC. We have similar play types as we see in Llanos 34, including the continuation of the Tigana/Jacana trend into CPO-5, and those are Guadalupe formation and Mirador formation play.

We have the 2 discovered fields that are producing already in CPO-5 that have wells that are performing better than most of the wells in the Llanos basin. These wells have been producing flat for almost 2 years. One of these fields, Indico has 200 feet of net pay and is producing light crude, already accumulated almost 2 million barrels in that period of time with no decline and no water coming in. So we have identified more prospects of that play type and then some meaningful opportunities also in the southeast of the block.

In total, more or less, our team and jointly with ONGC have identified between 20 to 25 prospects within CPO-5 block. So our goal is to accelerate the development of the fields that are producing and the exploration of all of these prospects that have already been identified. On top of that, there's 1/3 of the block that doesn't have 3D seismic yet. And part of the plan for 2020 is also to cover that part with seismic.

So back to the work program. In CPO-5 itself, we're estimating, hopefully, to drill 5 to 6 wells; 3 exploration wells, 3 development/operational wells in the field that already exist within 2020. And acquire around 300 square kilometers of 3D seismic in the block.

Net to GeoPark, this would be something around \$20 million to \$25 million. And again, this is not yet firm. This is something we are in conversations with the operator. And hopefully, we will be able to agree with them to at least conduct the majority of this work program. And then in the Putumayo, we have some seismic acquisition and also some pulling jobs in the field that we are producing and some facilities as well, that in total, of around \$10 million to \$15 million. So total CapEx program for these new assets could potentially be and again, I reiterate, this is not firm yet, it has to be completed with our partners, is roughly net to GeoPark additional \$40 million to \$50 million.

This is self-funded by both the cash that came with the acquisition of the company, which was roughly \$40 million and the EBITDA that we expect to generate throughout 2020 with these assets, which at \$55 Brent is roughly \$40 million to \$45 million.

So hopefully, we will be able to give more clearance on this in a few months, but preliminarily to give an order of magnitude, this is what we are -- what is looking at it right now. So sorry, I took a long time to answer your question, Alejandro, but I think it was important for everybody to understand better what we were talking about.

Alejandro Demichelis – Nau Securities

No, it's perfect. It's very clear. And 1 small question, just on CP05, yes. Obviously, you have been in the field now for 1.5 months, you have your agreement with ONGC. How do you see the production from the current 2 wells performing for the rest of the year? Are you assuming that, that can stay flat at, call it, 7,000 barrels a day? Or do you see that growing further?

Andres Ocampo – Chief Financial Officer

Well, we see some opportunities to -- well, first, it depends on the drilling of the development on operational wells. If we finally decide with them to drill those wells, then the production will be increased. Additionally, we are in conversations with them. Both reservoir engineering teams are discussing to see if there's an opportunity to increase production from the existing wells without jeopardizing the recovery factor of the fields. We always obviously want to maximize the recovery factor, delaying as much as possible the coming of the water. So that is in discussion right now to see if there are opportunities to increase production from the existing wells. But for now, it will come mostly from the drilling of new wells.

Operator

Our next question comes from the line of Arthur Byrnes of Deltec Asset Management.

Arthur Byrnes – Deltec Asset Management

Over a year ago, you were highlighting your Peruvian acreage and proven reserves and they were sort of supposed to scale in as your Colombian production started to level off or decrease. Since then you've done Amerisur, and you've thrown some cold water on Peru. Where does Peru stand? Is it just too difficult? And is it 5 years away? Or what's happened there?

Andres Ocampo – Chief Financial Officer

Yes, as you pointed out, our original plan with Peru was finally get the environmental impact study approved at the beginning of last year. And then investing in the facilities that were required to put the field on production, and hopefully, sometime around these days, we should have been seeing the first oil.

Unfortunately, we encountered some unexpected delays, mainly as a result of the lack of definition on whether certain aspects of the impact – the environmental impact study requiring or not prior consultation from local communities, which is a lengthy process. Unfortunately, in the middle of this, those political complications in Peru, which did not or didn't help for clarity -- for more clarity to come in.

So right now, the block is, again, in force majeure. Our team in Peru is developing a plan to work with the government and finally get clarity on what possible next steps can we make in Peru. So currently, we're not anticipating to have the study approved in any time during 2020. It's hard to say if this is a 5-year term. Hopefully, it's not. But currently, we don't have really the clarity to give you more firm definition on that.

Arthur Byrnes – Deltec Asset Management

But you haven't given up?

Andres Ocampo – Chief Financial Officer

No, not yet. I don't think we have the firm information to make that decision yet. One of the benefits of the portfolio is that we have these step changes -- opportunities. And if that is the only asset in your portfolio then when some of them get delayed, then that's a much bigger problem. So that's why we have the rest of our portfolio to keep going ahead. Peru is -- Yes. No, just to emphasize that Peru is still a strategic country for us. It's part of the Mara  n-Oriente-Putumayo petroleum system, which is one of the most prolific systems in Latin America. So we

still have hopes in the development of the oil industry in the country. It's one of the most underdeveloped rich systems in the region.

Operator

Our next question comes from the line of Johanna Castro of Itaú Corretora de Valores S.A.

Johanna Castro – Itaú Corretora de Valores S.A

I just have a follow-up question on the CapEx program for the assets of the acquisition of Amerisur. Going back to the drilling program that Amerisur used to have and used to show, they mentioned that they were going to do the seismic -- run 3D seismic input module 8 and drilling oil well in Platanillo, like those kind of programs are the ones that you think you will follow? Or you are changing these plans and starting from scratch?

Andres Ocampo – Chief Financial Officer

Some of those activities are the ones we are planning to do. In the case of Putumayo, some of them are subject to completion of the licensing, which takes some time, and we are taking over the work that had already been started. But to give you an idea of what we are trying to do here, the investment on all of the Amerisur assets of 2019 was roughly \$15 million, 1-5. 2018 was \$17 million, more or less. We're trying to at least invest \$50 million, 5-0, in 2020. And hopefully, if we get all the approvals in place, maybe more. We could raise it up to \$70 million, 7-0, in 2020. So what we're trying to do is completely change the pace and the speed at which all this very rich exploration potential has been developed so far and all the existing fields they have been developed so far. We think a lot more can be done and much faster than it has been done in the past. So our plan is to add more to what had already been started to be done by the private company.

And also in some of these activities in Putumayo, remember, we have \$100 million investment from which, for our share we are being carried by Oxy in some of those exploration activities.

Johanna Castro – Itaú Corretora de Valores S.A

Yes. And just to be more precise, since we don't have the information of the cash available at the closing of the year, I am assuming that because of the I guess, the restructuring that you have to do, you did have to let some people go and those kind of things. Do you still have that cash that was mentioned that the company had at the close of September? Or the end of the year was actually that cash was used?

Andres Ocampo – Chief Financial Officer

Yes, it's roughly \$40 million. I think it's a little less than what it was in September, but it's not very different. There's not a significant change.

While talking just [Amerisur] perspective, that's the cash that came with the company, right? Not in our consolidated cash.

Operator

I'm showing no further questions at this time.

I would like to turn the floor back over to Mr. James Park for any additional or closing remarks.

James Park – Chief Executive Officer

Thank you everybody for your interest in GeoPark and for your continued support of our Company. We encourage you to please visit our operations in each country, as soon as feasible, and call us at any time for more information. Thank you.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference call. You may now disconnect. Have a wonderful day.

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