

# Pacific Rubiales Announces Arbitration Decision Regarding High-Price Provisions in its Quifa Association Contract and Evaluates Next Course of Action

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TORONTO, March 13, 2013 /CNW/ - [Pacific Rubiales Energy Corp.](#) (TSX: PRE; BVC: PREC; BOVESPA: PREB) announced today that a commercial arbitration decision in Colombia has been rendered in connection with its dispute with Ecopetrol, S.A. ("Ecopetrol") regarding the interpretation of the high-prices clause ("PAP") of its Quifa Association Contract. The Company is evaluating the decision as it leaves open several unresolved issues. The Company is also evaluating all of its alternative remedies under Colombian laws and applicable international treaties.

The Company's share of production in the Quifa SW field is 60% before royalties. This participation may decrease when the application of the PAP is triggered.

On September 27, 2011, Ecopetrol and the Company agreed on an arbitration process to settle differences in the interpretation of the PAP clause in the Quifa Association Contract and its effect on their share of production.

On March 13, 2013, the arbitration panel delivered its decision interpreting that the PAP formula should be calculated on 100% of the production of the Quifa SW field, instead of simply the Company's 60%.

However, the arbitration panel expressly denied Ecopetrol's demand for an order for Pacific Rubiales to deliver the associated volumes of hydrocarbons as a result of its interpretation of the PAP formula. The arbitration decision is not yet firm nor does it provide enforceable remedies against the Company.

In the event that the interpretation of the PAP formula by the arbitration panel becomes enforceable, the Company would be required to deliver an additional 1,393,252 bbl of oil to Ecopetrol, representing Ecopetrol's additional share in Quifa SW production from April 3, 2011 to December 31, 2012, which in any case would be delivered in kind from future production out of 10% of its daily net share of production of the Quifa SW field (as of today, approximately 2,270 bbl/d over a 20 month period). This additional volume has been recorded as an over-lift on the Company's consolidated financial statements as at December 31, 2012.

As a result of the above and under prudent accounting practice, a provision has been made in the Company's 2012 year-end financials to account for cumulative amounts accrued as follows:

- U.S.\$92 million negative impact on 2012 EBITDA, from U.S.\$2,110 million to US\$2,018 million, representing approximately a 4% reduction.
- U.S.\$61 million negative impact on 2012 Net Income, from U.S.\$589 million to U.S.\$528 million, which is around a 10% reduction.

The Company is evaluating all available courses of action and will vigorously defend its rights under the Quifa Association contract.

Pacific Rubiales, a Canadian company and producer of natural gas and crude oil, owns 100% of Meta Petroleum Corp., which operates the Rubiales, Piriri and Quifa heavy oil fields in the Llanos Basin, and 100% of Pacific Stratus Energy Colombia Corp., which operates the La Creciente natural gas field in the northwestern area of Colombia. Pacific Rubiales has also acquired 100% of [PetroMagdalena Energy Corp.](#), which owns light oil assets in Colombia, and 100% of [C&C Energia Ltd.](#), which owns light oil assets in the Llanos Basin. In addition, the Company has a diversified portfolio of assets beyond Colombia, which includes producing and exploration assets in Peru, Guatemala, Brazil, Guyana and Papua New Guinea.

The Company's common shares trade on the Toronto Stock Exchange and La Bolsa de Valores de Colombia and as Brazilian Depositary Receipts on Brazil's Bolsa de Valores Mercadorias e Futuros under the ticker symbols PRE, PREC, and PREB, respectively.

## Advisories

### Cautionary Note Concerning Forward-Looking Statements

This press release contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow and costs, reserve and resource estimates, potential resources and reserves and the Company's exploration and development plans and objectives) are forward-looking statements. These forward-looking statements 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 the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from the estimates and assumptions; failure to establish estimated resources or reserves; fluctuations in petroleum prices and currency exchange rates; inflation; changes in equity markets; political developments in Colombia, Peru, Guatemala, Brazil, Papua New Guinea or Guyana; changes to regulations affecting the Company's activities; uncertainties relating to the availability and costs of financing needed in the future; the uncertainties involved in interpreting drilling results and other geological data; and the other risks disclosed under the heading "Risk Factors" and elsewhere in the Company's annual information form dated March 14, 2012 filed on SEDAR at [www.sedar.com](http://www.sedar.com). Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

In addition, reported production levels may not be reflective of sustainable production rates and future production rates may differ materially from the production rates reflected in this press release due to, among other factors, difficulties or interruptions encountered during the production of hydrocarbons.

### Translation

This news release was prepared in the English language and subsequently translated into Spanish and Portuguese. In the case of any differences between the English version and its translated counterparts, the English document should be treated as the governing version.

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