

PERENCO WARNS THAT SUSPENSION OF ITS CONTRACTS WITH ECUADOR  
IS IMMIMENT DUE TO ECUADOR'S REFUSAL TO COMPLY WITH  
INTERNATIONAL ARBITRATION TRIBUNAL ORDERS

July 13, 2009 –

Perenco Ecuador Limited (“Perenco Ecuador”) and its consortium partner, Burlington Resources Oriente Ltd. (“Burlington”), today announced that suspension of their participation contracts with Ecuador is imminent unless the Government of Ecuador complies with orders of two international arbitration tribunals that prohibit the Government from seizing oil produced by the consortium.

Perenco Ecuador is the Operator of Blocks 7 and 21 in Ecuador. On February 19, 2009, the Republic of Ecuador and its oil company, Empresa Estatal Petróleos del Ecuador (“Petroecuador”), commenced a coercive process to collect from Perenco Ecuador approximately \$327 million they claimed were due under a 2006 Ecuadorian law (“Law 42”) by which the Government asserts a right to 99% of the oil revenues above an arbitrary “reference price.” In March 2009, Petroecuador began seizing crude oil produced by Perenco Ecuador and Burlington from Blocks 7 and 21 to satisfy the alleged Law 42 debt.

However, on May 8, 2009, a three member international arbitration tribunal constituted under the auspices of the International Centre for the Settlement of Investment disputes (“ICSID”) unanimously ordered that the Republic of Ecuador and Petroecuador were restrained from “instituting or further pursuing any action” – including oil seizures – “to collect from Perenco any payments [they] claim are owed... pursuant to Law 42.” The tribunal made clear that such are orders “are binding on the party to which they are directed” and that the parties “are under an international obligation to comply” with them. On June 29, 2009, a different international arbitration tribunal in a separate ICSID arbitration commenced by Burlington issued a similar provisional measures order. A copy of each tribunal’s order can be found on the ICSID website, [www.worldbank.org/ICSID](http://www.worldbank.org/ICSID).

Despite these ICSID tribunal orders, Petroecuador carried out three auctions of the crude oil it has seized from Perenco Ecuador and Burlington. No buyers materialized at the first auction held in May. The second and third auctions were held on July 3 and July 8. In the final hour of each of those two recent auctions, Petroecuador emerged as the sole bidder. As sole bidder, Petroecuador purchased from itself approximately 2.5 million barrels of seized crude at about half the current market price.

Prior to last week’s auctions, Perenco Ecuador and Burlington warned Ecuador that defiance of the tribunals’ orders could likely result in suspension of operations at the

Blocks. Today, Perenco Ecuador and Burlington notified the Government of Ecuador that suspension is now imminent.

According to Rodrigo Marquez, Latin American Regional Manager for the Perenco Group, “The Government’s conduct in violation of the tribunals’ orders has left Perenco Ecuador and Burlington exposed to all the cost and risk of operations at Blocks 7 and 21 with no corresponding revenues. This situation is unsustainable. The consortium cannot be expected to produce oil for the sole benefit of the Government of Ecuador. Accordingly, not only will Perenco Ecuador contemplate the possibility of enforcing its rights against buyers of the seized crude, but Perenco Ecuador and Burlington have today informed the Government that they imminently will suspend operations unless the Government complies with the tribunals’ orders.”

Mr. Marquez said, “Even at this late date we encourage the Government to change course and honor the tribunals’ orders. Those orders were issued through fair procedures in which all parties’ views were considered. While the orders prohibit continued oil seizures, they call for certain disputed amounts to be placed in a escrow during the pendency of the disputes, which is a reasonable and balanced solution.”

Perenco Ecuador Limited is part of a privately held upstream oil and gas company and is the operator of Blocks 7 and 21 in Ecuador.

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