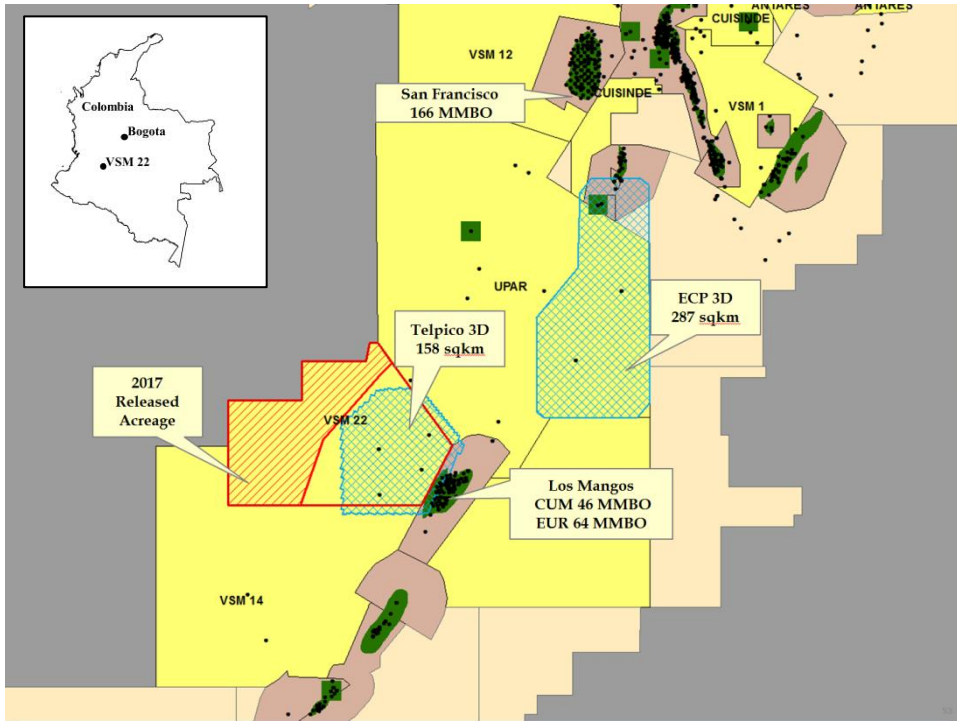




Block VSM 22

Caballos Prospect

UPPER MAGDALENA VALLEY BASIN, COLOMBIA



Block VSM 22 is in the central portion of the prolific Upper Magdalena Valley Basin, about 300 kilometers southwest of Bogotá. The basin is bounded by the Eastern and Central Cordilleras where Cretaceous and Tertiary sediments were deposited in a foreland setting and compressed from the east and west during the Tertiary. The block straddles two producing trends. The Yaguara (Los Mangos) Field (64 MMBO EUR), is located on the eastern boundary of the block. Oil seeps are documented by Telpico field work on the VSM 22 Block and to the north.

The play type of the area (Los Mangos Field) is a conventional structural hanging-wall closure. The primary objective is the basin prolific Cretaceous Caballos Sandstone that has produced 46 MMBO of 21⁰ API oil from Los Mangos Field (EUR 65 MMBO). The Caballos is overlain by the world class source rock LaLuna/Villeta Shale that is currently a target for unconventional plays in Colombia. **The Hidalgo Prospect (VSM 22) was identified on a 2014, very high quality, 158 km² PSDM-3D. The Hidalgo Prospect is expected to be drilled June, 2019. Block expiration is August, 2020. Estimated prospect recoverable reserves is 21-25 MMBO.**

Proposed Trade Terms

- Working Interest Available: 49%
- Potential Partner to pay \$2.5 Million USD buy-in costs:
- Partner shall pay 100% of the initial test well costs to casing point for 49% Working Interest.
- All subsequent operations and expenses will be paid on a ground floor basis.
 - **Hidalgo Prospect 100% Dry Hole Cost: \$2.9 MM USD**
 - **Completion Cost: \$1.7 MM USD**

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Telpico Hidalgo Prospect

(Hidalgo 1X PTD: 4000')

Hidalgo Prospect is located in the eastern area of VSM 22. It is a well defined three way, hanging wall fault closure that encompasses approximately 1240 acres (500 Ha.'s). The prospect is relatively shallow at 4000'. The Los Mangos Field (64 MMBO EUR) analogy is producing from the Caballos at the same depths. The Caballos is the primary objective and is a prolific producer throughout the basin. The Caballos is overlain by the Villeta/Laluna Formation that is a world class source rock for the country, and is the target for the unconventional resource play in Colombia.

The seismic control for the Hidalgo Prospect is a 2014 very high quality, dual processed, 158 km² PSDM-3D. The prospect is bounded by an east vergent thrust. (see map below). This fault cut is confirmed on both seismic data sets, surface geology conducted during seismic operations, and recently acquired satellite imagery. The Pedernal 1 well is the key well for the Hidalgo Prospect. The well was drilled in 1987 and encountered numerous oil shows through the Caballos Formation. The proposed Hidalgo 1X test will encounter the Caballos approximately 1000' high to the Pedernal well. This prospect is syncline separated from the production at Los Mangos as the east vergent trapping fault dies to the south. Estimated Recoverable Reserve size of the Hidalgo Prospect is 21-25 MMBO.

