



# PETROMINERALES

A PETROBANK COMPANY

## NEWS RELEASE

### **PETROMINERALES REPORTS FOURTH QUARTER NET INCOME OF US\$0.51 PER SHARE AND FUNDS FLOW FROM OPERATIONS OF US\$1.03 PER SHARE**

Bogotá, Colombia – March 1, 2010 - Petrominerales Ltd. (“**Petrominerales**” or the “**Company**”) (TSX: PMG), a 66% owned subsidiary of Petrobank Energy and Resources Ltd. (“Petrobank”) (TSX: PBG), is pleased to announce 2009 fourth quarter financial and operating results highlighted by fourth quarter net income of US\$0.51 per share and funds flow from operations of US\$1.03 per share.

#### **HIGHLIGHTS**

(Annual comparisons are 2009 compared to 2008 and quarterly comparisons are fourth quarter 2009 compared to the fourth quarter of 2008. All references to \$ are United States dollars unless otherwise noted.)

- 2009 crude oil production increased by 104%, averaging 22,360 barrels per day (“bopd”), mainly due to production additions from our exploration successes at Corcel and Mapache, as well as success in our development drilling program at Neiva. We generated accretive per-share daily production growth of 105% in 2009.
- Fourth quarter 2009 production increased to 24,555 bopd, a 60% increase over the comparable 2008 period and a 14% quarter-over quarter increase from the third quarter of 2009.
- We discovered the Candelilla structure on our Guatiquia Block that has significantly increased production in 2010. January production averaged 28,629 bopd and with the addition of Candelilla-2, February production averaged 41,102 bopd.
- We generated record cash flow: 2009 funds flow from operations was \$283.8 million (\$2.78 per share) and fourth quarter funds flow from operations was \$106.2 million (\$1.03 per share).
- Our earnings were strong: 2009 annual net income was \$100.1 million (\$1.00 per share) and fourth quarter net income was \$51.2 million (\$0.51 per share).
- We were the most active exploration company in Colombia in 2009: drilling 10 exploration wells, 36 development wells and acquiring 573 square kilometres of 3D seismic in Colombia and Peru.
- Our total proved reserves increased by 43% to 36.0 million barrels of oil and proved plus probable reserves increased by 44% to 53.1 million barrels of oil. Total proved reserve additions replaced production by 232% and proved plus probable reserve additions replaced 299% of production.
- We constructed the Monterrey crude oil offloading facility providing strategic offloading capacity into the Colombian pipeline system.
- We entered an agreement to acquire all of the outstanding shares of PanAndean Resources plc (AIM:PRE) for £18.7 million (\$28.5 million). PanAndean assets include four blocks in Peru and one in Colombia totalling 6.3 million gross (2.7 million net) acres.

In 2009, our results were driven by our exploration successes at Corcel and Mapache and our development drilling program at Neiva. Our financial strength, combined with our extensive prospect inventory has set up 2010 to be our busiest exploration program in our history.

## FINANCIAL AND OPERATING RESULTS

The following table provides a summary of Petrominerales' financial and operating results for the three and twelve month periods ended December 31, 2009 and 2008. Consolidated financial statements with Management's Discussion and Analysis ("MD&A") are now available on the Company's website at [www.petrominerales.com](http://www.petrominerales.com) and will also be available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

	Three months ended December 31,			Year ended December 31,		
	2009	2008	% Change	2009	2008	% Change
<b>Financial (US\$000s, except where noted)</b>						
Crude oil revenue	<b>160,646</b>	70,610	128	<b>463,655</b>	343,182	35
Funds flow from operations <sup>(1)</sup>	<b>106,171</b>	57,811	84	<b>283,824</b>	234,534	21
Per share – basic (\$)	<b>1.08</b>	0.58	86	<b>2.89</b>	2.34	24
– diluted (\$)	<b>1.03</b>	0.56	84	<b>2.78</b>	2.25	24
Net income	<b>51,211</b>	20,278	153	<b>100,146</b>	131,144	(24)
Per share – basic (\$)	<b>0.52</b>	0.20	160	<b>1.02</b>	1.31	(22)
– diluted (\$)	<b>0.51</b>	0.20	155	<b>1.00</b>	1.28	(22)
Capital expenditures	<b>81,983</b>	46,861	75	<b>280,879</b>	268,153	527
Total assets	<b>720,116</b>	565,705	27	<b>720,116</b>	565,705	27
Net debt <sup>(1)</sup>	<b>68,191</b>	32,801	108	<b>68,191</b>	32,801	108
Common shares outstanding, end of period (000s)						
Basic	<b>98,611</b>	99,399	(1)	<b>98,611</b>	99,399	(1)
Diluted <sup>(2)</sup>	<b>104,789</b>	105,631	(1)	<b>104,789</b>	105,631	(1)
<b>Operations</b>						
Crude oil production (bopd) <sup>(3)</sup>	<b>24,555</b>	15,344	60	<b>22,360</b>	10,967	104
Operating netback (\$/bbl) <sup>(1) (4)</sup>						
WTI benchmark price	<b>76.19</b>	59.08	29	<b>61.80</b>	99.75	(38)
Crude oil revenue <sup>(5)</sup>	<b>61.75</b>	45.57	36	<b>50.43</b>	82.27	(39)
Royalties	<b>6.76</b>	3.90	73	<b>5.14</b>	8.02	(36)
Production expenses	<b>7.62</b>	6.45	18	<b>7.09</b>	8.46	(16)
Operating netback	<b>47.37</b>	35.22	34	<b>38.20</b>	65.79	(42)
<b>Total proved reserves</b>						
Reserves (mbbls) <sup>(6)</sup>				<b>35,987</b>	25,174	43
NPV 10% before tax (US\$ millions) <sup>(7)</sup>				<b>1,458</b>	832	75
Production replacement				<b>232%</b>	214%	8
Finding & development costs (US\$/bbl) <sup>(8)</sup>				<b>18.51</b>	24.94	(26)
Recycle ratio <sup>(9)</sup>				<b>2.1</b>	2.6	(19)
<b>Total proved plus probable reserves</b>						
Reserves (mbbls) <sup>(6)</sup>				<b>53,107</b>	36,849	44
NPV 10% before tax (US\$ millions) <sup>(7)</sup>				<b>2,082</b>	1,229	69
Production replacement				<b>299%</b>	96%	211
Finding & development costs (US\$/bbl) <sup>(8)</sup>				<b>13.98</b>	30.66	(54)
Recycle ratio <sup>(9)</sup>				<b>2.7</b>	2.1	29

## Footnotes to Financial & Operating Highlights Table

- (1) Non-GAAP measure. See “Non-GAAP Measures” section.
- (2) Consists of common shares, stock options, deferred common shares and incentive shares outstanding as at the period end date.
- (3) Actual production sold for the fourth quarter of 2009 was 22,607 bopd (2008 – 15,344 bopd) and for the year ended December 31, 2009 was 22,490 bopd (2008 – 10.967).
- (4) Excludes gains and losses on risk management contracts.
- (5) Net of transportation and other expenses.
- (6) Company working interest before deduction of royalties.
- (7) As determined by the Company’s independent reserves evaluators. Estimated values of future net revenue disclosed in this press release do not represent fair market values.
- (8) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year. The three-year average finding and development costs for total proved reserves was \$21.75 per barrel and for proved plus probable reserves was \$18.10. See our press release dated February 22, 2010 for more details.
- (9) Recycle ratio is calculated by dividing operating netback by finding and development costs and measures how many barrels of reserves a company replaces from each barrel of oil produced.

## OPERATIONAL REVIEW & UPDATE

Production averaged 24,555 bopd in the fourth quarter of 2009, a 60% increase from the fourth quarter of 2008. The increase is due to continued success at Corcel and additions from our development drilling program at Neiva. With the Candelilla discovery at year end, 2010 production has increased further to average 28,629 bopd in the month of January and 41,102 bopd in February. Combining our 14% increase in production and a 12% increase in WTI crude oil prices quarter-over-quarter, fourth quarter 2009 funds flow from operations increased 48% to \$106.2 million compared to \$71.7 million in the third quarter of 2009.

### Guatiquia Block

In the fourth quarter, we made two oil discoveries with our first two exploration wells drilled on the block. The Guatiquia Block covers 26,349 acres and is on trend and contiguous with the southwest portion of the Corcel Block in the Llanos Basin.

Candelilla-1, our major discovery on the block, tested 44 degree API light oil in the Lower Sand 3 formation and was immediately placed on production. To date, the well has flowed naturally at an average sustained rate of 12,580 bopd. On February 15, 2010, a second well drilled into the structure was placed on production at over 15,800 bopd. A fourth flow-line was installed from the wells to our temporary production facilities and current combined production from both Candelilla wells is limited to the facility’s capacity of 30,000 barrels of fluid per day. The temporary facility is being expanded to handle 45,000 barrels of fluid per day for the increased production potential of the existing wells and further potential production additions from Candelilla-3. During the second quarter, we plan to tie our Candelilla production into the Corcel central processing facility.

Candelilla-3, the third well into the structure, began drilling operations on February 17, 2010, with initial drilling results expected in mid-March. Following Candelilla-3, we plan to move the rig to the northeast section of the Corcel Block to drill our first exploration well in the area, Amarillo-1. While the drilling rig is at Corcel, we plan to review additional prospectivity on the block, including evaluation of the potential net oil pay in the Mirador and Guadalupe formations at Candelilla.

The Percheron-1 well tested 11 degree API oil in the Lower Sand 1 Formation. The well is currently suspended while we assess the ultimate economic viability of this prospect.

## **Corcel Block**

Corcel production in the fourth quarter averaged 17,558 bopd, a 30% increase over the third quarter of 13,541 bopd due to the Corcel-A2 side-track well that came on production September 28, 2009.

During the quarter, oil deliveries to the Monterrey offloading facility were limited to our initial delivery capacity of 11,500 bopd. In 2010, our share of delivery capacity increased to 20,000 bopd. The facility is the closest offloading station to Corcel, 77 kilometres away, and reduces our trucking costs for volumes delivered to Monterrey to under \$3.00 per barrel. We have also entered into a transportation agreement to delivery 10,000 bopd to the Cusiana offloading station beginning in the second quarter of 2010. The Cusiana offloading station is 126 kilometres from Corcel and will also result in trucking costs of less than \$3.00 per barrel for volumes delivered to Cusiana.

Investments at the Corcel central processing facility during the quarter increased fluid handling capacity to 140,000 barrels of fluid per day. We plan to upgrade the facility to 180,000 barrels of fluid per day during 2010.

## **Neiva**

On our Neiva block, we drilled 31 wells in 2009, 17 in the Doima Chicoral formation and 14 in the Honda formation as part of our multi-year development drilling program. In addition, we have performed 15 recompletions using our multi-stage fracture stimulation technique. Neiva production averaged 2,658 bopd in the fourth quarter, a 457% increase from 2008. This increase reflects the effectiveness of our innovative multi-stage fracture stimulation technique, now being used to complete these wells.

Fourth quarter 2009 production is lower than the third quarter of 2009 due to delays experienced in bringing drilled wells onto production and maintenance of the completion rig. On January 8, 2010, the next well drilled in the program, DT-98, was placed on production.

## **Central Llanos (Casanare Este, Casimena, Castor, Mapache)**

We plan to drill up to 13 exploration wells in 2010 in the central portion of the Llanos Basin. This exploration program has been enhanced by an additional 373 square kilometres of 3D seismic that we acquired on our Central Llanos blocks during 2009.

On January 31, 2010, drilling operations commenced on the Yenac-1 well on our Casimena Block. This was the first exploration well of our 13-well Central Llanos exploration program. The well reached total measured depth of 8,334 feet on February 13, 2010. Well logs indicated 42 feet of potential net oil pay in the Mirador formation. We made the decision to case the well and we will be moving in a service rig to perform the testing program. We expect to have testing results by early April.

The Central Llanos drilling rig is currently moving to the Castor Block to begin drilling Capybara-1, the next exploration well in the central Llanos exploration program.

## **Heavy Oil Blocks (Rio Ariari, Chiguiro Este, Chiguiro Oeste)**

In the fourth quarter, we tested heavy oil in our first exploration well on the Rio Ariari Block, Rio Ariari-1. We placed the well on an extended production test. The Rio Ariari-1 was located based upon our interpretation of the 50 square kilometre 3D seismic program acquired earlier in 2009. We began drilling operations on a follow-up well, Rio Ariari-2, on December 20, 2009, to further evaluate the structure. Rio Ariari-2 reached total vertical depth of 5,209 feet on January 15, 2010. Well logs indicated 40 feet of potential net oil pay in the Mirador formation. We cased the well and initiated a multi-zone testing program. Due to inconsistencies in the test data and issues with the well bore, resulting in high watercuts, we have suspended the testing program at Rio Ariari-2. After analysis of the

results, we plan to bring a rig back to the block late in the year to drill multiple exploration prospects as well as an additional step-out location to follow-up on the original Rio Ariari discovery.

We expect to close the PanAndean acquisition in early April and take ownership of the 87,383 acre, Antorcha heavy oil block close to infrastructure in the Middle Magdalena Basin of Colombia. We plan to drill our first exploration well on the block in May 2010.

## **Orito**

On our Orito block, production averaged 3,201 bopd in the fourth quarter of 2009 with minimal capital investments made on the block over the third and fourth quarters of 2009. Future capital investments are temporarily suspended on the block as part of our strategy to refocus capital deployment to the highest value-add areas of our portfolio. We have received expressions of interest for our Orito property and we are considering a sale of this non-core asset.

## **Peru**

Petrominerales has a 55 percent interest in the 2.6 million acre Block 126 in the Ucayali Basin of Peru. With our joint venture partner, we have completed the acquisition of 150 square kilometres of 3D seismic and 50 kilometres of 2D seismic in the fourth quarter of 2010. Initial activities on the block included the reinterpretation of 1,200 kilometres of 2D seismic, which confirmed a large structural feature, La Colpa, originally tested by a well drilled on the block 20 years ago. Two other structural leads have also been identified from the existing reprocessed 2D seismic. In 2010, we plan to complete the processing and interpretation of the 3D seismic and complete civil works so that we will be in a position to begin drilling operations on our first exploration well on the block by early 2011.

As part of the PanAndean acquisition, Petrominerales will acquire four additional exploration blocks in Peru consisting of 6.7 million gross acres (2.6 net acres) for which Petrominerales will be carried for \$30 million of exploration activities. Combining this acquisition with our existing 55% working interest in Block 126, Petrominerales will have the oil and gas exploration rights to a significant concentration of land in the relatively under-explored Ucayali Basin of Peru, under competitive fiscal terms. The total purchase price for the PanAndean properties is £18.7 million (\$28.5 million) before expenses.

***Petrominerales Ltd.** is a Latin America-based exploration and production company producing oil in Colombia with 14 exploration blocks covering a total of 1.8 million acres in the Llanos and Putumayo Basins and 2.6 million gross acres in the Ucayali Basin of Peru. Petrominerales is 66% owned by Petrobank Energy and Resources Ltd. (TSX: PBG).*

***Forward-Looking Statements.** Certain information provided in this press release constitutes forward-looking statements. The words "anticipate", "expect", "project", "estimate", "forecast" and similar expressions are intended to identify such forward-looking statements. Specifically, this press release contains forward-looking statements relating to the results from operations of the Company. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. You can find a discussion of those risks and uncertainties in our Canadian securities filings. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in oil prices; the results of exploration and development drilling, recompletions and related activities; timing and rig availability, outcome of exploration contract negotiations; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; risks associated with oil and gas operations; and other factors, many of which are beyond the control of the Company. There is no representation by Petrominerales that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Except as may be required by applicable securities laws, Petrominerales assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.*

**Non-GAAP Measures.** *This report contains financial terms that are not considered measures under Canadian generally accepted accounting principles (“GAAP”), such as funds flow from operations, funds flow per share, net debt and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities before changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company’s ability to generate sufficient cash to fund future growth opportunities and repay debt. Net debt includes bank debt, principal amount of convertible debentures and accounts payable and accrued liabilities less current assets, and is used to evaluate the Company’s financial leverage. Operating netback is determined by dividing oil sales less royalties, transportation and other and operating expenses by sales volumes. Management considers operating netback important as it is a measure of profitability per barrel of production and reflects the quality of production. Funds flow from operations, funds flow per share, net debt and operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with GAAP.*

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