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## **At A Time When Many Oil & Gas Companies Are Becoming Less Competitive, Petro Andina Resources Continues To Generate Cash Flow And Capitalize On Opportunities To Grow And Expand Their Business In Argentina And Trinidad, With An Eye On Colombia**

**Energy  
Oil & Gas  
(PAR-TSX)**

**Petro Andina Resources Inc.**

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**Wayne K. Foo  
President and CEO**

### **BIO:**

Mr. Foo has over 27 years of experience in the energy sector with 12 years in executive positions in both growth and restructuring environments. He served as Vice President, Exploration, and later as President and Chief Operating Officer of Archer Resources Ltd. from 1998 to 2002, with responsibility for all operational and financial aspects of the company's businesses operating in Western Canada as well as initiation of an international exploration program. He continued

as President and Chief Executive Officer following the sale of Archer to Dominion Resources Inc. and tripled the size of the company through exploration, exploitation and acquisition activities including the Corporate Acquisition of Remington Energy Ltd.

Mr. Foo has acted as a participant and Chairman of numerous joint venture management committees domestically and internationally as well as acting on the Board of Directors of publicly traded, private and not-for profit organizations. He is currently a director of Pengrowth Corporation where he is a member of the Operations and Reserves Committee. He holds a Bachelor of Science in Geology degree from the University of Calgary and a Masters of Science in Geology from Queen's University. Mr. Foo is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

### **Company Profile:**

Petro Andina is engaged in the exploration for and development and production of oil and natural gas in South America and the Caribbean. The Corporation is continuing to develop its existing reserves and to conduct appraisal and exploration drilling on its 628,000 acre (346,000 acre net) land position in the Neuquen basin of Argentina. Petro Andina is headquartered in Calgary, Canada.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Foo, you have a long history in the energy industry, why are you with Petro Andina today?

**Mr. Foo:** "The way I've answered that for most people is that in business, your experiences and experiences of apprenticeship; prepare you for something. In a course of the first 25 years of my career, I alternated between working in Western Canada and international areas and the frontier area of the arctic. In 2002, when I was working for a large American utility company and their Canadian production, the opportunity arose for me to make a career change. When somebody gives you an opportunity in the middle of your career to do anything, it is up to you to pick it. Through a few associates, three of my partners and I formed the company that had come out of the opportunities in Argentina following the economic collapse in 2001 and 2002. The country is very interesting culturally and very rich in resources. The people who were involved are very interesting, capable people and we decided that we would have a go of it. It's one of those things that presented itself as an opportunity and if you're given an opportunity you have to go take it."

**CEOCFO:** What is Petro Andina's focus today?

**Mr. Foo:** "Petro Andina was founded in early 2003 as an exploration and production company with an objective of being one of the top ten producers in Argentina. At present, we're the number 7 operator by operated volumes of crude oil in Argentina; we've achieved that goal. We operate within a very focused area in North East flank of the Neuquén basin, which is the largest producing basin in the country. Its daily production is about 160 thousand barrels of oil per day and 2 billion cubic feet of gas per day. Our operations are all from the discoveries that were made post 2003. We have a field

camp in place and approximately 300 producing wells. We are already into secondary recovery on a number of our project areas. Secondary recovery is a term in our industry that covers efforts by operators that maintain production and improve the recovery of the resource. They are often implemented late in the life of the field, hence the secondary recovery that we've implemented. Our current production is approximately 30,000 barrels per day. We net 15,000 barrels per day at that. Our two partners are REP-SOL YPF and PETRO BRAS, who are two of the larger, international, publicly traded oil and gas companies and we enjoy a very good relationship with our host government and their partners. We have 110-115 staff in Argentina, located in Buenos Aires, and about 15 in Calgary that are dedicated toward new business development and expanding the Company's horizon."

**CEOCFO:** Why the decision to do the secondary recovery early on?

**Mr. Foo:** "In terms of prior experience, we've worked with this type of oil accumulation in Western Canada. With conventionally produced heavy oil, which generally we'll get at a conventional producing operation, it will give you a recovery of the total resource in the range of 10%. So if there are 100 million barrels of oil on the ground, you can expect to get 10 million barrels or less from just conventional production. By injecting water into the reservoir and applying proper depletion management, you can increase that into the 25 - 35% range, provided that you start the effort relatively early. The properties of the reservoir change with time and it's difficult to play catch up. We are also experimenting with thermal recovery, which is traditionally viewed as tertiary recovery and is something that would be done after a waterflood. In this case, with this type of conventionally producible, heavy oil, applying steam from the start can increase recoveries into the 50-70% range. The trade-off we make is how much capital do we want to invest upfront in developing the resource against what recovery factor we will likely get of the oil-in-place? We could make a rela-

tively low investment producing wells at just 10%. We could increase that to have water injection in for structure and incremental investment increased to 25-35%, or we could build a steamflood early on and improve those recoveries the 50-70% range. It's really a function of the economics and to finance those projects. We've been very fortunate in getting them in place and achieving our economies of scale, before the recent sagging prices. It would be a difficult process for us to start that in the current environment, but because we're up and running, we're doing pretty well."

**CEOCFO:** What are you looking to do to expand your company?

**Mr. Foo:** "Our growth portfolio is managed by a gentleman named David Taylor and he was the vice president of Exploration International Operations and Business Development for Husky Oil, which

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is a large Canadian producer internationally. My background is as a geologist; I came through the Chevron organization and Dave came through Exxon, Renaissance, later Husky, and both of us strongly believe in the requirement to have a diversified portfolio of opportunity. The reason that we want to do that is that at high price times and relatively high cost, prolific projects are very economic, but at low price times, they're not. At contrast, the sort of opportunity that we had in Argentina, which is relatively low cost, but in a fiscal regime with a price cap, it wasn't as attractive to the market as when there were high oil and gas prices. However, in the current environment, we're used to producing at low prices. We're still profitable and we generate a lot of cash flow at a time when many of our competitors have had their cash flow collapse pretty severely. At present, we have an opportunity by the nature of our existing production to expand into areas when others have become

less competitive. We also have the opportunity to grow. We're working with the government in Argentina and with some of our partners to determine whether we can expand and acquire additional opportunities there. We've also positioned the company in Trinidad and Tobago. Although Trinidad is a small island, it has very significant oil and gas production. The oil production of approximately 200,000 barrels per day is about 1/3 of what Argentina or Colombia would produce in a day. The gas production of 4 billion cubic feet per day is actually greater than Argentina and greater than most Latin American countries other than Bolivia, which is a little higher. Trinidad gives us the opportunity to find larger fields in the 20 million to 200 million barrel range. It's a complex environment and we're using a different set of technical skills than we've applied in Argentina. We've focused more on interpretation. Recently, we've also participated in the bid rounds in Colombia. The Colombian government has offered almost all the lands that were available lands in the country in two bid rounds over the last month. We were unsuccessful in the first round, which was based on bidding away profit. In the second round which was based on bidding work commitments, we're the apparent high bidder."

**CEOCFO:** How do you factor in the political climate in Colombia when you do business there?

**Mr. Foo:** "In terms of a regional producer like us, we're really a Latin or South American operating company. The politics can get cut into three bins. One of our founding partners used to say that North Americans tend to look at Latin America as very homogeneous like North America. If you go through the mid-west and North America, you don't know if you are in Canada or Kansas, or Nebraska, whereas South America and Latin America is much more diverse.

The politics fall into three groups. There are a series of radically populace countries that follow our good friend Hugo Chavez in his revolution. In Venezuela, Bolivia and to some extent Ecuador, they

have a fairly highly charged political atmosphere. There are a number of other countries such as Colombia and Chile and to some extent, Peru, which have made considerable shifts towards market-driven economies and towards integration in the global economy. Colombia is right at the top of the market driven cycle right now. It's a very good place to work and we hope that it will remain so. Colombia over the last eight years under president Uribe, has made significant strides in terms of building personal security, providing rule of law at large, and cutting back on some of the drug activities that made large parts of the country unsafe to work in through the 1990's. Therefore, the politics in Colombia are very positive by the standards of Latin America and even the world at large.

Somewhere in the middle, there's a group of countries best characterized by Argentina, which like the others in Latin America, tends to have fairly cyclic politics. It moved from a globalized approach, much of that exhibited by Carlos Menem to the populist, but not radicalized populace regime of Nestor Kirchner and his wife and successor Cristina Fernandez- de Kirchner. We see Argentina as being in a part of the cycle where it will probably

move back more towards market drivers. We have seen those signals from the government and their policies recently."

**CEOCFO:** What is the financial picture like for Petro Andina?

**Mr. Foo:** "In the current financial world, we're fortunate to say that we have cash in the bank. We have positive cash flow. Our projects even at current prices are profitable. We're able to recycle our money into new wells and facilities and turn a profit even at the current world price. We have an inventory of growth projects, development risk wells and relatively low risk activity that takes us 2-3 years into the future. To have liquidity, be profitable and have an opportunity base that remains profitable in these conditions is very positive. Those of us who have been around 30 or so years in the business remember times when oil went to \$10 dollars a barrel. We don't like to say that we can see into the future, but we remain profitable in the current environment. We built the Company to withstand the current low prices. In 2003 when we started, the price sensitivities that we looked at were a low case \$24 and a high case \$32. We built the Company to be profitable in that range. Because of that, we have a financial position now that is

good, still profitable and barring total collapse of the world's oil and gas industry; in this environment we're as healthy as anyone."

**CEOCFO:** In closing, what else should potential investors know about Petro Andina?

**Mr. Foo:** "The one characteristic that we are most proud of is our record of delivery. If you go back and look at materials put out by junior companies over the last 5 years, you see a lot of discussion about missed targets because of the high level of activity and inability to get equipment or various other reasons for failing. We haven't done that. We just put out the numbers and we are there working in a difficult political, physical and labor environment. We have found the way to get it done. The Company is financially very solid. It has an excellent development inventory and existing land and country operations in Argentina. We have some exciting new opportunities coming on in Trinidad and we hope in Colombia. As we look forward, the thing that really distinguishes us is that when we've had opportunities, we've put up the successes. That track record of delivery is what makes us most proud."



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