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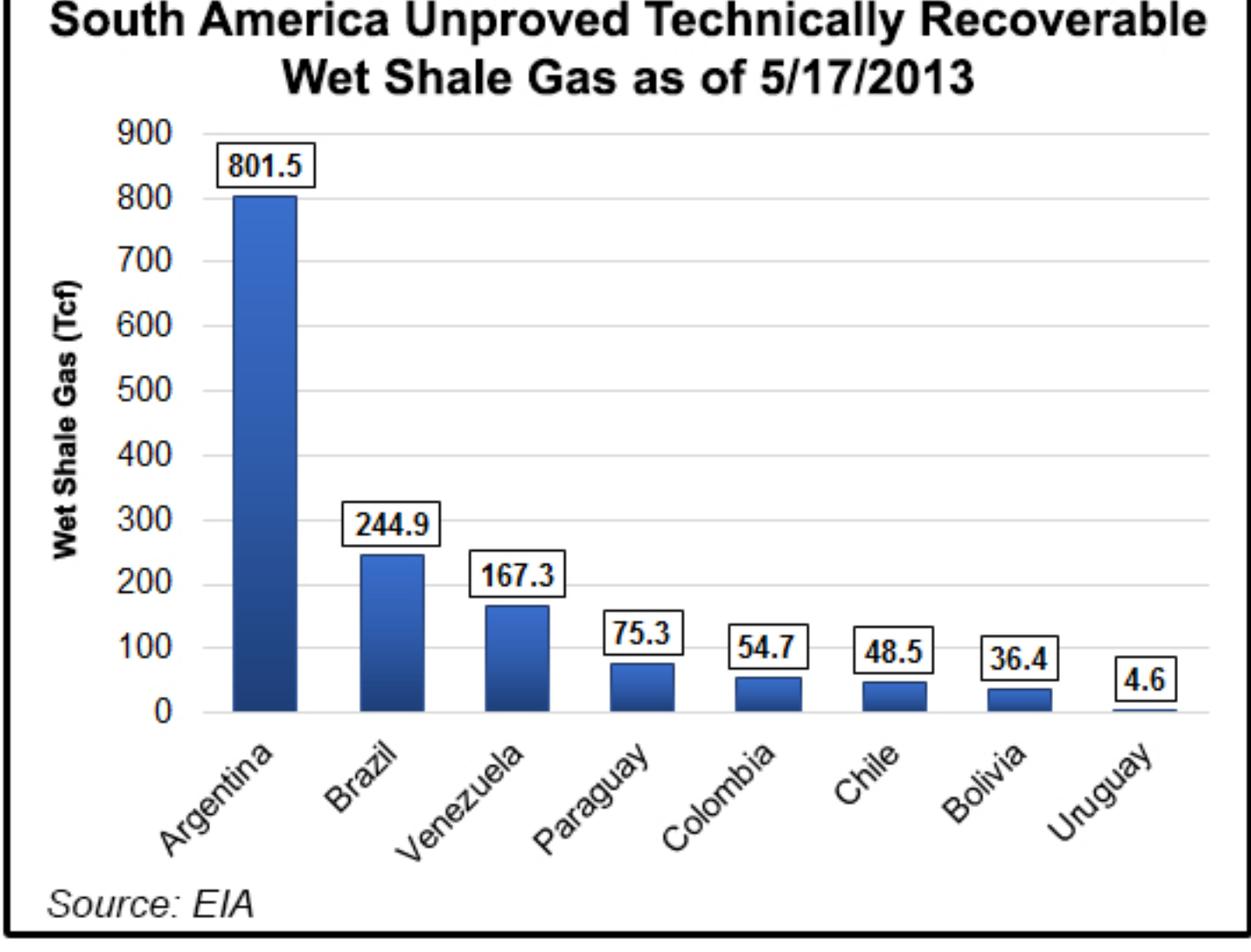
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Colombia's Ecopetrol Sets Aside \$600 Million in 2021 Capex for Permian, Local Shale Plays

BY CHRISTOPHER LENTON
December 22, 2020

Colombia's state oil company Ecopetrol SA will continue its foray into shale plays in 2021, principally in the prolific Permian Basin in the United States but also in a pilot program at home.



The company will spend more than \$600 million in unconventional plays next year, part of an overall capital expenditure (capex) plan of \$3.5-4 billion for 2021.

Overall capex is in line with 2020.

The 88.5% state-owned company, whose shares trade on the New York Stock Exchange and the Colombian stock market, earlier this year slashed its 2020 capex by \$1.2 billion to a new range of \$3.3-4.3 billion, citing plummeting oil prices and the coronavirus pandemic.

Twenty percent of 2021 funds would be destined overseas to assets in Brazil and the United States, the company announced Dec. 14.

In August 2019, Ecopetrol signed a joint venture agreement with Occidental Petroleum Corp. to develop 97,000 net acres in the Permian Basin's Midland formation. It enabled Ecopetrol to book 160 million boe of proved undeveloped reserves.

"This is a key step to enhance our reserve base and production growth whilst we strengthen our capabilities in shale development and bring this technology to Colombia for the economic benefit of the country," Ecopetrol CEO President Felipe Bayon said at the time.

Bayon said in September that the company intends to drill 100 wells in the Permian by the end of next year.

In Colombia in 2021, the company will drill eight exploratory wells in the Llanos Orientales, Valle Medio del Magdalena, Valle Inferior del Magdalena and Sinú-San Jacinto basins in an effort to assess 450 million boe in prospective reserves.

Capex also includes a hydraulic fracturing (fracking) pilot in the Valle Medio del Magdalena basin. Ecopetrol won the only fracking pilot contract in the country's much talked about unconventional auction in November to test the waters for the technique to be used on a commercial scale.

Hydrocarbons regulator ANH has said it would offer three more contracts for fracking pilots, without providing details.

Previously, ExxonMobil and ConocoPhillips expressed formal interest in these pilot projects.

Energy Minister Diego Mesa said in November the pilots would likely move to drilling by the end of 2021 so that a proper diagnosis can take place before the end of the term of the government of President Ivan Duque in August 2021.

Fracking has been controversial in Colombia and has been bogged down by legal and other challenges.

Close to 80% of Ecopetrol investments in 2021 are expected to be oriented towards exploration and production projects, targeting assets with the highest strategic fit and profitability, Ecopetrol said.

The plan calls for an increase in the allocation of resources to energy transition and sustainability initiatives, including a 14% allotment of resources for expanding the company's natural gas chain.

Over \$200 million will go to energy efficiency projects and the incorporation of renewable energies. More than \$150 million is expected to be allocated to decarbonization projects and over \$90 million to efficient water management in operations.

Nearly \$80 million is expected to be allocated to investments in technology and innovation, focusing on digital transformation, enhanced recovery, and energy transition.

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ISSN © 2577-9877 | ISSN © 2158-8023

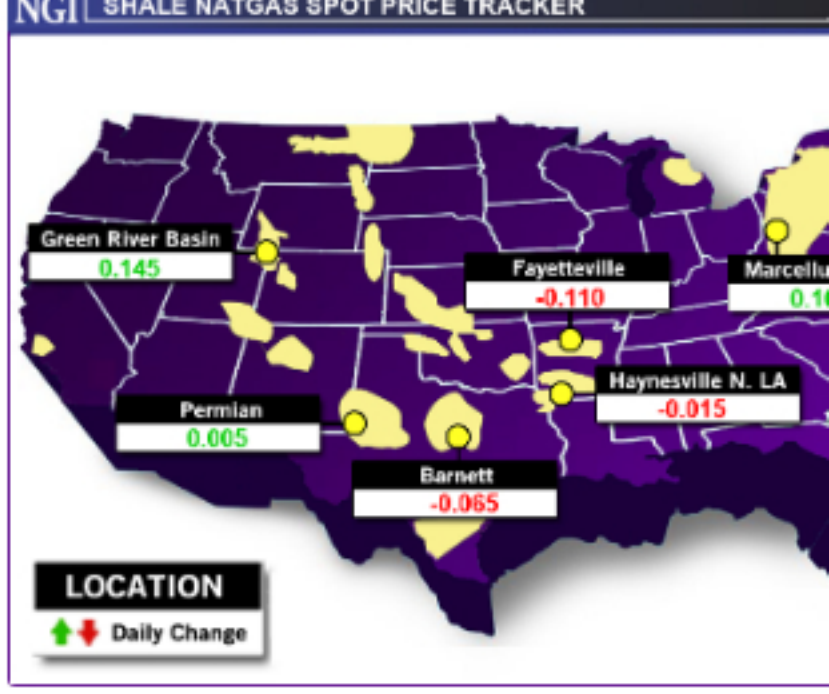
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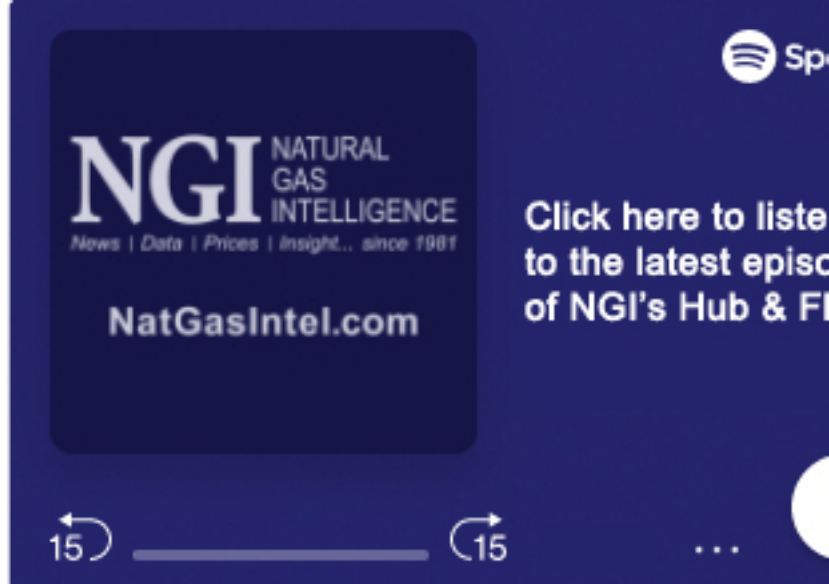


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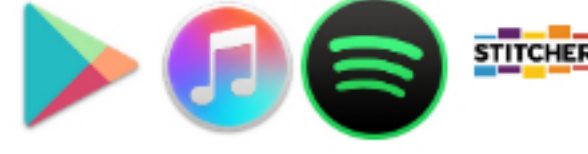
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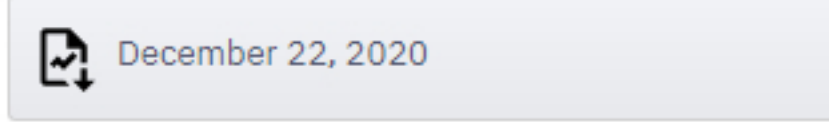


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