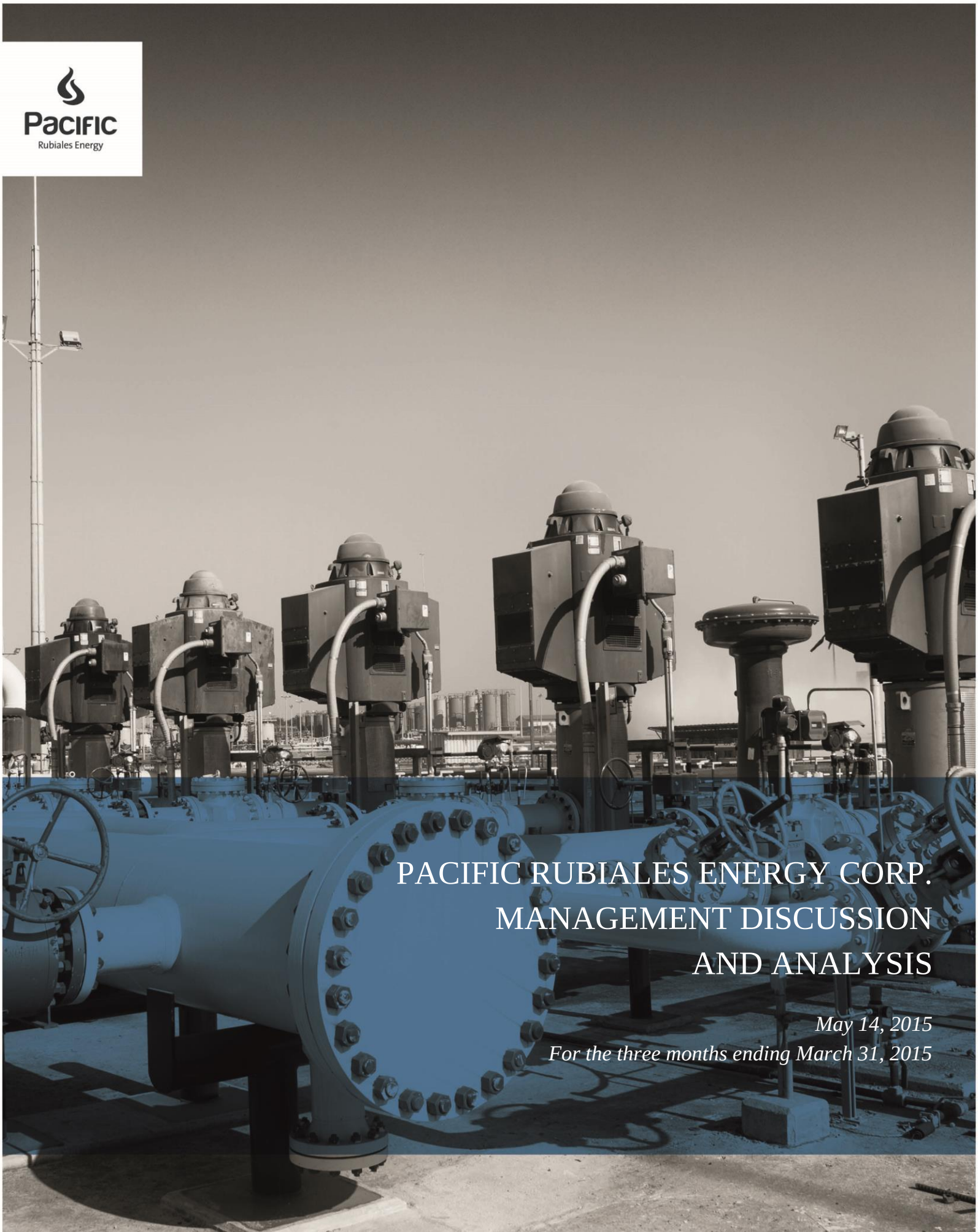


PACIFIC RUBIALES ENERGY CORP. MANAGEMENT DISCUSSION AND ANALYSIS

May 14, 2015

For the three months ending March 31, 2015

MESSAGE TO SHAREHOLDERS

In my last Message to Shareholders for year-end 2014, I outlined some of the plans that we were executing to align the Company's operations with the low price environment. As a shareholder, you should be very pleased that the hard-working and diligent team at Pacific Rubiales has executed on our promise to you. You will see in the first quarter results that the Company has significantly reduced G&A and cash operating costs. While these reductions do not fully offset the dramatic drop in oil prices in the first quarter of 2015, they do set up the Company's profitability through the remainder of 2015 and beyond, within expected oil price scenarios.

However, as you know we announced on May 5 that the Company is in exclusive discussions with one of our largest shareholder ALFA and their partner Harbour Energy for the potential acquisition of the Company. This process will evolve over the next month or two, but the interest in the acquisition of Pacific Rubiales is a testament to and recognition of the quality of the Company's assets, the moves that we have made to reduce costs in a low price environment and lastly but most importantly, it is a recognition of the greatest asset – the employees of Pacific Rubiales.

Through the first and continuing into the second quarter of 2015, we have achieved all-time record production volumes from our solid production base and exploration assets. We are currently averaging in excess of 155,000 boe/d – this is up from our 2014 exit rate of approximately 150,000 boe/d. It is small growth in comparison to previous years, but I want to emphasize that this production growth is due to the quality of the Company's light and medium oil assets and important new exploration discoveries that were made in 2014 in the Colombian Foothills. Continued exploration in 2015 has identified a number of other exploration prospects similar to the discoveries already made, and importantly, has resulted in a significant number of light oil development drilling locations that should allow production growth to continue well into 2016. In addition, we have confirmed the potential of the offshore Brazil Kangaroo discovery and announced a second potentially similar oil discovery nearby at the Echidna prospect.

For the first quarter of 2015, we earned revenues of $800 million and generated $270 million in Adjusted EBITDA and $157 million in funds flow. Our earnings were lower compared with the fourth quarter of 2014, due to the downward trend of crude oil prices and a non-cash impairment charge of $411 million (after tax) against our exploration assets and goodwill.Our operating netback for the quarter was $22.73/boe, also affected by the weakening of realized prices.

Despite the impact from lower prices, we continued to streamline our operations and achieved further cost reductions during the quarter, with underlying operating costs of $21.21/boe and total operating costs (including overlift and other costs) of $26.72/boe, compared with $26.44/boe and $27.28/boe, respectively, for the fourth quarter of 2014.

During the quarter, we successfully negotiated the relaxation of the leverage covenant on the $1 billion revolving credit facility and our bank debt. The 12 months trailing debt to EBIDTA calculation was changed from 3.5:1.0 to 4.5:1.0, a testament to the support and confidence provided to us by our long-standing lenders. We also entered into a forward sale agreement for the sale of six million barrels of crude oil over six months at market prices. As part of the forward sale, we received $200 million at the end of March 2015 as a partial prepayment, while retaining the full upside on final prices. In addition, we announced the intent of a third party to acquire 30% of Pacific Midstream for $200 million – this is expected to close this year. Going forward, our financial and capital strategy remains focused on maintaining a healthy balance sheet by: (1) maintaining reduced operating and G&A costs; (2) reducing capital expenditures to match cash flow under the prevailing oil price environment; (3) allocating capital to the most material and highest return projects; (4) maintaining liquidity; and (5) implementing strategic liability management initiatives; all aimed at ensuring funding for future growth and generating strong returns to our shareholders.

Ronald Pantin
Chief Executive Officer
May 14, 2015

CONTENTS

Legal Notice – Forward-Looking Information and Statements

Certain statements in this Management, Discussion and Analysis ("**MD&A**") constitute forward-looking statements. Often, but not always, forward-looking statements use words or phrases such as: "expects," "does not expect" or "is expected," "anticipates" or "does not anticipate," "plans" or "planned," "estimates" or "estimated," "projects" or "projected," "forecasts" or "forecasted," "believes," "intends," "likely," "possible," "probable," "scheduled," "positioned," "goal," "objective" or state that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated levels of production, the estimated costs and timing of the Company's planned work programs and reserves determination, involve known and unknown risks, uncertainties and other factors which may cause the actual levels of production, costs and results to be materially different from estimated levels of production, costs or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "Risks and Uncertainties." Although the Company has attempted to take into account important factors that could cause actual costs or operating results to differ materially, there maybe other unforeseen factors that create costs to the Company's program and results may not be as anticipated, estimated or intended.

Statements concerning oil and gas reserve estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the oil and gas that will be encountered if the property is developed. The estimated values disclosed in this MD&A do not represent fair market value. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation.

For more information please see the Company´s Annual Information Form, which is available at www.sedar.com.

This MD&A is management's assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the accompanying Interim Condensed Consolidated Financial Statements and related notes for the three months ended March 31, 2015 and 2014. The preparation of financial information is reported in United States dollars and is in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), unless otherwise noted. All comparative percentages are between the quarters ending March 31, 2015 and March 31, 2014 unless otherwise stated.

In order to provide shareholders with full disclosure relating to potential future capital expenditures, the Company has provided cost estimates for projects that in some cases are still in the early stages of development. These costs are preliminary estimates only. The actual amounts are expected to differ and these differences may be material. For further discussion of the significant capital expenditures, see "Capital Expenditures" on page 15.

Additional information with respect to the Company has been filed with Canadian securities regulatory authorities, including the Company's quarterly and annual financial statements and the Annual Information Form, which are available on SEDAR at www.sedar.com, SIMEV at www.superfinanciera.gov.co/web_valores/Simev, and on the Company's website at www.pacificrubiales.com. Information contained in or otherwise accessible through our website does not form a part of this MD&A and is not incorporated by reference into this MD&A.

This MD&A was prepared originally in the English language and subsequently translated into Spanish. In the case of differences or discrepancies between the translated version, the English document shall prevail and be treated as the governing version.

1 Highlights for the First Quarter of 2015

Financial and Operating Summary

(in thousands of US$ except per share amounts or as noted)	Q1 2015	Q4 2014	Q1 2014
Operating Activities			
Average sales volumes (boe/d)	**180,086**	161,445	151,847
Average oil and gas sales (boe/d)	164,562	147,208	141,261
Average trading sales (bbl/d)	15,524	14,237	10,586
Average net production (boe/d)	**152,650**	147,075	148,827
Average net production oil (bbl/d)	144,094	137,019	138,118
Average net production gas (boe/d)	8,556	10,056	10,709
Combined price ($/boe)	**49.45**	65.64	93.38
Combined netback ($/boe)	**22.73**	38.36	63.80
Combined operating cost ($/boe)	**26.72**	27.28	29.58
Capital expenditures	**226,034**	757,842	468,909
Successful exploration, appraisal and stratigraphic drilled wells (gross)	**6**	15	9
Exploration success rate	**75%**	88%	56%
Financials			
Oil and gas sales ($)	**$ 799,848**	$ 991,508	$ 1,283,453
Adjusted EBITDA [1]	**269,573**	419,276	708,158
Adjusted EBITDA margin (Adjusted EBITDA/Revenues)	**34%**	42%	55%
Per share - basic ($) [2]	**0.86**	1.33	2.23
Funds flow from operations [1]	**156,883**	409,769	473,609
Funds flow from operations margin (Funds flow from operations/Revenues)	**20%**	41%	37%
Per share - basic ($) [2]	**0.50**	1.30	1.49
Net (loss) earnings from operations before impairment and exploration expenses	**(138,932)**	(40,564)	330,789
Net (loss) earnings [3]	**(722,256)**	(1,660,876)	119,240
Per share - basic ($) [3]	**(2.31)**	(5.26)	0.38
Cash dividends	**-**	51,687	51,933
Cash dividends per share	**-**	0.16	0.16

1. See "Additional Financial Measures" on page 30.
2. The basic weighted average number of common shares for the quarter ending March 31, 2015 and 2014 was 313,255,053 and 317,835,678, respectively.
3. Net (loss) earnings attributable to equity holders of the parent.

Breakdown of Oil & Gas and Trading Results

	Three Months Ending March 31					
	Q1 2015			Q1 2014		
	Oil & Gas	Trading	Total	Oil & Gas	Trading	Total
Volume sold (boe/d)	**164,562**	**15,524**	**180,086**	**141,261**	**10,586**	**151,847**
Average Realized Price ($/boe)	**49.45**	**48.34**	**49.35**	**93.38**	**101.06**	**93.91**
Financial Results (in thousands of US$)						
Revenues	**732,312**	**67,536**	**799,848**	**1,187,171**	**96,282**	**1,283,453**
Cost of operations oil & gas	**395,635**	**64,016**	**459,651**	**376,018**	**95,153**	**471,171**
Production and purchase cost of barrels sold	123,351	64,016	187,367	197,961	95,153	293,114
Transportation cost (trucking and pipeline) [1]	165,524	-	165,524	176,394	-	176,394
Diluent cost	25,243	-	25,243	34,119	-	34,119
Other costs (including royalties paid in cash)	20,712	-	20,712	16,404	-	16,404
Overlift/Underlift	60,805	-	60,805	(48,860)	-	(48,860)
Gross margin	**336,677**	**3,520**	**340,197**	**811,153**	**1,129**	**812,282**

1. For the first quarter 2015, transportation cost on a boe bases includes the Company´s $12.9 million share of the income from equity investments in the ODL and Bicentenario pipelines. Refer to note 16 of the Interim Condensed Consolidated Financial Statement for additional details.

First Quarter 2015 Highlights

Operational

- Increase in average daily production by 3.8% to a record of 152,650 boe/d in the first quarter of 2015 from 147,075 boe/d in the previous quarter; a 2.6% increase when compared to 148,827 boe/d for the first quarter of 2014, and within the Company's guidance (150,000 - 160,000 boe/d). The increase in production was mainly due to higher light and medium oil production, and the increase in Quifa SW.
- Net production from the Rubiales field, while down in the quarter from the fourth quarter 2014, has recovered to approximately 56,000 bbl/d (net) as of May 12, 2015. The Company continues to optimize wells and facilities to maximize production while minimizing capital expenditures in advance of the permit approval related to the end-users of Agrocascada processed water. Rubiales production was only 35% of total first quarter 2015 net production, down from 37% in the fourth quarter of 2014.
- At the Quifa SW field, net production increased to 29,812 bbl/d during the first quarter of 2015, 14% higher than the fourth quarter of 2014 and 34% higher than the same period of 2014, in part from the tie-in of additional producing wells and the impact of lower oil prices on the high-price royalty ("**PAP**").
- Subsequent to year-end 2014 in a report effective February 28, 2015, Netherland, Sewell & Associates, Inc., certified an additional 63 Bcf of 100% gross (30.9 Bcf net) 2P natural gas reserves associated with the Albacora Field in the Z-1 Block, Peru. This represents an approximate 20% increase in the Company's net 2P natural gas reserves in Peru, certified at year-end 2014.
- Phase 1 of the Central Production Facilities construction at the CPE-6 Block was completed in late 2014. These facilities are designed to process up to 8,000 bbl/d heavy oil. Year-to-date production from seven exploration and appraisal wells has averaged approximately 1,300 bbl/d (total gross production). Given the current low oil price environment, the Company has temporarily suspended drilling and development work in the block and will review that decision pending partner discussions and approvals in the second half of the year.

Financial

- Revenue decreased in the first quarter of 2015 to $800 million from $992 million in the fourth quarter of 2014, and $483 million lower than the same period of 2014, due to the decline in crude oil market prices. Average oil and gas sales (including trading) for the first quarter of 2015 were 180,086 boe/d, 19% higher compared to 151,847 boe/d for the same period of 2014, and 12% higher from 161,445 in the fourth quarter of 2014.
- Combined operating netback on oil and gas production for the first quarter of 2015 was $22.73/boe, lower than the $38.36/boe in the fourth quarter of 2014. The decrease was entirely attributable to the significant decline in the market prices for crude oil. At the same time, the Company achieved a significant reduction in total operating costs (including over/under lifts and other costs) of $2.86/boe to $26.72/boe in comparison with the same quarter of 2014, and $0.56/boe from the fourth quarter of 2014, partially mitigating the impact from lower realized prices.

- G&A expenses decreased to $54.9 million in the first quarter of 2015 from $98.3 million in the fourth quarter of 2014 and $75.2 million in the first quarter of 2014 as all non-essential spending and activities were suspended in light of the precipitous decrease in oil prices. This is aligned with the cost reduction initiatives and guidance announced by the Company earlier in the year.
- Adjusted EBITDA for the first quarter of 2015 was $270 million and Funds Flow was $157 million. Adjusted EBITDA was lower by 36% compared to prior quarter.
- Net loss for the first quarter of 2015 was $722 million, reflecting the significant impact from crude oil price reductions. Other non-cash items affecting earnings included unrealized foreign exchange losses, equity tax, and DD&A.
- Total capital expenditures decreased to $226 million in the first quarter of 2015, compared with $758 million in the fourth quarter of 2014 and $469 million in the first quarter of 2014. The Company announced earlier in the year that 2015 capital expenditures would be significantly reduced, with spending mainly focused on high impact and low risk development work.

Exploration

- Eight exploration wells (including stratigraphic and appraisal wells) were drilled in the quarter, resulting in six discoveries. This was a 75% success rate for the quarter, compared to 56% in the same period of 2014.
- Exploration successes primarily located in the Central and Deep Llanos in Colombia have added approximately 10,000 bbl/d of light oil production.
- During the first quarter, two new Colombian fields were declared commercial: The Avispa field in the Guatiquia Block, Llanos Basin; and the Cotorra field in Guama Block, Lower Magdalena Basin.
- In Block 131, Ucayali Basin, Peru, Cepsa, the block operator, finished drilling the LA-NOI-3X exploration well and the LA-2CD appraisal well, confirming the extension of the Los Angeles reservoir to the north and south, respectively.
- In the Santos Basin in Brazil, four successful exploration wells (including sidetrack well bores) were drilled by Karoon, the block operator. Three of the successful wells were in the Kangaroo discovery with a new exploration discovery announced after the end of the quarter at Echidna 1.

Balance Sheet Management

- The Company received a relaxation of covenants on the revolving credit facility and bank debt, raising the gross debt to trailing 12 - month Adjusted EBITDA ratio from 3.5:1.0 to 4.5:1.0. The Company drew down $1 billion on the revolving credit facility and used the cash proceeds to repay all of the 2015 and first half 2016 short-term bank debt for a total amount of $383.8 million.
- The Company received $200 million as a partial prepayment under a crude oil forward sale agreement, for the delivery of six million barrels of crude oil over a six-month period. The final prices on the volumes delivered will be determined based on the benchmark prices at the time of delivery.
- As part of the Company's cost cutting initiatives, the Company's depository receipts were delisted from the Brazilian stock exchange ("**BOVESPA**") on March 17, 2015.

2 Operating Netbacks

Our operating costs decreased in Q1 2015 as a result of strategies for streamlining production costs and optimizing field operations, as well as the depreciation of the Colombian Peso against the U.S. dollar.

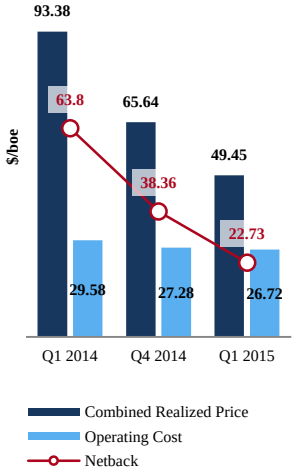
Oil & Gas Operating Netback

Combined operating netbacks during the three months ending March 31, 2015 and December 31, 2014 are summarized below.

	Three Months Ending March 31			Three Months Ending December 31		
	2015			2014		
	Crude Oil	Natural Gas	Combined	Crude Oil	Natural Gas	Combined
Average daily volume sold (boe/day)[1]	**155,967**	**8,595**	**164,562**	**137,083**	**10,125**	**147,208**
Operating netback ($/boe)						
Crude oil and natural gas sales price	50.38	32.48	49.45	68.27	29.97	65.64
Production cost of barrels sold [2]	8.55	4.26	8.33	14.40	4.42	13.71
Transportation (trucking and pipeline) [3]	11.75	0.82	11.18	11.70	0.33	10.92
Diluent cost	1.80	-	1.70	1.95	-	1.81
Total operating cost	**22.10**	**5.08**	**21.21**	**28.05**	**4.75**	**26.44**
Other costs [4]	0.95	(0.07)	0.90	0.16	0.09	0.16
Royalties paid in cash	0.51	0.37	0.50	0.64	1.66	0.71
Overlift/Underlift [5]	4.34	(0.08)	4.11	(0.03)	0.04	(0.03)
Total operating cost including overlift/underlift, royalties paid and other costs	**27.90**	**5.30**	**26.72**	**28.82**	**6.54**	**27.28**
Operating netback crude oil and gas ($/boe)	**22.48**	**27.18**	**22.73**	**39.45**	**23.43**	**38.36**

1. Combined operating netback data is based on weighted average of daily volume sold, which includes diluents necessary for the blending of heavy crude oil and excludes oil for trading volumes.
2. Cost of production mainly includes lifting cost and other direct production costs such as fuel consumption, outsourced energy, fluid transport (oil and water) and personnel expenses, among others.
3. Includes the transport costs of crude oil and gas through pipelines and tank trucks incurred by the Company when taking the products to the delivery points for customers. For the first quarter of 2015, transportation cost includes the Company´s share of the income from equity investments in the ODL and Bicentenario pipelines.
4. Other costs mainly correspond to inventory fluctuation, storage cost and the net effect of the currency hedges of operating expenses incurred in Colombian pesos during the period, and external road maintenance at the fields.
5. Corresponds to the net effect of the overlift position of $60.8 million expense during the first quarter of 2015 ($48.9 million income for the first quarter of 2014).

COMBINED OPERATING NETBACK



During the first quarter of 2015, the combined crude oil and gas operating netback was $22.73/boe compared with $38.36/boe for the fourth quarter in 2014. Crude oil operating netback was $22.48/bbl, 43% lower compared to the fourth quarter of 2014 ($39.45/bbl). The lower netback was entirely attributable to the decline in crude oil market prices, which resulted in significantly lower realized prices of $49.45/boe on a combined basis, compared with $65.64 /boe for the fourth quarter of 2014.

The decline in oil prices was partially offset by the cost reductions achieved during the quarter. Crude oil production costs decreased significantly from $14.40/boe in the fourth quarter of 2014 to $8.55/boe in the first quarter of 2015, as a result of field cost reductions as well as the depreciation of the Colombian Peso against the U.S. Dollar. Reductions in field costs were achieved through a number of initiatives, such as new fuel supply arrangements to reduce field consumption costs, prioritizing of projects and work schedules, and streamlining the workforce.

Combined transportation cost for the quarter increased slightly from $10.92/boe in the fourth quarter of 2014 to $11.18/boe for the first quarter of 2015. Disruption of the Bicentenario Pipeline continues to be minimal.

Our diluent cost continued to decrease as we fully utilized the production of light and medium oil from prior acquisitions and new discoveries, plus accessing new lower cost diluent supply arrangements.

Combined operating netbacks for the first quarter of 2015 and 2014 are summarized below:

	Three Months Ending March 31					
	2015			2014		
	Crude Oil	Natural Gas	Combined	Crude Oil	Natural Gas	Combined
Average daily volume sold (boe/day)[1]	**155,967**	**8,595**	**164,562**	**130,526**	**10,735**	**141,261**
Operating netback ($/boe)						
Crude oil and natural gas sales price	50.38	32.48	49.45	98.44	31.80	93.38
Production cost of barrels sold [2]	8.55	4.26	8.33	16.51	4.18	15.57
Transportation (trucking and pipeline) [3]	11.75	0.82	11.18	15.02	0.01	13.88
Diluent cost	1.80	-	1.70	2.90	-	2.68
Total operating cost	**22.10**	**5.08**	**21.21**	**34.43**	**4.19**	**32.13**
Other costs [4]	0.95	(0.07)	0.90	0.07	-	0.07
Royalties paid in cash	0.51	0.37	0.50	1.17	1.93	1.22
Overlift/Underlift [5]	4.34	(0.08)	4.11	(4.21)	0.64	(3.84)
Total operating cost including overlift/underlift, royalties paid and other costs	**27.90**	**5.30**	**26.72**	**31.46**	**6.76**	**29.58**
Operating netback crude oil and gas ($/boe)	**22.48**	**27.18**	**22.73**	**66.98**	**25.04**	**63.80**

Notes: Refer to the operating netback table on page 5.

During the first quarter of 2015, the combined crude oil and gas operating netback was $22.73/boe, $41.07/boe lower compared with the same period of 2014 ($63.80/boe). Crude oil operating netback was $22.48/bbl, $44.55/bbl lower compared with the fourth quarter of 2014 ($66.98/bbl). The lower netback was entirely attributable to the decline in crude oil market prices, which resulted in lower realized prices of $49.45/boe on a combined basis for the first quarter of 2015 compared with $93.38/boe in the same period of 2014. At the same time, the Company achieved a significant reduction in total operating costs (including over/under lifts and other costs) by $2.86/boe to $26.72/boe. Further cost reductions may be realized during the year.

Trading Netback

	Three Months Ending		
Crude oil trading	March 31		December 31
	2015	2014	2014
Average daily volume sold (bbl/d)	**15,524**	**10,586**	**14,237**
Operating netback ($/bbl)			
Crude oil traded sales price	48.34	101.06	78.32
Cost of purchases of crude oil traded	45.82	99.87	77.31
Operating netback crude oil trading ($/bbl)	**2.52**	**1.19**	**1.01**

During the first quarter of 2015, the total volume of oil sold for trading increased to 1.40 MMbbl from 0.95 MMbbl during the same period of 2014. In terms of average daily volume and netback, we sold on average 15,524 bbl/d during the first quarter of 2015 at a netback of $2.52/bbl, compared with 10,586 bbl/d in the same period of 2014 with a netback of $1.19/bbl.

The nature of our oil for trading business is opportunistic and often depends on the capacity available under our pipeline transportation agreements after our own use. Our ability to acquire crude oil for trading purposes allows us to utilize any such available capacity, and sell at a positive margin to more than offset any take or pay fees paid. Furthermore, our trading business brings two additional benefits. First, the light and medium crude being traded also act as a diluent for our heavy oil produced, helping to reduce our overall diluent cost. Second, by maximizing the volume transported under our take or pay agreements with the pipelines, we in turn improve our marketing and bargaining position with respect to export cargoes. We expect our trading volumes to continue growing in 2015 as the Bicentenario pipeline operates at a high level of utilization, as well as our market-leading position in Colombia giving us access to third party light and medium crude oil supplies.

3 Operational Results

We have significantly increased our light and medium oil production since 2013 through targeted acquisitions and exploration discoveries.

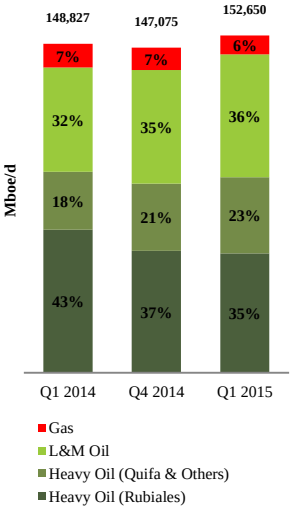
Production and Development Review

During the first quarter of 2015, net production after royalties and internal consumption totaled 152,650 boe/d, representing an increase of 3% from the average net production of 148,827 boe/d reported in the same period of 2014 and an increase of just under 4% from the previous quarter.

We have significantly increased our light and medium oil production through targeted acquisitions and exploration discoveries. Light and medium net oil production increased 18% from the first quarter of 2014 and 8% from the fourth quarter of 2014 to 55,587 bbl/d. Light and medium oil production now represents 36% of total net oil and gas production, while production from the Rubiales Field represented 35% of the total quarter net production, down from 43% for the same period of 2014.

The following tables highlights the average daily production from all of the Company's producing fields located in Colombia and Peru:

NET PRODUCTION AFTER ROYALTIES



First Quarter 2015 Production

	Average Production (in boe/d)						
	Total field production		Gross share before royalties [1]		Net share after royalties		
Producing fields - Colombia	**Q1 2015**	**Q1 2014**	**Q1 2015**	**Q1 2014**	**Q1 2015**	**Q4 2014**	**Q1 2014**
Rubiales / Piriri	161,860	192,305	67,484	80,845	53,987	55,091	64,676
Quifa SW [2]	57,825	53,290	34,324	31,696	29,812	26,079	22,327
	219,685	**245,595**	**101,808**	**112,541**	**83,799**	**81,170**	**87,003**
Other fields in Colombia							
Light and medium [3]	59,982	56,510	56,753	48,367	52,731	48,120	44,792
Gas [4]	9,560	11,542	8,556	10,709	8,556	10,056	10,709
Heavy oil [5]	7,047	6,128	4,923	4,147	4,708	4,441	3,899
	76,589	**74,180**	**70,232**	**63,223**	**65,995**	**62,617**	**59,400**
Total production Colombia	**296,274**	**319,775**	**172,040**	**175,764**	**149,794**	**143,787**	**146,403**
Producing fields in Peru							
Light and medium	6,442	5,163	2,856	2,424	2,856	3,288	2,424
	6,442	**5,163**	**2,856**	**2,424**	**2,856**	**3,288**	**2,424**
Total production Colombia and Peru	**302,716**	**324,938**	**174,896**	**178,188**	**152,650**	**147,075**	**148,827**

1. Share before royalties is net of internal consumption at the field and before PAP at the Quifa SW Field.
2. The Company´s share before royalties in the Quifa SW Field is 60% and decreases in accordance to a high-price clause (PAP) that assigns additional production to Ecopetrol S.A. ("**Ecopetrol**").
3. Mainly includes Cubiro, Cravoviejo, Casanare Este, Canaguaro, Guatiquia, Casimena, Corcel, CPI Neiva, Cachicamo, Arrendajo and other producing fields. Also includes the interest in the Cubiro field acquired from LAEFM Colombia Ltda. ("**LAEFM**") effective April 1, 2014 pursuant to a transaction that closed on August 12, 2014, which produced at 3,626 bbl/d. Subject to approval from Ecopetrol and the Agencia Nacional de Hidrocarburos ("**ANH**"), if applicable, the Company is in the process of divesting its participation in the Moriche, Las Quinchas, Guasimo, Chipalo and Cerrito blocks.
4. Includes La Creciente, Dindal / Rio Seco, Abanico, Cerrito, Carbonera and other producing fields.
5. Includes Cajua, Sabanero, CPE-6, Rio Ariari, Prospecto S and Prospecto D fields.

Colombia

Net production after royalties in Colombia rose to 149,794 boe/d (296,274 boe/d total field production) in the first quarter of 2015 from 146,403 boe/d (319,775 boe/d total field production) in the same quarter of 2014, representing an increase of 2% compared to the first quarter of 2014. This is mainly as a result of light and medium oil production increasing to 52,731 bbl/d in the first quarter of 2015 from 44,792 bbl/d in the same quarter in 2014, up 4,611 bbl/d in comparison with 48,120 bbl/d in the fourth quarter of 2014.

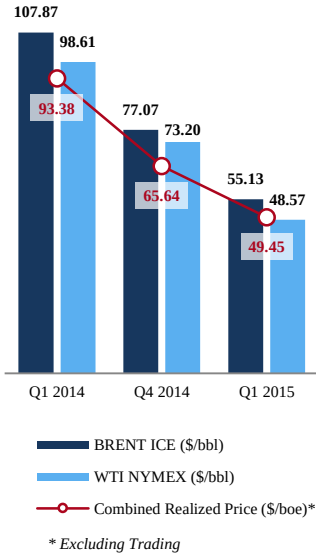
Production growth was offset by a 17% decrease in net production at the Rubiales field in comparison with the same period of 2014. Production reductions at the mature Rubiales field were primarily due to restricted water disposal capacity as a result of delays in the permitting of the Agrocascada water irrigation project.

Peru

Production from Peru corresponds to the 49% participating share of production from Block Z-1 and a 30% working interest in the Los Angeles discovery in Block 131. Net production after royalties for the first quarter of 2015 was 2,856 bbl/d (total gross field production of 6,442 bbl/d) with net production from Block 131 increasing by 309 bbl/d (1,029 bbl/d gross) and from Block Z-1 increasing by 123 bbl/d (251 bbl/d gross) compared to the first quarter of 2014.

Sales, Trading and Pricing

PRICES



The following table highlights the average daily crude oil and gas produced and available for sale, the trading volumes sold, and the respective realized and international prices:

	Average Volume of Sales and Prices		
Colombia and Peru	**Q1 2015**	**Q1 2014**	**Q4 2014**
Oil (bbl/d)	157,885	131,159	139,247
Gas (boe/d)	8,595	10,735	10,125
Trading (bbl/d)	15,524	10,586	14,237
Total barrels sold (in boe/d)	182,004	152,480	163,609
Sales from E&E assets (in boe/d) [1]	(1,918)	(633)	(2,164)
Net barrels sold (in boe/d)	180,086	151,847	161,445
Realized Prices			
Oil realized price ($/bbl)	50.38	98.44	68.27
Gas realized price ($/boe)	32.48	31.80	29.97
Combined realized price oil and gas $/boe (excluding trading)	49.45	93.38	65.64
Trading realized price ($/bbl)	48.34	101.06	78.32
Reference Market Prices			
WTI NYMEX ($/bbl)	48.57	98.61	73.20
BRENT ICE ($/bbl)	55.13	107.87	77.07
Guajira Gas Price ($/MMBtu) [2]	5.08	3.97	4.34
Henry Hub average Natural Gas Price ($/MMBtu)	2.81	4.73	3.83

1. Includes sales from exploration and evaluation assets.
2. The domestic natural gas sales price is referenced to Market Reference Price ("**MRP**") for gas produced in La Guajira Field. Reference: Official circulars 002 and 090 of 2014, Energy and Gas Regulatory Commission ("**CREG**").

During the first quarter of 2015, oil and gas sales totaled 180,086 boe/d (151,847 boe/d in 2014), representing an increase of 19% in comparison with the same period of 2014. In addition to increased production in the quarter, the Company had an overlift of approximately 14,000 bbl/d in the quarter.

In the first quarter of 2015, price declines reflected the Organization of Petroleum Exporting Countries' ("**OPEC**") decision in late November 2014 to maintain its current crude oil production target, despite lower oil prices. Continued growth in U.S. oil production along with weakening outlooks for the global economy and oil demand growth put additional downward pressure on prices.

As a consequence, during the first quarter of 2015 the price of ICE Brent decreased by $52.74/bbl (49%) to average $55.13/bbl as compared to $107.87/bbl in the first quarter of 2014. Likewise, the WTI NYMEX price decreased by $50.04/bbl (51%) to $48.57/bbl as compared to $98.61/bbl in the first quarter of 2014.

Exploration Review and Update

During the first quarter of 2015, the Company drilled or was a partner in eight wells consisting of five exploration wells and three appraisal wells. Of these wells, six found economic hydrocarbons and two wells were abandoned as dry holes, for an overall 75% success rate. Exploration wells in the first quarter of 2015 resulted in a new discovery on the Quifa Block in Colombia, confirmed the Kangaroo discovery on Block S-M-1165 offshore Brazil, while the successful appraisal wells were drilled in the Guatiquía Block, Colombia and in Block 131, Peru. Subsequent to the end of the quarter, a new discovery (Echidna-1) was made on Block S-M-1102, offshore Brazil.

	Three Months Ending March 31	
	2015	**2014**
Successful exploratory wells	3	2
Successful appraisal wells [1]	3	7
Dry wells	2	7
Total	**8**	**16**
Success rate	**75%**	**56%**

1. Includes horizontal appraisal wells.

Update on Wells Drilled During the First Quarter of 2015

Brazil

Blocks S-M-1165 and S-M-1102, Santos Basin: 35% Interest

In February 2015, the operator of the blocks, Karoon Petróleo e Gas Ltda., ("**KPGL**") completed operations on the Kangaroo-2 (K-2) Appraisal Well. The K-2 well, located on Block S-M-1165, offshore Santos Basin, Brazil, including the main wellbore plus two sidetrack wellbores, confirmed a better than pre-drill estimate for the Kangaroo structure. Flow testing and wireline fluid samples obtained from the three penetrations of the Kangaroo 2 well, in combination with the results of Kangaroo-1, will provide important technical data to assess the commerciality and update a potential field development plan for the discovery.

On February 22, 2015, KPGL spudded the Kangaroo West-1 (KW-1) exploration well, the second commitment well. Also located on Block S-M-1165, KW-1 was drilled to a total depth of 10,397 feet MD (10,307 feet TVDSS). The well failed to intersect hydrocarbons and was plugged and abandoned as a dry hole.

On March 31, 2015, the Olinda Star semi-submersible rig spudded the Echidna-1 exploration well in Block S-M-1102. The well was drilled to a planned total depth of 7,805 feet MD (7,802 feet TVDSS) and on April 12 intersected a 699 foot thick gross (341 foot net) oil column in the Paleocene and Maastrichtian section, as interpreted from wireline data. A subsequent DST production test across two separate intervals in the Paleocene flowed at a stabilized rate of 4,650 bbl/d of 38.6° API oil with a gas/oil ratio of 701 cf/bbl.

Peru

Block 131: 30% Interest

The Los Angeles Noi-3X exploration well, spudded in early December 2014, reached a TD of 8,882 feet MD (8,028 feet TVDSS) in the Copacabana Formation, in late January. The Noi Formation was the primary target in the well, but hydrocarbons were found in the Upper Cushabatay Formation. In early February 2015, the well was completed and tested and long-term production testing of this well commenced on March 28, 2015. The Los Angeles Noi-3X well is within the same structural closure of Los Angeles-1X and with a similar oil-water contact present in both wells, confirming the extension and continuity of this pool to the north.

The Los Angeles-2CD well began drilling on March 6, 2015, and reached total depth of 7,503 feet MD (5,613 feet TVDSS) on April 3, 2015, in the Upper Sarayaquillo Formation. The bottom hole location of the Los Angeles-2CD well is 1,070 meters south of the Los Angeles-1X discovery well. Petrophysical evaluation of open hole logs indicates the presence of 43 feet of net pay (81 feet gross reservoir sand) in the Upper Cushabatay Formation and confirms an extension of the pool beyond the Los Angeles-2CD location to the south. The Company is still awaiting the results of the core analysis from the well, which should provide a definitive measurement of the porosity and permeability of the upper zone. The operator is expected to begin completion operations in the second quarter of 2015.

The Los Angeles-1X discovery well extended production test continues. During the period, the well produced an average of 2,009 bbl/d of 45° API oil with 0.05 % BSW and 46 mcf/d on a 32/64" choke.

The three wells (Los Angeles-1X, Los Angeles-Noi 3X and Los Angeles-2CD) are interpreted to share the same oil water contact. Future development options are being considered.

Block Z-1 Offshore Peru: 49% Interest

During the quarter, the Company drilled the A-22D appraisal well in the Albacora field to evaluate the extension of the middle and deep Zorritos units to the southeast of the area. The well encountered non-economic hydrocarbons, so the Company is re-evaluating the area and plans to continue with the appraisal and development campaign of the deeper Zorritos sandstones in the north fault block, and explore the south fault block of the field.

Also during the quarter, the Company started production tests in the lower MZC and MZB sandstones of the A-27D appraisal well in Albacora, drilled during the last quarter of 2014. Production logging tool data acquired in January confirmed a new discovery in the deep MZC reservoirs. The initial production rate was 621 bbl/d of 32º API oil and 4.18 bbl/d of water with a 33/64" choke. The MZB reservoirs were commingled with the traditional producing horizon and tested an initial rate of 228 bbl/d and 8.6 mmcf/d with a 33/64" choke. The A-27D well confirmed the presence of multiple reservoirs in the Albacora area.

Colombia

Guatiquía Block: 100% Interest

During the quarter, two appraisal wells were drilled on the Guatiquía Block. The Avispa-2 well began drilling on December 14, 2014, and reached a total depth of 11,964 feet MD (11,380 feet TVDSS) in the Lower Sand 3 on January 20, 2015. The well encountered a total of 121 feet of net pay: 17 feet in the Mirador Formation, 49 feet in the Guadalupe Formation, and 55 feet in the Lower Sand 1. Avispa-2 was put on production from the Lower Sand 1 interval on February 6 and has averaged 3,977 bbl/d of 21.8° API oil with 0.1% BSW using an electro-submersible pump through a 1-inch choke.

The Avispa-3 appraisal well began drilling on February 10, 2015, and reached a total depth of 11,995 feet MD (11,860 feet TVDSS) in the Lower Gachetá on April 2, 2015. Because of a sidetrack operation, open-hole logs were not acquired but cased-hole logs and measurement while drilling data indicate the presence of hydrocarbons in the Lower Sand 1 and Guadalupe Formation. Testing of the Lower Sand 1 began on April 15, 2015 for a 10-day period with a stabilized flow rate of 4,930 bbl/d of 20.1 °API oil through a 128" choke and an electro-submersible pump.

Corcel Block: 100% Interest

The Espadarte-2 well commenced drilling on March 26, 2015. The well is expected to reach total depth during the second quarter with testing to follow depending upon results.

Quifa Block: 60% Interest

One exploration well was drilled on the Quifa Block. On January 5, QFN-CS-2 reached a total depth of 4,235 feet MD (3,144 feet TVDSS) and penetrated 23 feet of net pay in the Basal Sands of the Carbonera Formation. The well was completed and tested with an average flow rate of 125 bbl/d and a watercut of 24%. The QFN-CS-2 is the third well drilled on the Cajua Sur accumulation.

Guama Block: 100% Interest

In the Guama Block, the Manamo-1X well was opened for an extended test for 16 days on January 25, 2015. The well flowed an average of 1.5 mmcf/d and 56 bbl/d of 56º API condensate on a 8/64" choke. The Pedernalito-1X well was opened for a second extended test, having averaged 1.3 mmcf/d of gas and 48 bbl/d of 54° API condensate on a 12/64" choke. On March 12, 2015, the Company submitted to the ANH the declaration of commerciality for the Cotorra field.

Belize

During the first quarter of 2015, the Company reached an agreement with the Belize government to delay drilling investment until 2016. During 2015, the exploration activity will be focused on prospect generation and well planning for the first exploration well to be drilled and tested during 2016.

Papua New Guinea

On licenses PPL-475 and PRL-39, the block operator, Interoil Corporation, started a 247 kilometer 2D seismic survey. This survey is expected to be finished in early July 2015. Additionally, the operator started an 700 kilometer airborne gravity gradiometry (AGG) survey on the PPL-475 and PRL-39 licenses. Both activities represent exploration commitments for these two licenses.

Farm-in and Farm-out Transactions and Acquisitions

Mexico is the Company´s new business destination

As previously reported, the Company has signed a Memorandum of Understanding ("**MOU**") with Pemex to jointly explore oil & gas in Mexico, establishing the basis for discussions and analysis of potential oil and gas cooperation in Mexico. In addition, the Company has entered into an agreement with Alfa S.A.B. de C.V. ("**ALFA**"), a strategic partner, to create a joint venture that will allow the joint study, bidding or negotiation, acquisition and development of oil, gas and midstream assets in Mexico.

During the first quarter, the Company has continued with the analysis and assessment of the current opportunities available through the energy reform measures in Mexico. So far, Round-1 and migration of the first available blocks are currently proceeding and the Company is evaluating the opportunities there.

Farm-out Offering Portfolio Optimization

During 2014, the Company started evaluating its complete portfolio of assets seeking to determine which blocks do not fit with its corporate strategy and therefore represented farm-out opportunities.

4 Financial Results

Revenues

(in thousands of US$)	Three Months Ending March 31 2015	2014
Net crude oil and gas sales	$ 732,312	$ 1,187,171
Trading revenue	67,536	96,282
Total Revenue	**$ 799,848**	**$ 1,283,453**
$ per boe oil and gas	49.45	93.38
$ per bbl trading	48.34	101.06
$ Total average revenue per boe	**49.35**	**93.91**

Following is an analysis of the revenue drivers of price and volume for the first quarter of 2015 in comparison to the same period of 2014:

	Three Months Ending March 31 2015	2014	Difference	% Change
Total of boe sold (Mboe)	16,208	13,666	2,543	19%
Avg. combined price - oil & gas and trading ($/boe)	49.35	93.91	(44.56)	-47%
Total Revenue	**799,848**	**1,283,453**	**(483,605)**	**-38%**

Drivers for the revenue decrease:		
Due to volume	$ 238,684	49%
Due to price	(722,289)	-149%
	$ (483,605)	

Revenues for the first quarter of 2015 were $800 million, 38% lower as compared to the same quarter of 2014 revenue of $1.28 billion. This decrease is the result of lower realized prices due to the depressed oil prices, as production increased by 3%.

Operating Costs

(in thousands of US$)	Three Months Ending March 31 2015	2014
Production cost of barrels sold	$ 123,351	$ 197,961
Per boe	8.33	15.57
Transportation cost [1]	165,523	176,394
Per boe [1]	11.18	13.88
Diluent cost	25,243	34,119
Per boe	1.70	2.68
Other cost	13,338	897
Per boe	0.90	0.07
Royalties paid in cash	7,374	15,507
Per boe	0.50	1.22
Overlift/Underlift	60,805	(48,860)
Per boe	4.11	(3.84)
Operating cost	**$ 395,634**	**$ 376,018**
Average operating cost per boe	**$ 26.72**	**$ 29.58**
Take-or-pay fees on disrupted transport capacity Bicentenario	2,785	28,910
Per boe	0.19	2.27
Trading purchase cost	64,016	95,153
Per bbl	45.82	99.87
Total Cost	**$ 462,435**	**$ 500,081**

1. For the first quarter 2015, transportation cost on a boe basis includes the Company´s $12.9 million share of income from equity investments in the ODL and Bicentenario pipelines. Refer to note 16 of the Interim Condensed Consolidated Financial Statements for additional details.

Total operating costs for the first quarter of 2015 were $462 million, including the Company´s $12.9 million share of income from equity investments in the ODL and Bicentenario pipelines and $3 million in net take-or-pay fees paid to Oleoducto Bicentenario de Colombia S.A.S. (“Bicentenario”) when the capacity was not available due to security issues.

Operating costs were lower by as compared to $500 million in the same period of 2014, resulting from cost optimization strategies adopted as a response to the lower oil price environment.

In addition, trading purchase costs decreased from $95 million to $64 million in the first quarter of 2015 compared with the first quarter of 2014, due to lower market prices during the period.

Depletion, Depreciation and Amortization

	Three Months Ending March 31	
(in thousands of US$)	2015	2014
Depletion, depreciation and amortization	$ 406,419	$ 375,642
$/per boe sales (own production)	27.44	29.55

Depletion, depreciation and amortization ("**DD&A**") costs for the first quarter of 2015 were $406 million compared to $376 million in the same period of 2014. The increase of 8% is primarily due to an increase in production. Unit DD&A for the first quarter of 2015 was $27.44/boe, 7% lower than the $29.55/boe for the first quarter of 2014.

Impairment

	Three Months Ending March 31	
(in thousands of US$)	2015	2014
Impairment	$ 448,967	$ -

The Company assesses at the end of each reporting period whether there is any indication, from external and internal sources of information, that an asset or cash generating unit ("**CGU**") and goodwill may be impaired. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of the oil & gas, exploration and evaluation properties and goodwill. As of March 31, 2015, the Company, as a result of updated assumptions including oil and gas prices, discount rate, hydrocarbon reserves and resources, production and costs, recorded a total after-tax impairment charge of $411 million as summarized below:

As a result, the Company has recorded the following impairments as of March 31, 2015:

	Three months Ending March 31
(in thousands of US$)	2015
Exploration and evaluation properties	$ (211,958)
Goodwill	(237,009)
Total impairment before tax	(448,967)
Deferred tax effect	38,000
Total impairment after tax	$ (410,967)

General and Administrative Costs

	Three months Ending March 31	
(in thousands of US$)	2015	2014
General and administrative costs	$ 54,905	$ 75,214
$/per boe sales	3.39	5.50

General and administrative ("**G&A**") costs decreased to $55 million in the first quarter of 2015 from $75 million in the same period of 2014, mainly due to the adoption of cost optimization initiatives. G&A per boe decreased by $2.11/boe to $3.39/boe, from $5.50/boe in the first quarter of 2014.

The Company, as part of its strategy to adapt to the lower price environment, initiated significant cost-cutting measures at the end of 2014, which carried through to early 2015. This is expected to significantly decrease the overall level of G&A in 2015 as compared to 2014.

Finance Costs and Foreign Exchange

(in thousands of US$)	Three Months Ending March 31 2015	2014
Finance costs	$ 78,858	$ 61,495

Finance costs include interest on the Company's bank loans, senior notes, revolving credit facilities, working capital loans, finance leases and fees on letters of credit, net of interest income received. For the first quarter of 2015, finance costs totaled $79 million compared to $61 million in the same period of 2014. The increase in finance costs is mainly due to the issuance of additional senior unsecured notes on September 2014.

(in thousands of US$)	Three Months Ending March 31 2015	2014
Foreign exchange gains	$ (35,780)	$ (1,775)

The U.S. dollar is the Company's functional currency. Foreign exchange gains or losses primarily result from the movement of the Colombian peso ("**COP**") against the U.S. dollar. A significant portion of the Company's operating and capital expenditures, as well as assets and liabilities, are denominated in COP. During the first quarter of 2015, the COP depreciated against the U.S. dollar by 7.7% as compared to a depreciation of 2.0% during the same period of 2014. Foreign exchange loss for the first quarter of 2015 was $36 million compared to a loss of $1.8 million in the same period of 2014. The foreign exchange loss for the first quarter of 2015 was mainly due to unrealized foreign exchange translation losses from the translation of COP-denominated balances into the U.S. dollar.

Income Tax Expense

(in thousands of US$)	Three Months Ending March 31 2015	2014
Current income tax	$ (18,193)	$ (151,050)
Deferred income tax	39,687	1,592
Total income tax expense	**$ 21,494**	**$ (149,458)**
$ per boe	1.33	(10.94)

The Canadian statutory combined income tax rate was 26.5% for the first quarter of 2015 and 2014.

The Colombian statutory tax rate for the first quarter of 2015 was 39% (2014: 34%), which includes the 25% general income tax rate and the fairness tax ("**CREE**") at 14% (2014: 9%). The Colombian Congress enacted new corporate tax rates for Colombian source income to 39% in 2015, 40% in 2016, 42% in 2017, and 43% in 2018. As at January 1, 2019, the corporate tax rate will reduce back to 34%. In addition, the Congress introduced a temporary new wealth tax, which accrues on net equity as at January 1, 2015, 2016, and 2017 at 1.15%, 1.00% and 0.40%, respectively.

The Peruvian statutory income tax rate was 28% and 30% for the quarter ending March 31, 2015 and 2014, respectively. The Peruvian income tax rate for Block Z-1 was 22% for the quarter ending March 31, 2015 and 2014. The Peruvian government passed major tax reforms on December 31, 2014, including a reduction in the general corporate tax rate to 28% for 2015 and 2016; 27% for 2017 and 2018; and 26% for taxation years 2019 and onwards.

The Company's cumulative effective tax rate (income tax expenses as a percentage of net earnings before income tax) was 3% for the first quarter of 2015, compared to 56% for the same period of 2014. The Company's effective tax rate differs from the statutory rate due to:

- Expenses that are not deductible for tax purposes (such as share-based compensation, foreign exchange gains or losses, and other non-deductible expenditures in both Canada and Colombia).
- Corporate expenses that result in tax loss carry-forwards, but for which no deferred tax assets and recovery have been recognized. When the Company has a reasonable expectation to utilize those losses in the future, a deferred tax asset and a corresponding deferred tax recovery may be recognized, which would reduce the income tax expense.
- Foreign currency exchange rate fluctuations. The Company's functional and reporting currency is the U.S. dollar; however, the calculation of the income tax expense is based on income in the currency of the country of origin; i.e., Colombia, where the Company's assets are primarily located. As a result, the tax base of these assets is denominated in COP, and the related deferred tax balances are continually subject to fluctuations in the U.S. – COP exchange rate for IFRS purposes.

- The depreciation of the COP and CAD against the U.S. dollar by 7.67% and 8%, respectively, during the first quarter of 2015 resulted in an estimated unrealized deferred income tax expense of $118 million. In comparison, the Company recorded $36.2 million of unrealized deferred income tax expense during the same period of 2014 as a result of the depreciation of the COP and CAD against the U.S. dollar by 2% and 3%, respectively.

Excluding the effect from the above-mentioned foreign exchange fluctuations, the effective tax rate for the Company would be 19% as the Company would have a tax recovery for the three months ending March 31, 2015:

	Three Months Ending March 31	
(in thousands of US$)	**2015**	**2014**
Depreciation of the COP against U.S. dollar (%)	7.7%	2.0%
Net (loss) earnings before income tax	$ (745,970)	$ 267,968
Current income tax expense	18,193	151,050
Deferred income tax recovery as reported	(39,687)	(1,592)
Total income tax expense as reported	**(21,494)**	**149,458**
Exclude effect from depreciation of COP	(117,667)	(36,287)
Total income tax (recovery) expense excluding the above effects	**(139,161)**	**113,171**
Effective tax rate excluding effect of COP revaluation	**19%**	**42%**

Capital Expenditures

	Three Months Ending March 31	
(in thousands of US$)	**2015**	**2014**
Production facilities [1]	$ 25,651	$ 115,018
Exploration activities [2]	59,284	134,428
Early facilities and others	387	21,962
Development drilling	120,521	173,852
Other projects	20,191	23,649
Total capital expenditures	**$ 226,034**	**$ 468,909**

1. For 2014, includes investment in Maurel & Prom Colombia B.V., in which the Company holds a 49.999% participation.
2. Exploration activities for the first quarter of 2015 include drilling, seismic and other geophysical expenditures in Colombia, Peru, Brazil, Guatemala, Belize, and Papua New Guinea.

Capital expenditures during the first quarter of 2015 totaled $226 million, $243 million lower compared to $469 million in 2014. A total of $26 million was invested in the expansion and construction of production infrastructure, primarily in Rubiales, Quifa SW, Cajua, Sabanero and in the Block Z-1 fields; $59 million went into exploration activities including drilling, seismic and other geophysical activities in Colombia, Peru, Brazil, Guatemala, Belize and Papua New Guinea; $121 million went into development drilling; and $20 million was invested in other projects including the Petroelectrica de los Llanos ("**PEL**") Power Transmission Line project.

In light of the current weaker commodity price environment, our capital expenditure programs have been cut back significantly to approximately equal cash flow. Our diversified portfolio of assets has the flexibility and discretionary components to allow us to scale back capital spending while maintaining production growth (See Section 11 "Outlook" – page 27).

The following table shows the capital expenditures on acquisitions executed during the period.

	Three Months Ending March 31	
(in thousands of US$)	**2015**	**2014**
Farm-in Agreement and others [1]	$ -	$ 12,500
Total capital expenditures for new acquisitions	**$ -**	**$ 12,500**

1. For the first quarter of 2014, includes the capital expenditures of $12 million to acquire a 50% participating interest in the Tinigua block onshore in Colombia.

Financial Position

Debts and Credit Instruments

The following debts were outstanding as at March 31, 2015:

Senior Unsecured Notes

The Company has a number of senior unsecured notes outstanding with an aggregate principal of $4.1 billion as at March 31, 2015. The senior notes are listed on the Official List of the Luxembourg Stock Exchange and are guaranteed by the Company's main operating subsidiaries. The maturities of the senior notes range from 2019 to 2025 and the interest rates range from 5.125% to 7.25%, payable semi-annually.

Pursuant to the indentures governing the Senior Notes, the financial covenant prohibiting the incurrence of additional indebtedness of 3.5 times consolidated debt to Adjusted EBITDA limits the Company's ability to incur additional debt, subject to various exceptions including certain refinancing transactions.

The Senior Notes represent almost 75% of the outstanding debt and have maturities that extend out from 2019 to 2025.

Amendment of Revolver Covenant and Terms

Subsequent to the end of the first quarter 2015, the Company agreed with its syndicate of lenders to amend the $1 billion senior unsecured revolving credit facility (the "**Facility**"). Under the amended terms of the Facility, the Company's permitted consolidated leverage ratio (debt to Adjusted EBITDA) was increased from 3.5:1.0 to 4.5:1.0 based on a rolling four quarter average. The amendments were supported by 100% of the lending syndicate comprised of 25 international and local banks. Similar amendments have been made to the following bilateral credit agreements with: (i) Bank of America, N.A. (ii) Banco Latinoamericano de Comercio Exterior, S.A. (iii) HSBC Bank USA, N.A.; and (iv) Sumitomo Mitsui Banking Corporation (the "**Credit Agreements**").

On February 5 and March 13, 2015, the Company drew down $100 million and $900 million from the Facility, respectively. Using the proceeds from the draw down, the Company repaid short-term bank loans in the aggregate principal amount of $383.8 million. As a result of this draw down and the debt repayment, the Company increased cash on hand by $516.2 million with the next earliest principal repayment not due until October 2016. These funds will be held in cash in order to strengthen the Company's balance sheet.

Under the terms of the Facility and the Credit Agreements, the leverage ratio covenants are "maintenance-based covenants" which means that the Company must maintain compliance with the financial metrics in order to avoid default. For practical purposes, these are checked quarterly on a previous twelve-month basis. If at such time, the financial debt ratios are not met, this may result in an acceleration in part or in whole of the indebtedness, restrict the Company's ability to take on additional debt or carry out certain specified M&A operations, subject to various exemptions.

Letters of Credit

As at March 31, 2015, the Company had issued letters of credit and guarantees for exploration and operational commitments for a total of $408 million.

Outstanding Share Data

Common Shares

As at May 11, 2015, 316,094,858 common shares were issued and outstanding.

The Company does not have shares subject to escrow restrictions or pooling agreements.

Stock Options and Warrants

As at May 11, 2015, there were no warrants outstanding. 16,764,867 stock options were outstanding, of which all were exercisable. As of May 28, 2014, the Board has committed to no longer grant stock options and instead has implemented a Deferred Share Unit ("DSU") Plan for eligible employees.

Deferred Share Units

As at May 11, 2015, there were 7,585,201 DSUs outstanding. The DSUs are cash-settled instruments that track the price of the Common Shares and are payable to eligible participants upon their retirement, resignation or termination from the Corporation.

Liquidity and Capital Resources

Funds flow provided by operating activities for first quarter of 2015 totaled $157 million ($474 million for 2014). The decrease in funds flow in the first quarter of 2015 was the result of a decrease in oil prices. The Company has been generating operating cash from the sale of crude oil and natural gas and is anticipating an increase in future production.

As of March 31, 2015, the Company had a negative working capital of $7 million, mainly comprised of $860 million of cash and cash equivalents, $856 million of account receivables, $45 million of inventory, $206 million of income tax receivable, $11 million in prepaid expenses, $1,721 million of accounts payable and accrued liabilities, $199 million of deferred revenue net proceeds, $47 million of income tax payable, and $18 million of the current portion of obligations under finance lease.

The Company has entered into a six-month crude sales agreement for six million barrels of oil to be delivered in six equal tranches starting in April. The terms of the agreement included an advance upfront of $200 million to partially pre-pay the total amount expected by the Company during the crude sale contract. The final prices on the volumes delivered will be determined based on the benchmark prices at the time of delivery.

As announced in early 2015, the Company has adjusted its business plan for 2015 to reflect the lower oil prices and our forecast of operating cash flow for the year. The Company believes it will be able to fund the investment capital plan from internally generated cash flows.

5 Project Status Review

The following is an update on the current status and working-interest share of costs incurred as of March 31, 2015 for the Company's major projects.

		As of March 31, 2015		
Project	Project financed by	Total cost to complete the project	Cost incurred to date	Expected future costs to incur
Bicentenario pipeline	Equity and debt combination	774,519	706,129	68,390
PEL-Power transmission line project	Equity and debt combination	240,000	228,978	11,022
Small-scale LNG project	Equity and debt combination	281,816	59,587	222,229
Water treatment for agricultural development	Equity and debt combination	170,000	112,000	58,000
Puerto Bahia project	Equity and debt combination	246,209	202,184	44,025
OLECAR	Equity and debt combination	164,101	47,898	116,203
		$ 1,876,645	**$ 1,356,776**	**$ 519,869**

Bicentenario Pipeline

As of March 2015, Phase One of the project is completed and approximately 26 MMbbl has been pumped through the pipeline. During the current quarter, the pipeline transported an average rate of 93,048 bbl/d.

PEL – Power Transmission Line Project

The power line commenced operation on January 20, 2014, and as of March 31, 2015, the line has transmitted 959 MWh to the Rubiales field and the ODL pipeline with an availability of 99.97%. As of the date of this report, the progress for the construction of the substations is as follows: Quifa substation construction is completed, the Jagüey substation is 92% complete and expected to be operational by the second quarter of 2015, and the Corocora substation is 51% complete and is expected to be finished by the third quarter of 2015.

The results from studies to increase transmission capacity from 192 MW to 262 MW had been approved by Empresa de Energía de Bogotá and, during this quarter, by Unidad de Planeación Minero Energética ("**UPME**"), subject to certain upgrades that must be performed in the national grid prior to its implementation. The completion of the project is planned for 2017 and will allow further future development of the Llanos Basin.

Caribbean Floating LNG Project

As of March 2015 and due to the current oil market environment, the project has been deferred and the Company is working with Exmar to determine the best possible use of the FLSU.

CPE-6 Block

In September 2008, and as part of the Heavy Oil Round, the CPE-6 Block (technical evaluation contract) was awarded to a joint venture made up of the Company (50%) and Talisman (Colombia) Oil & Gas Ltd. (50%), with the Company as operator.

The CPE-6 Block covers an area of over 600,000 hectares and is located approximately 70 kilometers to the southwest of the producing Rubiales and Quifa SW heavy oil fields.

In late 2014, Phase 1 facility construction was completed, providing infrastructure to handle 25,000 bbl/d of nominal fluid capacity with a crude oil processing capacity of 8,000 bbl/d of oil. Year-to-date 2015 production from seven exploration and appraisal wells has averaged approximately 1,300 bbl/d (total gross production). No new wells have been drilled year-to-date in 2015 and the Company has suspended drilling and development work in the block, given the current low oil price environment and pending partner discussions and approvals. The Company will review this decision in the second half of the year but remains confident on the long-term economic and operational viability and potential of the CPE-6 Block development, which contains a large amount of oil in place.

Agrocascada Project Water Treatment for Agricultural Development

As of March 2015, the construction of the first reverse osmosis water treatment plant is completed. In August 2014, the Company received the ANLA approval for the delivery of water suitable for irrigation, which was filed on September 13, 2013. The permits for the agricultural component were filed with the environmental authority Cormacarena and the response is still in process. As a result, the project is temporarily deferred until the approval of the permits by the environmental authority is delivered.

This project represents an innovative approach for water disposal in Colombia. It brings benefits to oil producers in terms of lower operating costs and extending the economic life of the oil fields, and is also an excellent example of "shared value" with communities, bringing sustainable development from a social point of view to areas in need of development. The concept will be replicated by the Company in future developments in oil fields with high water-production rates.

This project is expected to be operational in the second half of 2015.

Pacific Infrastructure: Puerto Bahía Terminal and Olecar Pipeline

The Company has a 41.65% interest in Pacific Infrastructure Ventures Inc. ("**PII**"), a private company that is currently developing Puerto Bahía, an oil export terminal located in Cartagena Bay in Colombia. Puerto Bahía will be developed in three phases: (i) 1.7 MMbbl of oil and petroleum product storage capacity, a berthing position for vessels of up to 80K DWT, a truck loading and unloading station with a capacity of up to 30 Mbbl/d and a fixed bridge; (ii) additional storage capacity of up to 3 MMbbl, an additional berthing position for vessels of up to 150K DWT and barge handling facilities with a capacity of up to 45 Mbbl/d; and (iii) a liquids terminal with capacity of up to 4 MMbbl, a, containers and a berthing platform with a length of 300 meters to handle dry materials.

As of March 31 2015, construction activities had progressed as follows: the liquids terminal has reached 87%, the truck loading and unloading station is at 96%, the fixed bridge is 100% complete and the multi-purpose terminal handling bulk materials has reached 90% completion.

Recognizing the strategic importance of the Puerto Bahía Terminal, Pacific Infrastructure signed an O&M agreement with Oiltanking International ("**Oiltanking**"). Oiltanking is recognized globally as a world-class operator of large-scale liquids terminals. During the third quarter of 2013, Pacific Infrastructure signed a credit agreement with Itau for $370 million, which was closed on February 25, 2014.

In addition to Puerto Bahía, Pacific Infrastructure is also developing the Olecar pipeline, which will connect Puerto Bahía to the oil pipeline hub at the port of Coveñas, ensuring the uninterrupted supply of crude oil for export. The Olecar project includes: (i) a pumping station at Coveñas with a capacity of 300 Mbbl/d; (ii) a 130-km, 30-inch diameter pipeline; and (iii) bidirectional connections between the Cartagena Refinery, the third largest refinery in Colombia, and Puerto Bahía.

As of the date of this report, the Olecar project has been postponed due to oil market conditions.

6 Commitments and Contingencies

Tax Review in Colombia

The Company currently has a number of tax filings under review by the Colombian tax authority ("**DIAN**").

The DIAN has officially reassessed several value-added tax ("**IVA**") declarations on the basis that the volume of oil produced and used for internal consumption at certain fields in Colombia should have been subject to IVA. For the first quarter of 2015, the new amount reassessed, including interest and penalties, is estimated at $48.9 million. The Company disagrees with the DIAN's reassessment and official appeals have been initiated. Several other taxation periods back to 2011 with respect to IVA on field oil consumption are also currently under review by the DIAN. For the periods that are under review, if the DIAN's views were to prevail, the Company estimates that the IVA, including interest and penalties, could range between $19 million and $90 million. The Company continues to utilize oil produced for internal consumption, which is an accepted practice for the oil industry in Colombia.

The amounts reported on the IVA disputes corresponds to one hundred percent (100%) of the interest in the blocks; out of that total PRE estimates that $20 million could be assumed from the other companies holding interests in the oil contracts.

The DIAN is also reviewing certain income tax deductions with respect to the special tax benefit for qualifying petroleum assets as well as other exploration expenditures. As of the date of this report, the DIAN has reassessed $63.7 million of tax owing, including estimated interest and penalties, with respect to the denied deductions.

As at March 31, 2015, the Company believes that the disagreements with the DIAN related to IVA and denied income tax deductions will be resolved in favour of the Company. As a result, no provision has been made in the financial statements.

High-Price Royalty in Colombia

The Company is currently in discussion with the ANH with respect to the interpretation of the high-price participation clause in certain exploration contracts. Please refer to "PAP Disagreement with the ANH" on page 28 for details relating to this contingency.

Commitments

As part of the Company's normal course of business, the Company has entered into arrangements that will impact the Company's future operations and liquidity. The principal commitments of the Company are ship-or-pay arrangements on crude oil and gas transportation, asset retirement obligations, debt repayments, and service contracts with suppliers in relation to the exploration and operation of oil properties and engineering and construction contracts, among others.

Disclosures concerning the Company's significant commitments can be found in Note 22 of the Interim Condensed Consolidated Financial Statements. The Company has no off-balance sheet arrangements.

Risk Management Contracts

The Company has entered into derivative financial instruments to reduce the exposure to unfavourable movements in commodity prices, interest rates and foreign exchange rates. The Company has established a system of internal controls to minimize risks associated with its derivative program and does not intend to use derivative financial instruments for speculative purposes.

Disclosures concerning the Company's risk management contracts can be found in Note 25 of the Interim Condensed Consolidated Financial Statements.

7 Related-Party Transactions

According to IFRS, parties are considered to be related if one party has the ability to "control" (financially or by share capital) the other party or have significant influence (management) on the other party in making financial, commercial and operational decisions. The board of directors of the Company has created the New Business Opportunities Committee ("**NBOC**") to review and approve related-party transactions. The NBOC is comprised of the following independent directors: Miguel Rodriguez (Chair), Dennis Mills, Victor Rivera and Hernan Martinez. The NBOC is apprised of related-party transactions prior to implementation, engages independent legal counsel as needed, and meets *in camera* to deliberate. The NBOC also reviews the business rationale for each transaction and ensures that the transaction is in compliance with applicable securities laws and the Company's debt covenants.

The Company's internal audit and legal compliance departments also monitor related-party transactions. The audit and legal compliance teams work together to compose a list of potential related parties. This list is cross-referenced against the Company's list of suppliers and other creditors.

The related-party transactions during the current quarter corresponded to the normal course of operations and were measured at fair value, which is the amount of consideration established and agreed to by the related parties and which, in the opinion of management and the NBOC, are considered similar to those negotiable with third parties.

The following sets out the details of the Company's related-party transactions:

a) In June 2007, the Company entered into a 5-year lease agreement with Blue Pacific Assets Corp. ("Blue Pacific") for administrative office space in one of its Bogota, Colombia locations. Monthly rent expense of $87 thousand was payable to Blue Pacific under this agreement. Three directors and officers (Serafino Iacono, Miguel de la Campa and Jose Francisco Arata), as well as an executive officer of the Company (Laureano von Siegmund), control, or provide investment advice to the holders of 76% of the shares of Blue Pacific. During 2011, the lease was amended to include additional space in Bogota for a 10-year term with a monthly rent of $0.5 million and assignment of the lessor to an entity controlled by Blue Pacific. Effective January 1, 2014, Blue Pacific ceased to be a party to the lease agreements upon assigning the rights under these agreements to a third party that is not related to the Company. The Company also has a lease agreement for an office in Caracas, Venezuela for approximately $6 thousand per month. The office space is 50% owned by a family member of an executive officer of the Company (Laureano von Siegmund).

   Blue Pacific provides the Company with passenger air transport services on an as-needed basis. During the three months ended March 31, 2015, the Company paid $Nil (March 31, 2014: $Nil).

b) In October 2012, the Company and Ecopetrol ("**Ecopetrol**") signed two Build, Own, Manage, and Transfer ("**BOMT**") agreements with Consorcio Genser Power-Proelectrica and its subsidiaries ("**Genser-Proelectrica**") to acquire certain power generation assets for the Rubiales field. Genser-Proelectrica is a joint venture between Promotora de Energia Electrica de Cartagena & Cia S.C.A.E.S.P ("**Proelectrica**"), in which the Company has a 24.9% indirect interest and Genser Power Inc. ("**Genser**") which is 51% owned by Pacific Power Generation Corp. ("**Pacific Power**"). On March 1, 2013, these contracts were assigned to TermoMorichal SAS ("**TermoMorichal**"), the company created to perform the agreements, in which Pacific Power has a 51% indirect interest. Total commitment under the BOMT agreements is $229.7 million over ten years. In April 2013, the Company and Ecopetrol entered into another agreement with Genser-Proelectrica to acquire additional assets for a total commitment of $57 million over ten years. At the end of the Rubiales Association Contract in 2016, the Company's obligations along with the power generation assets will be transferred to Ecopetrol. As at March 31, 2015 those assets were under construction and the Company paid cash advances of $7.1 million, which were recorded in other assets (March 31, 2014: $9.3 million). The Company has accounts payable of $6.2 million (December 31, 2014: $5.9 million) due to Genser-Proelectrica. In addition, on May 5, 2014, a subsidiary of the Company provided a guarantee in favour of XM Compania de Expertos en Mercados S.A. on behalf of Proelectrica guaranteeing obligations pursuant to an energy supply agreement in the aggregate amount of approximately $16.7 million. In December 2014, the Company entered into a new contract with Genser, related to the operation and maintenance of the power generation facility located in the Sabanero field.

In October 2013, the Company entered into connection agreements and energy supply agreements with Proeléctrica for the supply of power to the oil fields in the Llanos basin. The connection agreements authorize Meta and Agro Cascada S.A.S. to use the connection assets of Petroelectica for power supply at the Quifa and Rubiales fields. The agreement commenced on November 1, 2013 and operates for 13 years. During the three months ended March 31, 2015 the Company made payments of $13 million (March 31, 2014: $8.7 million) under this agreement.

The Company has entered into several take-or-pay agreements as well as interruptible gas sales and transport agreements to supply gas from the La Creciente natural gas field to Proelectrica's gas fired plant. During the three months ended March 31, 2015, the Company recorded revenues of $0.7 million (March 31, 2014: $2.5 million), from such agreements.

Under the energy supply agreements, Proelectrica provides electricity to the Company for power supply at the Quifa and Rubiales fields, with payments to be calculated monthly on a demand-and-deliver basis. The term of the agreement is until December 31, 2026. The aggregate estimated energy supply agreement is for 1.5 million kilowatts.

c) As at March 31, 2015, the Company had trade accounts receivable of $9.9 million (December 31, 2014: $7.5 million) from Proelectrica, in which the Company has a 24.9% indirect interest and which is 31.49% owned by Blue Pacific. The Company's and Blue Pacific's indirect interests are held through Pacific Power. Revenue from Proelectrica in the normal course of the Company's business was $0.7 million for the three months ended March 31, 2015 (March 31, 2014: $2.5 million).

d) During the three months ended March 31, 2015, the Company paid $1.0 million (March 2014: $2.6 million) to Transportadora Del Meta S.A.S. ("**Transmeta**") in crude oil transportation costs. In addition, the Company has accounts receivable of $1.0 million (December 31, 2014: $1.1 million) from Transmeta and accounts payable of $0.8 million (December 31, 2014: $0.9 million) to Transmeta as at December 31, 2014. Transmeta is controlled by German Efromovich, a director of the Company.

e) As at March 31, 2015, loans receivable from related parties in the aggregate amount of $1.4 million (December 31, 2014: $856 thousand) were due from two directors (Serafino Iacono and Jose Francisco Arata) and seven officers (Carlos Perez, Luis Andres Rojas, Peter Volk, Francisco Bustillos, Luciano Biondi, Jairo Lugo and Marino Ostos)of the Company. The loans are non-interest bearing and payable in equal monthly payments over a 48-month terms.

f) The Company has entered into aircraft transportation agreements with Helicopteros Nacionales de Colombia S.A.S. ("**Helicol**"), a company controlled by German Efromovich, a director of the Company. During the three months ended March 31 2015, the Company paid $1.7 million (March 31, 2014: $2.2 million) in fees as set out under the transportation agreements. The Company accounts payable to Helicol as at March 31, 2015 were $2.8 million (December 31, 2014: $2.8 million).

g) During the three months ended March 31 2015, the Company paid $34.4 million to ODL (March 31, 2014: $28.6 million) for crude oil transport services under the pipeline take-or-pay agreement, and has accounts payable of $1.6 million (2014: $Nil). In addition, the Company received $0.4 million from ODL during the three months ended March 31, 2015 (March 31, 2014: $0.1 million) with respect to certain administrative services and rental equipment and machinery. The Company had accounts receivable from ODL as at March 31, 2015 of $2.5 million (March 31, 2014: $0.4 million).

h) During the three months ended March 31, 2015, the Company paid $27.9 million to Bicentenario (March 31, 2014: $55 million), a pipeline company in which the Company has a 27.6% interest, for crude oil transport services under the pipeline take-or-pay agreement. As at March 31, 2015, the balance of loans outstanding to Bicentenario under the agreement detailed in Note 17 (other assets) of the Interim Condensed Consolidated Financial Statements, is $25 million (December 31, 2014: $42 million). Interest income of $0.6 million was recognized during the three months ended March 31, 2015 (March 31, 2014: $0.7 million). Interest of $1.3 million was paid on the loans during the three months that ended March 31, 2015 and capital of $17.2 million was paid on the loans in the three months ended in March 31, 2015. During the three months ended March 31, 2015 the Company has received $Nil (March 31, 2014: $0.5 million) with respect to certain administrative services, rental equipment and machinery. The Company has advanced $87.9 million as at March 31, 2015 (December 31, 2014: $87.9 million) to Bicentenario as a prepayment of transport tariff, which is amortized against the barrels transported.

i) The Company has established two charitable foundations in Colombia, Pacific Rubiales Foundation and Foundation for Social Development of Energy Available ("**FUDES**") before Vichituni Foundation (acquired as part of the Petrominerales acquisition), with the objective of advancing social and community development projects in the

country. During the three months ended March 31 2015, the Company contributed $2.5 million to these foundations (March 31, 2014: $7.0 million). As at March 31, 2015 the Company has account receivables (advances) of $3.2 million (December 31, 2014: $5.0 million) and the Company has accounts payable of $3.0 million (December 31, 2014: $8.7 million). The Company's Executive Committee (comprised of Ronald Pantin, José Francisco Arata, Serafino Iacono and Miguel de la Campa) and an officer of the Company (Federico Restrepo) sit on the board of directors of the Pacific Rubiales Foundation.

j) During the three months ended March 31 2015, the Company has demand loans receivable from PII in the amount of $Nil (December 31, 2014: $71.4 million). The loans are guaranteed by PII's pipeline project and bear interest that ranges from LIBOR + 2% to 7% per annum. The Company owns 41.65% of PII. In addition, during the three months ended March 31 2015, the Company has received $Nil (March 2014: $Nil) from PII with respect to contract fees for advisory services and technical assistance in pipeline construction of "**Oleoducto del Caribe**". In addition, as at March 31, 2015 the Company has accounts receivable of $1.2 million (2014: $1.0 million) from Pacific Infrastructure Inc. Colombia.

   In December 2012, the Company entered into a take-or-pay agreement with Sociedad Puerto Bahia, a company that is wholly owned by PII. Pursuant to the terms of the agreement, Sociedad Puerto Bahia will provide for the storage, transfer, loading and unloading of hydrocarbons at its port facilities. The contract term will commence in 2014 and run for seven years, renewable in one-year increments thereafter. These contracts may indirectly benefit Blue Pacific and other unrelated minority shareholders of PII.

   Ronald Pantin, José Francisco Arata, Serafino Iacono, Miguel de la Campa, Laureano von Siegmund and Federico Restrepo are on the board of directors of Pacific Infrastructure. Blue Pacific holds a minority interest in Pacific Infrastructure and certain other directors and officers of the Company are individual shareholders.

k) In October 2012, the Company entered into an agreement with Pacific Coal, Blue Advanced Colloidal Fuels Corp. ("**Blue ACF**"), Alpha Ventures Finance Inc. ("**Alpha**"), and an unrelated party whereby the Company acquired from Pacific Coal a right to a 5% equity interest in Blue ACF for cash consideration of $5 million. Blue ACF is a company engaged in developing colloidal fuels, with its majority shareholder being Alpha, which is controlled by Blue Pacific. As part of the purchase, Pacific Coal has also assigned to the Company the right to acquire up to an additional 5% equity interest in Blue ACF for additional investment of up to $5 million. The Company currently has an 8.49% equity interest in Pacific Coal.

8 Selected Quarterly Information

(in thousands of US$)	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financials:								
Net sales	$ 799,848	$ 991,508	$ 1,330,395	$ 1,344,666	$ 1,283,453	$ 1,202,551	$ 1,109,973	$ 1,055,573
Net (loss) earnings attributable to equity holders of the parent for the period	(722,256)	(1,660,876)	3,484	228,527	119,240	140,412	84,013	74,279
Earnings (loss) per share								
- basic	(2.31)	(5.26)	0.01	0.73	0.38	0.43	0.26	0.23
- diluted	(2.31)	(5.26)	0.01	0.72	0.37	0.43	0.26	0.23

9 Accounting Polices, Critical Judgments, and Estimates.

New Standards, Interpretations and Amendments Adopted by the Company

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This policy became effective for annual periods starting after, or on July 1, 2014.

The adoption of IFRS 3 did not have any material impact on the Company's Interim Condensed Consolidated Financial Statements.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

This policy became effective for annual periods starting after, or on July 1, 2014.

The adoption of IFRS 8 did not have any material impact on the Company's Interim Condensed Consolidated Financial Statements.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This policy became effective for annual periods starting after, or on July 1, 2014.

The adoption of IAS 16 did not have any material impact on the Company's Interim Condensed Consolidated Financial Statements.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

10 Internal Controls over Financial Reporting

In accordance with National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**") of the Canadian Securities Administrators ("**CSA**"), quarterly the Company issues a "Certification of Interim Filings". This Certification requires certifying officers to state that they are responsible for establishing and maintaining Disclosure Controls and Procedures ("**DC&P**") and Internal Control Over Financial Reporting ("**ICFR**").

The Company has established a continuous control testing process with an independent auditor across the quarter. The process tests the value of our compliance program by:

- Leveraging risk assessment to identify areas of high risk,
- Rationalizing key controls and reviewing and updating matrices,
- Increasing reliance on entity-level and automated application controls, and
- Best practice and process improvement opportunity identification.

During the first quarter of 2015, 230 controls were tested over the 783 total controls the Company has implemented. The 783 controls will be tested at least once over the year 2015. From this evaluation the Company concluded that there are no material weaknesses or significant deficiencies in the design and effectiveness of ICFR for the financial quarter ended March 31, 2015.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes:

- Maintaining records that accurately and fairly reflect our transactions;
- Providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements in accordance with IFRS or other applicable, generally accepted accounting principles;
- Providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and
- Providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on the Company's consolidated financial statements would be prevented or detected on a timely basis.

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

During the quarter ended March 31, 2015, there has been no change in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

11 Outlook

Pacific Rubiales will maintain a strict and disciplined approach to the year. The Company will reduce capital expenditures to approximately match expected cash flow in this lower oil price environment and has the flexibility and further discretionary components to adjust to the external environment. In addition, cost reductions are expected to continue through 2015 through efficiency gains and operational adjustments. The outlook for 2015 was provided as guidance in mid-January 2015 and given the volatile and uncertainty in oil prices, has not been updated since. The major highlights of the 2015 guidance includes:

- Net production of 150 to 160 Mboe/d representing approximately 1 to 8% growth over 2014 production levels.
- Average WTI oil price assumption of $55 to $60/bbl during the year.
- The Company's oil price realization is expected to be $1 to $2 above the WTI benchmark price assumption.
- A significant reduction in 2015 cash costs: with operating costs estimated at $28/boe, G&A costs of $200 million, financing costs of $270 million and cash taxes of $200 million expected.

12 Further Disclosures

Royalties and High-Price Participation

The current royalty rates for volumes of hydrocarbons produced from the Company's Colombian assets range from 5% to 20%. Royalties on production represent the entitlement of the respective states to a portion of the Company's share of production and are recorded using rates in effect under the terms of existing contracts and laws applicable at the time of hydrocarbon discovery. In Colombia, royalties for oil may be payable in kind while royalties for gas are payable in cash. During the second quarter of 2014, the ANH requested the Company to pay in cash the royalties related to the condensate of La Creciente field and the crude oil of minor fields operated by the Company. In Peru, royalty calculations for oil range from 5% to 23%, which the government allows companies to pay either in kind or in cash. However, the current practice is to pay the royalties in cash.

Additional Production Share in the Quifa SW Field

The Company's share of production after royalties in the Quifa SW Field is 60%. However, this participation may change monthly as a function of the PAP formula stipulated in the Quifa Association Contract. Starting in April 2014, the Company initiated the delivery of the additional PAP production from the Quifa SW Field to Ecopetrol. In addition, during the second half of 2014, the Company agreed to deliver to Ecopetrol approximately 6,500 bbl/d to settle the accumulated PAP prior to the final arbitration decision (previously recorded as a financial provision in the Company's financial statements starting at quarter-end 2012). During the first quarter of 2014, the Company fully delivered the remaining balance of prior period-accumulated PAP volumes.

Carrizales Field (Cravoviejo Block)

On April 27, 2014, the exploitation area of the Carrizales Field reached five million barrels of accumulated production of oil, activating the ANH rights on additional PAP pursuant to the E&P Cravoviejo contract. According to the contract terms, this additional participation share from Carrizales Field is payable either in cash or in kind, and has been accounted for as part of the operating cost for this field.

PAP Disagreement with the ANH

Through various business acquisitions, the Company secured certain exploration contracts where there existed outstanding disagreements with the ANH relating to the interpretation of the PAP clause. These contracts require PAP to be paid to the ANH once an exploitation area within a contracted area has cumulatively produced five million or more barrels of oil. The disagreement is around whether the exploitation areas under these contracts should be determined individually or combined with other exploitation areas within the same contracted area for the purpose of determining the five million barrel threshold. The ANH has interpreted that the high-price participation should be calculated on a combined basis.

The Company disagrees with the ANH's interpretation, and asserts that in accordance with the exploration contracts, the five million barrel threshold should be applied on each of the exploitation areas within a contracted area. The Company has several contracts that are subject to the ANH high-price participation. One of these contracts is the Corcel Block, which was acquired as part of the Petrominerales acquisition and which is the only one for which an arbitration process has been initiated. However, the arbitration process for Corcel was under suspension at the time the Company acquired Petrominerales. The amount under arbitration was approximately $150 million plus related interest of $70 million as of March 31, 2015. The Company also disagrees with the interest rate that the ANH has used in calculating the interest cost. The Company asserts that since the high-price participation is denominated in the U.S. dollar, the contract requires the interest rate to be three-month LIBOR plus + 4%, whereas the ANH has applied the highest legally authorized interest rate on Colombian peso liabilities, which is over 20%. The amount under discussion with the ANH for another contract is approximately $90 million plus interest.

The Company and the ANH are currently in discussion to further understand the differences in interpretation of these exploration contracts, and expect to resolve these differences within one quarter. The Company believes that it has a strong position with respect to the high-price participation based on legal interpretation of the contracts and technical data available. However, in accordance with IFRS 3, to account for business acquisitions the Company is required to and has recorded a liability for such contingencies as of the date of acquisition, even though the Company believes the disagreement will be resolved in favour of the Company. The Company does not disclose the amount recognized as required by paragraphs 84 and 85 of IAS 37, on the grounds that this would be prejudicial to the outcome of the dispute resolution.

Update on Environmental Permits

Colombia

On March 10, 2015, the Company filed before the Autoridad Nacional de Licencias Ambientales ("**ANLA**") the Environmental Impact Study of the Quifa North area in order to obtain the Global Environmental License for that area.

On March 6, 2015, the Company filed before the ANLA the Environmental Impact Study of Quifa North West area. The Company is requesting a Global Environmental License that will allow the exploitation of this area located within the Quifa Association Contract.

Peru

In Block 135, the Company started the Environmental Study ("**EIA**") which will allow to acquisition on the block (a commitment) of 380 km of 2D seismic and drilling of future exploratory wells in the areas of interest.

Delisting from Brazil

Although the Company remains committed to growing its business in Brazil, because of the low trading volume of its BDRs on the BOVESPA, the Company announced on October 10, 2014 its intention to delist the BDRs from the BOVESPA. On February 2, 2015, the Company submitted to the CVM and BOVESPA its formal application to delist the BDRs and cancel the BDR program and received the applicable approvals from the CVM and BOVESPA on March 17, 2015.

13 Additional Financial Measures

This report contains the following financial terms that are not considered in IFRS: Adjusted EBITDA, Net Earnings from Operations, and Funds Flow from Operations. These non-IFRS measures do not have any standardized meaning and therefore are unlikely to be compared to similar measures presented by other companies. These non-IFRS financial measures are included because management uses this information to analyze operating performance, leverage and liquidity. Therefore, these measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

a) Adjusted EBITDA

The Company uses the financial measure "Adjusted EBITDA" in this MD&A, whereas in the past we have used the term EBITDA. Our calculation of this measure has not changed from previous quarters, but the terminology has changed due to guidance provided by the Ontario Securities Commission. Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt, and fund future capital expenditures. The exclusion of non-cash and one-time items eliminates the impact on the Company's liquidity and normalizes the result for comparative purposes. Other issuers may calculate Adjusted EBITDA differently.

A reconciliation of Net Earnings to Adjusted EBITDA follows:

	Three Months Ending March 31	
(in thousands of US$)	**2015**	**2014**
Net (loss) earnings	**$ (722,256)**	**$ 119,240**
Adjustments to net (loss) earnings		
Income taxes expense	(21,494)	149,458
Foreign exchange loss	35,780	1,775
Finance cost	78,858	61,495
Gain on risk management contracts	167	(3,855)
Gain from equity investment	(17,453)	(17,063)
Other expenses	21,570	20,469
Share-based compensation	2,086	1,727
Equity tax	39,149	-
Loss attributable to non-controlling interest	(2,220)	(730)
Depletion, depreciation and amortization	406,419	375,642
Impairment	448,967	-
Adjusted EBITDA	**$ 269,573**	**$ 708,158**

b) Funds Flow from Operations

	Three Months Ending March 31	
(in thousands of US$)	**2015**	**2014**
Cash flow from operating activities	$ 98,946	$ 384,687
Changes in non-cash working capital	(257,412)	(88,922)
Deferred revenue net proceeds	199,475	-
Funds flow from operations	**$ 156,883**	**$ 473,609**

c) Net Earnings from Operations

(in thousands of US$)	Three Months Ending March 31 2015	2014
Net (loss) earnings	$ (722,256)	$ 119,240
Finance costs	78,858	61,495
Share of gain of equity-accounted investees	(17,453)	(17,063)
Equity tax	39,149	-
Foreign exchange loss	35,780	1,775
Gain on risk management	167	(3,855)
Other expenses	21,570	20,469
Income tax expense	(21,494)	149,458
Loss attributable to non-controlling interest	(2,220)	(730)
Net (loss) earnings from operations	**$ (587,899)**	$ 330,789

14 Sustainability Polices

Sustainability Strategy

Recent economic conditions have provided us with an opportunity to adapt without compromising our corporate values, to step out of our comfort zone and to design new strategies and adopt innovative ideas. These will allow us to guarantee savings and cost efficiency to the organization while guaranteeing that we protect value and maintain solid relationships with stakeholders.

Voluntary Principles

After becoming part of the Voluntary Principles, we were invited to our first plenary session that took place in London March 2015. Our Company presented its strategy to protect human rights within its field and align its supply chain to the same practices, including the public and private entities that help enforce security at our sites. The presentation was done alongside the US Department of Labor, further endorsing our success story.

Business for Peace

As one of the founding members of the UN Business for Peace initiative, we continue to work towards finding initiatives through which business can contribute to peacebuilding efforts. Additionally we continue to participate in UN working groups, to develop indicators that measure business contribution and create sector wide practices that spread awareness.

In line with the Business for Peace commitment, Pacific has been participating actively in the Reconciliación Colombia initiative alongside several companies and civil society institutions. Through this initiative we hope to contribute to the Colombian government´s goal of guaranteeing peace, education and equality for all. We also help to acquire know-how that allows us to apply these practices in other countries of operation with similar social conditions.

EO100

Throughout the first half of 2015, the Company will invite potential clients to purchase EO100 certificates, which are associated with the environmentally and socially responsible oil production of the Quifa and Rubiales sites. The funds received through these transactions will be earmarked and re-invested only in social and environmental initiatives that strengthen our strategy.

In addition, an EO100 team and Deloitte will visit our sites to reaffirm the certification obtained last year and monitor the progress of action plans in place.

For more information on the EO100 certificates please visit: equitableorigin.com

The Annual and Sustainability Report for 2014 will be published in late May 2015 on our website.

15 Risks and Uncertainties

The business, operations and earnings of the Company could be impacted by the occurrence of risks of all kinds, including financial, operational, technological and political, that might affect the oil and gas industry generally or the Company specifically. The Company's Annual Information Form, filed in March 17, 2015, and available at www.sedar.com, contains a complete discussion of the risks and uncertainties that could have an effect on the business and operations of the Company.

Discussed below are specific risks or uncertainties that could impact the Company's financial condition, changes in financial condition and results of operations. The Company has a robust Enterprise Risk Management program that identifies, assesses and provides action plans and controls to mitigate the occurrence of the risks described below, as well as other risks and uncertainties the Company faces.

Operational and financial performance are exposed to the fluctuations of WTI prices and foreign exchange

The Company is exposed to the uncertainty of the financial and economic global environment, and certain risks like liquidity and price volatility may affect the cash flow required to finance the growth of our business. In addition to the cash it generates, the Company uses debt instruments and has implemented hedging activities on WTI and foreign exchange to protect part of the capital at risk to ensure operational sustainability and to confront extreme situations in a challenging economic environment for short periods of time. Prolonged periods of low WTI prices or rising costs could result in projects being delayed or cancelled or in a charge for impairment that could have a significant effect on our operational and financial results. The Company believes that it has the operational and financial flexibility to weather the current low price oil and gas environment in which it operates.

Efficiency and cost control are necessary to assure competitiveness

In this time of high volatility in the market, efficiency and cost control are key to business success. The Company's costs need to be managed in an efficient manner for capital and operational expenditures.

Pacific Rubiales is working on several ways to identify the potential for improvements, including analysis to reduce G&A and lifting costs, to be more efficient. The Company is also working on synergies in supply chain management to maximize savings in long term contracts with suppliers in the different countries in which we operate.

Production growth depends on our ability to replace proved oil and gas reserves

The medium-term production growth plan requires adding reserves to replace production and increase the proved reserves and resources. The risks associated with this include:

- Joint venture contracts with our partners to achieve our goals.
- High competition for attractive acquisitions.
- Renewal and repositioning of opportunities in our portfolio to enhance recovery.
- Ability to solve problems related to obtaining environmental permits.

Mitigation activities include a plan of reserves incorporation through exploration, acquisitions, enhanced oil recovery, and negotiations with governments and other stakeholders. In addition, capital projects for production and transportation systems are continuously evaluated and executed.

Our future production growth depends on the delivery of large and complex infrastructure projects. Pacific Rubiales faces many challenges, including uncertain geology, frontier conditions, availability of engineering resources, and technical, fiscal and regulatory constraints. These challenges are relevant when the Company operates in remote areas, which require industrial services, as well as access roads, extensive planning, production facilities, electrical generation and transmission, treating capacity and disposal of production water, storage and port facilities, and gas compression capacity, among others, to timely execute our business plan. Our ability to execute these projects depends on, among other things, the availability of sufficient capital and the efficient allocation of that capital.

Major water disposal projects delivery

Successful execution of the water disposal projects requires, among other things, the existence and availability of necessary technology, engineering resources and environmental licenses to increase production in the Llanos Basin reservoirs. Several projects to manage this increasing volume of water are being executed, as described in this MD&A.

The nature of our operations exposes us to a wide range of health, safety and environmental risks

Given the geographic range, operational diversity, and technical complexity of our operations, the Company is potentially exposed to Health, Safety and Environment ("**HSE**") risks. The Company has established, among other things:

- Procedures to select and evaluate contractors on their compliance with the Company's HSE guidelines.
- Improvements on and implementation of reliability and maintenance programs for operational facilities and equipment in order to guarantee the integrity of our assets.
- Performance of safety risks assessments on a regular basis in our fields and operational facilities.
- Emergency Response Plans, in conjunction with partners and other operators in nearby areas, including reacting under simulated hazards.

A common practice in the oil and gas industry is to work with contractors, and the nature of our business and our main production asset means we hire significant number of contractors. The Company always maintains the highest standards in the industry and exceeds local regulations in order to ensure that we are in compliance with all HSE standards.

The ability to achieve our strategic objectives depends on how we strengthen stakeholder relationships. Keeping strong relationships with its main stakeholders in the regions where the Company operates is a key component of its strategy to sustainable growth. To help address the expectations of stakeholders, the Company has fostered a plan, including social investment projects, to strengthen the existing Corporate Social Responsibility initiatives in the communities where we operate.

Human talent attraction, retention and succession planning

One of the key success factors for the Company is its people. Attraction and retention of talent are essential to the Company's growth and sustainability, especially technical personnel and experienced management to deliver and execute the Company's business plan.

The nature of our operations exposes us to a wide range of political developments and changes to regulatory environment and law

We have operations in countries where political, economic and social transitions are taking place. These countries have experienced changes to the regulatory environment, changes in taxation, strikes, acts of war and insurrections. All of the applicable norms that may have a significant impact on the Company's activities and results have been identified and analyzed.

Our operations can be exposed to security issues

We operate in different geographies were social, civil unrest and security events are not within in the control of the Company. Our portfolio in the different countries can be exposed to these events, impacting our business strategy. In order to minimize the collateral damage should these risks materialize, the Company has set up a plan to protect the assets and people, with proper business continuity plans and management crisis plans.

Fraud and corruption control as one of the main objectives of the Company

The Company is committed for working with high ethical standards, within an ethical culture and with transparency, based on our Code of Conduct and Ethics. A program for the prevention of fraud and corruption is in place with the objective of strengthening the knowledge of this policy, covering all employees and contractors. In addition, the Company has its delegation of authority procedures that are continuously updated, as well as its Code of Ethics and Conduct, in order to enhance the control environment. As well, an annual assessment of fraud and corruption risk is performed according to the guidelines of the Canadian Corruption of Foreign Public Officials Act.

If any of these risks, or the risks identified in the Annual Information Form, materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which

it considers not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment. For more information, please see the Company's Annual Information Form, which is available at www.sedar.com.

Boe Conversion

The term "**boe**" is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet to barrels is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this MD&A, we have expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy.

All of the Company's natural gas reserves are contained in the La Creciente, Guama and other blocks in Colombia as well as in the Piedra Redonda Field in Block Z-1, Peru. For all natural gas reserves in Colombia, boe's have been expressed using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy. For all natural gas reserves in Peru, boe's have been expressed using the Canadian conversion standard of 6.0 Mcf: 1 bbl. If a conversion standard of 6.0 Mcf: 1 bbl was used for all of the Company's natural gas reserves, this would result in a reduction in the Company's net 1P and 2P reserves of approximately 4.2 and 4.7 MMboe, respectively.

Prospective Resources

Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class. Estimates of remaining (un-risked) recoverable resources include prospective resources that have not been adjusted for risk based on the chance of discovery or the chance of development and contingent resources that have not been adjusted for risk based on the chance of development. It is not an estimate of volumes that may be recovered. Actual recovery is likely to be less and may be substantially less or zero.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be sub-classified based on project maturity. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that any discovery will be technically or economically viable in order to produce any portion of the resources.

Translations

This MD&A was prepared originally in the English language and subsequently translated into Spanish. In the case of any differences between the English version and its translated versions, the English document shall prevail and be treated as the governing version.

17 Abbreviations

The following abbreviations are frequently used in our MD&A.

1P	Proved reserves (also known as P90)
2P	Proved reserves + Probable reserves.
3P	Proved reserves + Probable reserves + Possible reserves
API	American Petroleum Institute - gravity measure of petroleum liquid
bbl	Barrels
bbl/d	Barrels per day
Bcf	Billion cubic feet
boe	Barrels of oil equivalent
boe/d	Barrels of oil equivalent per day
Btu	British thermal units
Bwd	Barrels of water per day
CBM	Cubic billion metre
DWT	Dead weight tonnage
EPC	Engineering, procurement and construction
ESP	Electro-Submersible Pump
FOB	Free on board
GOR	Gas – Oil Ratio
GDP	Gross Domestic Product
ha	Hectare
km	Kilometres
KWh	Kilowatt Hour
Mbbl	Thousand barrels
Mbbl/d	Thousand barrels per day
Mboe	Thousand barrels of oil equivalent
Mboe/d	Thousand barrels of oil equivalent per day
MMcf/d	Million cubic feet per day
MD	Measured depth
MMbbl	Million barrels
MMboe	Million barrels of oil equivalent
MMBtu	Million British thermal units
MMcf	Million cubic feet
MMcf/d	Million cubic feet per day
MMscf/d	Million standard cubic feet per day
MW	Megawatts
MWh	Megawatts per hour
NGL	Natural gas liquids
OOIP	Original oil in place
Scf	Standard cubic feet
Stb/d	Standard barrels per day
Tcf	Trillion cubic feet
TD	Total depth
TVDSS	True vertical depth below sea level
USGC	US Gulf Coast
WTI	West Texas Intermediate index