

Stimulus Program for Investments in Vaca Muerta Gas Production

The Ministry of Energy and Mining published Resolution 46-E/2017, which created a program to stimulate investments in natural gas production projects in the Neuquén Basin's unconventional reservoirs (the "Program").

The Program guarantees the following minimum prices for gas from unconventional reservoirs sold in the domestic market, starting in 2018 for a period of four years:

Year	Minimum Price
2018	7.50 USD/MMBTU
2019	7.00 USD/MMBTU
2020	6.50 USD/MMBTU
2021	6.00 USD/MMBTU

The difference between the weighted average price effectively received by the producer for its gas sales - produced from conventional or unconventional reservoirs in the Neuquén Basin and sold in the domestic market - and the guaranteed Minimum Price under the Program, will be paid by the Republic of Argentina. The production company included in the Program will receive 88% of the price difference and the remaining 12% will go directly to the province, which awarded the concession. This 12% covers the corresponding royalty on the sale price, which would have been payable to the province which granted the concession, had the subsidized price actually been obtained in the free market.

To participate in the Program, producers must make a request to the Secretariat of Hydrocarbon Resources of the Ministry of Energy and Mining, informing:

- the list of concessions to be included;
- the specific investment plan, approved by the corresponding Provincial Enforcement Authority, for its participation in the Program;
- a monthly projection of the volume-weighted average price of total natural gas sales to the domestic market, including gas from conventional and unconventional reservoirs during the life of the Program; and
- a monthly projection of the unconventional gas production to be marketed in commercial condition, that is, excluding the internal consumption in the field.

Companies that participated in the so-called "Gas Plan II" (created in 2013 to promote the surplus injection of natural gas, through a price subsidy), which also participate in the Program, may receive their benefits immediately, that is, before January 2018. To provide the 2017 benefits for companies participating in Gas Plan II, the prices established in the Program for 2018 will be used as the minimum price.

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