Canacol Energy

Business Update

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CORPORATE PARTICIPANTS

Carolina Orozco - *Vice President of Investor Relations & Communications*

Charles Gamba - *President & Chief Executive Officer*

Jason Bednar - *Chief Financial Officer*

PRESENTATION

Operator
Welcome to the Canacol Energy Business Update Conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to Carolina Orozco, Vice President of Investor Relations. Please go ahead.

Carolina Orozco
Good morning and welcome to Canacol's Energy Bolivia Entry conference call. This is Carolina Orozco, Vice President of Investor Relations. I am with Mr. Charles Gamba, President and Chief Executive Officer; Mr. Jason Bednar, Chief Financial Officer; and Mr. Anthony Zaidi, Vice President of Business Development and General Counsel.

Before we begin, it is important to mention that the comments on this call Canacol senior management can include projections of the corporation's future performance. These projections neither constitute any commitment as to future results, nor take into account risks or uncertainties that could materialize. As a result, Canacol assumes no responsibility in the event that future results are different from the projections shared on this conference call.

Please note that all finance figures on this call are denominated in US dollars.

We will begin the presentation with our President and CEO, Mr. Charles Gamba who will summarize the changes in our plans announced yesterday. Following those statements, we will have a Q&A session.

I will now turn the call over to Mr. Charles Gamba, President and CEO of Canacol Energy.

Charles Gamba
Thanks, Carolina and welcome, everyone. As per our press release yesterday, we have made the decision to terminate the long term paper pay gas sales contract with EPM, under which we were scheduled to commence gas deliveries on December 1, 2024. We've also cancelled the contract with SETCO, who were to build, own, operate and maintain the pipeline.

Our decision to terminate the contract with EPM was driven by: 1) delays in the process of obtaining the environmental license required for the building of the pipeline originally scheduled for July this year; 2) increasingly difficult legal, social and security circumstances; 3) with an annex within the Colombian gas market; and 4) the corporation making the decision to invest in its natural gas exploration programs in the middle Magdalena basin of Colombia and now in Bolivia. Following a careful review of all of the relevant factors, the corporation decided it prudent not to execute the Jobo-Medillin pipeline project.

Following the termination of the Medillin pipeline project, we plan to: 1) reduce capital spending in the lower mag basin starting in 2024 since the volumes planned to be sent to Medillin will no longer be necessary; 2) plan longer term capital spending in the lower Magdalena basin to target full use of existing transportation infrastructure; 3) drill the high impact Pola 1 exploration while in the middle Magdalena basin in the second quarter of 2024, which is targeting a very large resource potential, which, if successful, could be commercialized into the interior market of Colombia, including Bogota and Medellin, via the existing TGI gas pipeline located 10 kilometers to the east of the Pola location. And finally, 4) use excess capital originating from reduced lower Mag Valley program to reduce debt.

As we announced yesterday, we have made a strategic entry into Bolivia which holds significant promises as a material new gas exploration and production base for Canacol, equal we hope to that of Colombia in the midterm. For the past five years, our new ventures team have assessed most of the major onshore gas Permian basins in South America looking for an entry opportunity that exposes Canacol to material economic gas opportunities characterized by the presence of a significant gas resource, easy access to infrastructure, stable contractual terms, a benign operating environment, and access to markets where gas commands a good price. After zeroing in on Bolivia, we have spent four years working with YPFB, the state oil and gas company, to locate, identify and negotiate four ENP contracts that fit those criteria. We've now executed three contracts and are seeking government approval for one additional contract, which has a significant gas field redevelopment project, where we expect to initiate production in gas sales in 2025.

Similar to our decision to enter the Columbian gas market in 2012, Bolivia has also seen under investment in exploration for the past two decades, resulting in decreasing gas production from large discoveries made decades ago, and significant spare capacity in gas processing and transportation infrastructure. Unlike Colombia, Bolivia has the advantage of being able to export large quantities of gas to international markets, including Brazil, where gas prices are linked directly to global LNG prices. The potential for attractive returns on investment are increased by the fact that we have been able to secure multiple blocks in close proximity to one another within a prolific gas prone basin containing multi-zone drilling the potential which should allow us to operate cost effectively from the outset. Potential gas production from these blocks should be relatively easy to commercialize as they are strategically located along the main gas pipeline routes with export to Brazil, and we anticipate commencing investment and operations in 2024.

I'd like to thank our new partners YPFB for getting to this point and look forward to providing more details of our planned operations there in the near future.

Before I open the call for questions, note that we are planning to host our Q3 conference call in less than a month when we will discuss our third quarter results. We also typically don't announce our budget for the following year until December after we finalize sales contract negotiations for the year in Colombia.

With that said, Jason, Anthony and I are open to questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we'll pause momentarily to assemble our roster.

Our first question comes from Oriana Covault from Balanz. Please go ahead.

Oriana Covault
Hi, good morning. Thanks, Charles, and all the team for setting up the call. I had three questions. If we may go one by one that would be great.

First, it has to do with any exit fee and/or penalties associated with ending the contract with EPM, understanding that a declaration of force majeure that it could be an argument to call out of the contract. That will be the first one

Charles Gamba
Anthony, if you could respond to that question.

Anthony Zaidi
Our reasons for terminating the contract do not trigger the penalty clause or provision. And as the contract was not in execution phase, it was still awaiting the environmental license as a condition precedent. At this time, our exit does not involve any penalties.

Oriana Covault
Okay. And just moving on to perhaps more of the estimated capex savings that are associated with the decision to terminate EPM contract and just linking it with the development plans in Bolivia, perhaps if you could add more color in terms of yearly investments. How would be the strategy in Bolivia estimated cost per well? And more precisely, how do you plan to commercialize these volumes out of Bolivia, either through take or pay agreements or what should we think of perhaps a longer term strategy there?

Anthony Zaidi
With respect to Bolivia, we've just entered three exploration contracts and we are currently negotiating the entrance of a fourth contract. We expect to commence operations in Bolivia next year, 2024. As I mentioned in the press release, we're committed to spend up to $27 million there. Initially, investment will be focused on a redevelopment project of an existing gas field. We expect to initiate sales and commercialization from the gas field in 2025, and the majority of that gas will be sent as exports to Brazil with a small percentage being used for local consumption.

Oriana Covault
Perfect. Thank you. And just one last one. Regarding contracts renegotiation, we understand that you have some compromises coming due in the Caribbean area next year. So any thoughts on perhaps contracts or renegotiations you won't be needing to redirect volumes to EPM? Is it fair to assume that you will be seeking to keep the contracted profile that you have now or perhaps looking more to being exposed to the spot market? Thank you.

Anthony Zaidi
We have a number of take or pay contracts, existing take or pay contracts that roll over into next year and some beyond next year, of course, which we will continue to maintain. Currently, our plan with respect to contract in 2024 is to remain a little more flexible to take advantage of the spot market given that current pricing into the Caribbean Coast has been impacted by the El Nino effect, where thermal generation has been reduced. And as a result, gas prices on the spot market are relatively high. So the strategy at this point in time will be to maintain our current commitments with respect toward our take or pay contracts to the Coast and look to expose ourselves more to the spot market certainly during the first half of next year.

Oriana Covault
Perfect. That will be all on my side. Thank you.

Operator

The next question comes from Daniel Guareiola from BTG. Please go ahead.

Daniel Guareiola
Good morning, Charles, Jason and Carolina. I have a couple of questions. I just wanted to begin with a question related to termination of these contracts, because you announced that you were basically canceling the contract with EPN and SETCO. But if I'm not mistaken, you have signed a second contract to ship gas to Medillin with a confidential party that contract the volumes were ranging between 20 to 25 million [indiscernible] per day. Can you comment on this? Are you also canceling that contract? And are you expecting to call in any penalty related to the cancellation of that contract? That will be my first question.

Because you can only answer one by one and then I can ask the second question.

Anthony Zaidi
I can answer that first question, Charles, if you want.

Charles Gamba
Sure.

Anthony Zaidi
So that that contract had a condition precedent related to the construction of the pipeline as well, so it automatically falls away.

Daniel Guareiola
Okay, perfect. I'm just wondering, because it seems weird, to be honest, I mean, that a delay of three months and a more difficult environment I will say to operate, you have decided to cancel this contract. I'm just wondering if you can share with me the noise, maybe the potential disruptions in production that you've experienced since August had to do with this? Or are you basically deciding to allocate more money out of Columbia considering the current conditions?

Charles Gamba
I didn't quite catch that. you summarize the question?

Daniel Guareiola
I just want to better grasp the reasons why you decided to terminate the contract.

Charles Gamba
I think it was quite clear in the press release and on this conference call. I believe I iterated the four points behind that. We have nothing further.

Daniel Guareiola
Okay, that's fine. Can you share what is the average duration of the current contract that you have in Colombia and what is [talking over each other] expiring this year?

Charles Gamba
Seven years average duration and approximately, this year, for example, approximately 30 million cubic feet of take or pays expire on November 30, which is fairly typical for the remainder of the contracts.

Daniel Guareiola

Okay. And just the last one from my end, can you share with us what is the potential size of savings in terms of capital spending related to the termination of these contracts?

Charles Gamba
Jason, if you could go ahead and provide that?

Jason Bednar
Yes. Historically, prior to the last two years, at least, we've typically spent $80 million to $110 million on capex and historically have found a 200% reserve replacement ratio. Last year, I think capital was $155 million this year, the high side was $163 million. Simply meaning that this year and last year, we've spent more than historical with the purpose of building out a reserve base and adding that extra $100 million of production. That is no longer necessary. Having said that, we'll give more capex guidance in mid-December when we release our 2024 budget.

Daniel Guareiola
Okay. Thank you, guys.

Operator
The next question comes from Chen Lin from Lin Asset Management. Please go ahead.

Chen Lin
Thank you for taking my questions. First, how strong is the spot market right now in Colombia? And then what kind of anticipation do you have for the next few months due to El Niño? And how much extra capacity do you have to sell to the spot market?

Charles Gamba
Spot prices now are varying between $6 and $8 per MMBtu. We expect that to essentially be maintained through to the end of March. The outlook for El Niño season extends out to the end of March for the moment. There is some stress on electricity pricing, which is starting to attract some national attention, so there is some concern about high electricity prices as a result of some of these high natural gas prices. So, we think there might be the potential for the regulator to step in and try and ease the burden on these high electricity prices. And the intention is to essentially take advantage of this period to divert all production outside of current take or pays towards that spot market.

Chen Lin
Okay. You'll believe you can sell all of the extra capacity to the spot market?

Charles Gamba
That's correct.

Chen Lin
Okay, great. Thanks. And also, my next question is basically, this week, for example, United States lifted sanctions to Venezuela, so do you have any plan? Do you have some company, are you involved with there rushing to Venezuela? You are so close to Colombia, is there's some plan or some idea that you want to get involved in the Venezuela area?

Charles Gamba
I think as I mentioned, we looked at most of the gas prone basins onshore in South America, including Venezuela. You know, one of the criteria that we that we used was contractual stability, and a benign

operating environment, which unfortunately Venezuela does not fit that at the moment. You might know that the waiver provided by OFAC the other day was for six months, basically, until early next year, at which point it will be reviewed. So there's still a fair bit of uncertainty with respect to contractual stability in Venezuela for us, which prevents us from looking at it very seriously at the moment. But if that changes, that certainly could be an avenue to pursue.

Chen Lin
Great, thank you. My final question is, you're going to renegotiate the pay contract. Can you shed some light on do you think that there's a pressure to get a higher price or roughly stay where you are right now?

Charles Gamba
Well, as I mentioned I think on the previous question, we have approximately 30 million cubic feet a day of existing take or pays falling off on November 30 of this year, and it's likely that we will simply not contract at that 30 million to new take or pay contracts, but push it out into the interruptible market, certainly for the first half of next year. That's the strategy we're considering at the moment that has yet to be finalized.

Chen Lin
Okay. Do you plan to sign new take and pay, maybe after the El Nino spot price is over?

Charles Gamba
Potentially, yes. I mean, historically, we've been hedged fairly heavily through take or pay contracts. Up to 80% of our annual production, for example, this year is take or pay. So historically, we have tended towards higher take or pays. I think we'll ease off on that a little bit into the first half of next year, and then make a decision whether or not to return to our historical practice.

Chen Lin
Okay, just a follow up. Sorry. I saw a report, I think I forwarded to you that the [indiscernible] starting severe gas shortage in Colombia starting next year. Is that the reason you're more on the spot then the take and pay hedged contracts?

Charles Gamba
I think the emphasis, as I mentioned, Chen, was really the high pricing of interruptibles certainly through to March of next year, the anticipation for high interruptible pricing. So that's what's driving our strategic considerations.

Chen Lin
Okay, great. Thank you.

Operator
Our next question comes from Josef Schachter from Schachter Energy Research. Please go ahead.

Josef Schachter
Good morning, Charles. Thanks for taking my questions.

The first one, just to get an idea of what's going on in the southern part of the country with the pipeline not going through to Medillin, is there still a shortage in that part of the country? So even while you're not going to be involved in providing gas to that area, is this still going to be a government national priority, and that they're going to have to try to find a solution to get gas down to those southern markets?

Charles Gamba
Well, the majority of gas going into the interior market comes out of the Piedmonte [ph] of the Janos Basin [ph]. It's all eco patrols gas from [indiscernible]. Those are mature fields. There's not a lot of drilling activity there and the anticipated shortfall in supply still stands starting in 2024/2025. So that's just the dynamics of supply and demand to the interior, in that most of the gas in the interior comes from those Piedmonte fields, which are declining.

Josef Schachter
So the government is still going to have to try to find a solution then.

Charles Gamba
Yes, somebody's going to have to try and find solutions, or convert to a different form of energy.

Josef Schachter
Yes. Going to Bolivia, you've talked about re completing a field there and reactivating wells. Are you going to be doing a major seismic program on the three and potentially four concessions that you're going to get? And how long will that seismic take before you be involved in a more active drilling program in '25, or whatever?

Charles Gamba
Okay. So, three of the four contracts are exploration contracts, so pure exploration. Those contracts have a variety of historical 2D and 3D seismic, although we'll likely shoot 3D seismic on a couple of those to hydrate some leads so we can drill. We have up to five years of exploration period on those three blocks, so it's likely in year two, year three, we would shoot a bit of seismic. And then in year three and year four, we would start drilling exploration there. The fourth contract, which we're waiting for approval is the field redevelopment. It has a 3D seismic survey on it already that was shot by the previous operator before they relinquished that contract. So we have a situation there where the field was producing primarily gas with some condensate. There was no pipeline to the field at the time. So essentially, the gas was being let off and the condensate was being collected. And since that field was shut in, a major gas pipeline has been built across the block. So the concept there is simply to go in, work over some of the existing wells and drill some new development wells, and return the fields gas production. That we can do quickly, given that we already have a modern 3D seismic.

And Josef, just to follow up on your last question about the interior and supply to the interior, I forgot to mention that we are drilling the Pola 1 exploration well located in the middle Magdalena Valley. That's a very high impact prospect. We have significant prospective resource booked on that prospect, which you can refer to in our corporate presentation. If we're successful in that well, that well can be tied in directly to the TGA pipeline, 10 kilometers to the east of the Pola 1 well, and that well and that field could supply gas directly into the interior, including Medillin, Bogota and Cali. So just to follow up on your last question.

Josef Schachter
Okay. Certainly. Thanks for the clarity on that and thanks for taking my questions.

Charles Gamba
Thanks, Josef.

Operator
The next question comes from Mario Epelbaum from FNY Capital Markets. Go ahead.

Mario Epelbaum
Hi, good morning. Thanks for taking the questions. I want a little bit more clarity on the potential capex savings. It would be nice if you could provide it up. It's not that I'm asking you to give me your budget. Rather, let's have a hypothetical. If you did not do Pola, and if you did not do Bolivia, and you have the new budget now where you want to maintain the current profile of production between 160 and 200, in the current valley, what would be your estimated capex that you would need for that part?

Anthony Zaidi
I'll take that question. I mean, as I stated earlier, historically, that number, prior to last year, when we began additional spending in anticipation of the Medillin pipeline, historically that number has been around $100 million. And our models would indicate that that would still be the number to maintain production in the range that you suggested.

Mario Epelbaum
And that includes what kind of reserve replacement?

Anthony Zaidi
I think like last year, I'd say, if I'm not mistaken, it was 163%. In prior years, it was often over 200%. As you understand, reserve replacement ratio can be a bit lumpy depending on exploration success. But over the last 10 plus years that we've been in the gas exploration business, we've had an 85'ish percent chance of success on our exploration wells. And typically, that 100'ish million dollars would get close to a 200% reserve replacement ratio historically.

Mario Epelbaum
So just as a follow up to that, why would you need to replace reserves at 200% if the production, there's no higher exit production from there? So couldn't there be a scope for even further capex declines if you targeted 100% replacement ratio?

Anthony Zaidi
Yep. That's certainly a possibility, Mario.

Mario Epelbaum
Let me ask a different follow up on that. Why would you want a 200% replacement ratio? Or would you want one in that condition given that you don't have a greater exit for the gas?

Anthony Zaidi
I mean, all these things our board discusses and once again, we'll release our budget come historically mid-December of this year relating to next year. We may not necessarily need a 200% reserve replacement ratio. We do have some additional pipeline capacity that assuming the gas market in Colombia remains tight, if there's additional demand, we'll do additional drilling to try and fulfill that albeit heading north.

Mario Epelbaum
Thank you. And then the second question I have is can you update us on your production recovery? What are you actually selling now and how some of that process is going?

Charles Gamba

Yesterday, gas sales were about 184 million cubic feet per day. As per our last press release, our operational update, which we issue at the beginning of the month, each month. We are drilling and completing and tying in a number of development wells, so we expect production to recover nicely with respect to the current drilling program and the current results.

Mario Epelbaum
Thank you.

Operator
Again, if you have a question, please press star then one. Our next question comes from Andrew DeLuca from T. Rowe Price. Please go ahead.

Andrew DeLuca
Hi, thanks for the time. My first question was actually just taken. What's the latest on the production issues? Has anything really changed over the last 10 days? And maybe just to add on, can you just tell us kind of exit rates where you see the end of the year kind of trending? That'd be my first question.

Charles Gamba
I think I've touched on where we are with respect to operations. With respect to guidance for 2023, we expect to achieve guidance in between 160 million and 206 million cubic feet a day.

Andrew DeLuca
Okay. And just going back to the pipeline, can you just remind us how much capital was actually deployed on that project from inception?

Jason Bednar
Yes, I can take that call. So there's approximately $6 million spent in 2023. And in the aggregate, we've spent $27 million including capitalized finance costs, because we want to add a bridge loan for that. Even though it was undrawn, there's obviously loan setup fees, standby fees, etc. And the $27 million would also include some wages capitalized towards that project.

Andrew DeLuca
Thanks, Jason. And just the last one. On the presentation, you guys showed the amount of the revolver that was drawn until June 30. Can you just tell us where that revolver stands today?

Jason Bednar
Yes. The September report will show the exact same number which was $145 million. And as of today, it remains at that amount.

Andrew DeLuca
Great. Thanks very much.

Operator
At this time, I'm told we have some webcast questions. I'll hand it back to management to answer those.

Carolina Orozco
Thank you. The first question that we have is from Dahlia Lima from Bloomberg Intelligence. "Could you share some light on the issues you experienced on the Jobo treatment facility and if these operational issues contributed to the cancellation of the whole Medillin project?"

Charles Gamba
Yes, we've disclosed publicly various press releases highlighting the operational issues we were suffering from and our plan to recover those. I think that's very well understood. And no, these operational issues have no impact whatsoever on the Jobo Medillin pipeline cancellation. That decision was based on the reasons I provided, and that we provided in the current press release as well as at the start of this call.

Carolina Orozco
Thanks, Charles. The next question is from Stefan Schilling. “Is it correct at this stage to assume that the potential of the middle Magdalena exploration makes the use of that TGI coastline a better economic option that spending on the construction of the new coastline to Medillin?”

Charles Gamba
Success at Pola 1 midyear next year will certainly allow us to commercialize gas into the interior via the TGI pipeline. It all depends on what the price of that gas will be, of course, which we would have to negotiate in the event of success. But certainly, the option for us now to the interior is through success in our middle Magdalena Valley drilling programs here next year and the year thereafter.

Carolina Orozco
The next question is from Peter Hitchens from Edison Group. “What is the main driver of Bolivian gas prices?”

Charles Gamba
The main drivers there are increasing demand for gas in Brazil. The cost of that gas, that gas comes from offshore associated gas fields, which is quite expensive, and most importantly, parity with imported LNG pricing. Brazil imports quite a bit of LNG. And the forecast for gas consumption in Brazil is very robust going forward. So last year, import price for gas into Brazil was about $12 to $14 US per MMBtu, which was the price being realized in Bolivian exports.

Carolina Orozco
Thank you. Next question is from Ann Milan [ph] from Bank of America. “Could you please give us some additional information on the legal, social and security problems in Colombia?”

Charles Gamba
Yes, Anthony, if you wish to respond to that.

Anthony Zaidi
For legal reasons, I wouldn't want to get into those details. Details that were provided in the press releases as far as we can go in terms of detail.

Carolina Orozco
Okay. And we have a question from Matias Gustanino [ph] from VCP Securities. “You mentioned you will use excess capital to reduce debt. Can you give more color on that?”

Jason Bednar
I think I've answered that a couple of times on this call. We’ll have more color with respect to 2024 debt reduction and CAPEX levels in mid-December.

Charles Gamba

It is safe to say, however, that debt reduction is one of our objectives.

Jason Bednar
100%.

Carolina Orozco
Next question from Christopher True from A Capital. “How does the narrative change for CNE? For example, what will be the messaging to shareholders moving forward?”

Charles Gamba
I think a couple of main points, we still remain very committed to Colombia. We see very good potential with respect to our exploration programs going forward. We see a fairly good pricing environment with respect to supply and demand. There is some political risk in Colombia at the moment, like there are in most countries; however, it still remains our focus in the long term, both the Lower Mag Valley where we've been exploring very successfully historically, and now in the middle Magdalena Valley, where we're pursuing a very, very large multi TCF prospective resource base that we can commercialize into the interior. So Columbia remains very much a focus, although we are diversifying geographically in Colombia now, stepping out into the Middle Mag Valley, where we hope to establish a new production base.

And finally, with respect to Bolivia, I mentioned the criteria we used to enter Bolivia. We see there the potential of having a material production base equal to that of Colombia. So again, another theme of geographical diversification into another jurisdiction, which has very good characteristics that we like quite a bit with respect to gas potential and commercialization, and we sort of see Bolivia, as I mentioned earlier, it's sort of a replay of our 2012 Colombian strategy where we entered a gas market with no competition and very obvious supply demand type of trajectories.

Carolina Orozco
Thank you. The next one is from Alistair Alexander from [indiscernible] Investment Management. “What are the plans when it comes to paying out debt?” Well, I think we already answered that. But then he has a follow up question which is, “Are the current dividends and share buybacks plans to be kept?”

Jason Bednar
I can take that. So I mean, the last time we did a share buyback was January of 2022 and I believe it was 13’ish million dollars US. We haven't done any since as we've obviously been focused on growth. With respect to the dividends, as you know, the dividends remain constant since its inception in December of 2019. The board meets quarterly and discusses the current circumstances of the company and its future outlook, and in the context of that the dividend is decided every quarter. The next discussion relating to that would be mid-December when the next dividend would be planned.

Carolina Orozco
Next question is from Janta Kino from Blue Pecola. “What are Canacol’s specific plans for the Esperanza block in the Magdalena Valley basin? Would it involve drilling new production wells in that area. And within what timeframe?”

Charles Gamba
Yes, we continue to be very active drilling on the Esperanza block, both development and exploration wells. So we anticipate continuing to do that, certainly into the near and midterm. So no change of plans with respect to drilling and commercializing gas out of Esperanza. As a matter of fact, we just finished

the drilling of a well, Nelson 15, into the Nelson view on Esperanza, and we see several other candidates to drill there early next year as well.

Carolina Orozco
Thank you. Next question is from [indiscernible]. “You mentioned a gas market tightness with the spot prices in Colombia between $6 to $8. And you also mentioned gas export prices to Brazil of between $10 to $15. Why despite the tightness in Colombia are prices still lower than Brazil?”

Charles Gamba
First of all, I would say that the market in Colombia is very carefully balanced. There's very little in the way of imported LNG into Colombia, so the market I would say is in a balance, which is trending up now in terms of pricing going into El Nino. But as you know, historically, wellhead gas pricing in the past eight years has essentially varied between $4 and $5.50 per MMBtu and that's been very, very stable. And that's simply a reflection of the market dynamics in Colombia.

Brazil, of course, is an economy much larger than Colombia. Of course, enormous consumption of gas for power generation in Brazil, and a lot of imported LNG going into Brazil. So the market, the gas price in Brazil is effectively set by LNG import parity; two very different types of economies, two very different types of consumption profiles, and massive importation of gas into Brazil from Bolivia by pipeline and from LNG.

Carolina Orozco
He sends another question. “How do you see the long term picture for Colombia natural gas supply impacted by the recent exploration successes of the [indiscernible]? For example, a [indiscernible] published last night that [indiscernible] well has confirmed the presence of natural gas in the deep waters of the Southern Colombian Caribbean. The development of the gas reserve has the potential to make a substantial contribution to Colombia’s energy security, the company said.”

Charles Gamba
I mean, there's no question that there is great potential, significant potential for natural gas in the ultra-deep water of the Caribbean off the coast of Colombia. That has been proved up by a number of wells, including the one announced by [indiscernible] yesterday. However, one has to keep in mind that those gas discoveries are basically the deepest water free gas discoveries on the planet. They're in 2200 meters of water, which will provide significant challenges with respect to development and that, of course, will translate into price. So yes, those discoveries may be developed at some point in the next five to ten years. However, there is a question with respect to landed gas pricing given the fact that developing those ultra-deep water non associated gas fields will undoubtedly be a commercial challenge.

Carolina Orozco
All right. Thank you, Charles. And we have a question from Cyrus Crockett from Grandeur Peak. “Did the results of drilling play into the decision to cancel the pipeline?”

Anthony Zaidi
Would you mind repeating that question again?

Carolina Orozco
Yes. “Did the result of drilling play into the decision to cancel the pipeline?”

Charles Gamba

Sorry, I've already answered the question I think before and the answer is no.

Anthony Zaidi
Exactly.

Carolina Orozco
Then we have a question from Peter Hitchens from Edison Group. “What are the likely export tariff costs in shipping gas to Brazil?”

Charles Gamba
Transportation costs from Bolivia to Brazil are about $1 to $1.50. And the tariffs are another dollar or so. So about $2.50 to $3 will be used for the average transportation and tariff in price.

Operator
Okay, coming back to audio questions. The next question comes from Rodney Thomas from Apollo. Please go ahead.

Rodney Thomas
Thanks, Mike. Someone else asked my question and it related to the environmental and social and legal issues that led you to cancel the pipeline. And I think you've made your answer clear there. So I will not ask it again. Thank you. And thank you for doing the call.

Operator
As quick reminder, if you have a question, please press star then one. And our next question comes from Mark Agaiby from Blue Bay Asset Management. Please go ahead.

Mark Agaiby
Hi, team. Thanks for doing the call. I just wanted to ask if you stop producing at the Pola 1 fields, what's the capacity of the order remaining or available activity of the TGI pipeline? See if you could kind of get close to what was the planned expansion into the interior from the Medillin pipeline? It would be useful to understand what additional capacity there is. Thanks.

Charles Gamba
Thank you. With respect to capacity currently on the TGI pipeline is 260 million cubic feet per day.

Operator
This concludes our question and answer session. The conference has now concluded. Thank you for attending today's presentation.

Charles Gamba
There were some additional written questions. Carolina?

Carolina Orozco
I don't have any more, but please give us a second to check if there's any additional incoming questions.

Operator
And as reminder, if you have a question on the phone, it is star one to ask.

We have a question from Daria Ema from Bloomberg Intelligence. Please go ahead.

Daria Ema
Thank you for taking my questions. Just a couple of additional ones. Can you please comment on the current sales volume?

Charles Gamba
As I mentioned earlier, yesterday sales were 183 to 184 million cubic feet per day.

Daria Ema
Thank you. I must have missed that. And one last one for me. You mentioned some debt reduction is a possibility. How much of that reduction following the cancellation of the Medillin project?

Charles Gamba
I'm sorry. I'm sorry. Could you please repeat the question? I didn't quite catch it.

Daria Ema
How much of that reduction can we expect from the cancellation of the Medillin project?

Charles Gamba
We had contracted approximately 75 million cubic feet per day on the whole Medillin pipeline route. So that's the amount of future sales impacted down to Medillin, which of course we hope to make up partially in other projects.

CONCLUSION

Operator
There are no more questions in the queue. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.