

IN THE GRAND COURT OF THE CAYMAN ISLANDS



CAUSE NO: FSD ¹⁵³ OF 2012 (AJJ)

IN THE MATTER OF THE COMPANIES LAW (2012 REVISION)

AND IN THE MATTER OF SANTIAGO PIPELINES COMPANY

PETITION



To: The Grand Court

THE HUMBLE PETITION of Santiago Pipelines Company care of Appleby Trust (Cayman) Ltd., Artemis House, Fort Street, George Town, Grand Cayman, Cayman Islands (the "Company") SHOWS THAT:

The Company and changes in share capital

1. The Company is an exempted company limited by shares that was incorporated in the Cayman Islands on 3 November 1994 under the Companies Law as amended (the "Companies Law"). The Company is registered under number 56875.
2. The objects for which the Company is established are unrestricted.
3. Prior to a capital reduction that was confirmed by this Court on 7 August 2012 in FSD cause number 92 of 2012 (the "First SP Order"):
 - 3.1. the authorised share capital of the Company was \$7,907,500;

- 3.2. the memorandum of association of the Company provided that the directors of the Company had the power to issue 7,907,500 shares of US\$1.00 par value; and
 - 3.3. the Company had issued 7,892,500 fully paid ordinary shares.
 4. Pursuant to the First SP Order, the capital of the Company was reduced by US\$7,857,034 by the reduction of the par value of each of the 7,892,500 fully paid ordinary shares of the Company to US\$0.004493633 per share (being a cancellation of US\$0.995506367 from each issued ordinary share of US\$1.00 each).
 5. Since the capital reduction the subject of the First SP Order came into effect, in order to facilitate the further restructuring transactions within the group of companies of which the Company is a part:
 - 5.1. the authorised share capital of the Company has been increased to US\$20,000,000 and the amended and re-stated memorandum and articles of association of the Company provide that the directors of the Company have the power to issue 4,450,741,749.49312000 shares of US\$0.004493633 par value;
 - 5.2. the total issued shares of the Company are 2,503,253,159.11 shares, creating paid up share capital of US\$11,248,701.00; and
 - 5.3. the Company has entered into the transaction referred to in paragraph 8 (“**Restructuring Transaction**”), conditionally upon orders being made by this Honourable Court in accordance with (or substantially in accordance with) the relief sought in this Petition. Should the Court make the orders sought herein, then the Restructuring Transaction shall come into effect, subject to fulfilment of the remaining formalities, namely registration of the Court’s order in accordance with section 17 of the Companies Law (2012 Revision).

Background – relevant agreements

6. Pursuant to an agreement dated 31 March 1995 between Oleoducto Central S.A. (“**OCSA**”) and Santiago Oil Company (the “**SO Transportation Agreement**”), Santiago Oil Company (“**SO**”) has the right to transport crude petroleum using OCSA’s pipeline facilities.

7. The Company has an interest in the SO Transportation Agreement. Pursuant to a spin-off agreement that was the subject of a separate court application in connection with which SO's share capital was reduced in accordance with an order of this Court in FSD cause number 91 of 2012 (the "SO Order"), SO transferred a portion of its interest in the SO Transportation Agreement to the Company. The Company now seeks to transfer (as part of a spin-off) the rights under the SO Transportation Agreement it acquired pursuant to the spin-off agreement that came into effect upon the making and registration of the SO Order.
8. Pursuant to a corporate reorganisation of the Company governed by a spin-off agreement dated 9 November 2012 ("Spin-Off Agreement"), the Company agreed to spin off a portion of its patrimony by means of: (i) a cancellation of such part of the nominal amount of the share capital of the Company held by Talisman Equion (Cayman) Inc. ("TECI") as is equal to the net book value of the patrimony referred to in sub-paragraph (ii) below; (ii) the transfer in bulk of such percentage interest in the SO Transportation Agreement as entitles the Company to 2.15% of the transportation capacity in the OCSA pipeline plus cash, debt and/or securities of US\$10,000 by the Company to Talisman Santiago (Cayman) Inc. ("TSCI"); and (iii) the issue by TSCI to TECI of shares which have a nominal value that is equal to the net book value of the patrimony transferred to TSCI as described in paragraph (ii) and a fair value that is equal to the net fair market value of the patrimony transferred to TSCI, as described in paragraph (ii).
9. The Memorandum and Articles of Association of the Company (the "Articles") relevantly provide, at Article 46.2, that, *inter alia*:

"...subject to the provisions of the Law and the Memorandum, the Company may...reduce its share capital...in any manner whatsoever".
10. The Company is proposing a reduction of share capital to give effect to the Spin-Off Agreement referred to in paragraph 8 (the "Capital Reduction").

Financial Information

11. The audited unconsolidated financial statements of the Company as at 31 December 2011 (the "Audited Accounts") show:

- 11.1. shareholder equity of US\$91,574,000; this comprises assigned capital (a mixture of share capital, reserves and share premium) of US\$28,663,000 and retained earnings of US\$62,911,000. Since the Audited Accounts were completed, the Company has determined that the issued and paid up capital of the Company as at 31 December 2011 was US\$35,000 and the balance of the US\$28,663,000 figure cited in the Audited Accounts as 'assigned capital' was comprised of a mixture (in uncertain proportions) of reserves and share premium;
 - 11.2. cash and cash equivalents of US\$3,000;
 - 11.3. accounts receivable of US\$76,493,000, being loans to related entities; and
 - 11.4. creditors and accruals in the sum of US\$8,000.
12. The unaudited management accounts of the Company as of 2 November 2012 (the "**Management Accounts**"), which incorporate the changes to the share capital of the Company effected by the capital reduction the subject of the First SP Order and all subsequent changes in the Company's share capital, show:
- 12.1. shareholder equity of US\$11,249,000, being, in rounded-up numbers, the paid up issued share capital of US\$11,248,701.00 referred to at paragraph 5.2 above;
 - 12.2. accounts receivable of US\$10,000; and
 - 12.3. no creditors.
13. Given that the Company has no creditors (actual or contingent), the question of whether the Capital Reduction will prejudice the interests of the creditors of the Company, does not arise.

The Special Resolution

14. In the process of formulation of the corporate reorganisation of the Company and the Capital Reduction, the Company's sole shareholder, TECI, was consulted and, through those consultations and related communications, obtained detailed knowledge of all matters relevant to TECI's decision whether or not to pass a special resolution to reduce the capital of the Company.

15. By a special resolution passed through a unanimous written resolution on 9 November 2012 in accordance with article 84 of the Articles and section 14 of the Companies Law (the “Special Resolution”), it was resolved as a special resolution, *inter alia*, as follows:

“RESOLVED as a special resolution pursuant to Article 46.2 of the Articles that the application to the Grand Court to approve a reduction of the capital of the Company by cancelling US\$0.0000039948 from each issued ordinary share of US\$0.004493633 each pursuant to Section 15 of the Companies Law (2012 Revision) be and is hereby authorised and approved in all respects.”

16. The Special Resolution was unanimously passed on the basis of a unanimous written resolution.
17. As the Company has no unpaid share capital, the Capital Reduction would not involve the diminution in liability in respect of any such unpaid share capital.
18. The form of minute proposed to be registered is as follows:

“By virtue of a Special Resolution and with the sanction of an Order of the Grand Court of the Cayman Islands dated 11 December 2012, the issued share capital of Santiago Pipelines Company was reduced by US\$10,000 by the reduction of the par value of each of the 2,503,253,159.11 fully paid ordinary shares of the Company to US\$0.0044896382 per share (being a cancellation of US\$0.0000039948 from each issued ordinary share of US\$0.004493633 each). At the date of registration of this Minute, all of the shares in the issued share capital of the Company are fully paid up.”

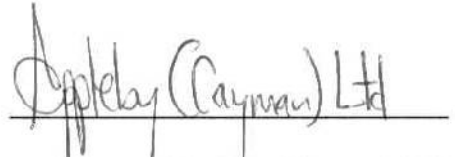
19. It is appropriate for the Court to confirm the Capital Reduction.

YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:

- (1) That the reduction of the issued share capital of the Company proposed to be effected by the Special Resolution set forth in paragraph 15 of this Petition be confirmed and that the abovementioned minute be approved by the Court; and
- (2) Such orders as the Court thinks fit.

AND your petitioner will pray etc.

Dated the 13th day of November 2012


Appleby (Cayman) Ltd.

Attorneys-at-law for the Petitioner

Note: This petition is not intended to be served

THIS PETITION was filed by Appleby (Cayman) Ltd, Attorneys-at-Law for the Petitioner, whose address for service is Clifton House, 75 Fort Street, PO Box 190, KY1-1104, George Town, Grand Cayman, Cayman Islands. (REF: THW/138458.0006)

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman on the 11th day of December 2012 at am/pm.

Any correspondence or communication with the Court relating to the hearing of this petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, Cayman Islands, KY1-1106 telephone 345 949 4296