

EXECUTIVE SUMMARY

This document is a rebuttal to the Judicial Inspection report for Well Sacha 14. The Judicial Inspection was conducted by plaintiffs' expert Mr. Oscar Davila on November 17, 2004. This report was presented to the Superior Court of Justice of Nueva Loja on July 1, 2005.

Mr. Davila's report contains serious technical errors as well as erroneous and subjective allegations made without any kind of foundation or support, which demonstrates his biased opinion. Following is a summary of the most significant technical errors present in Mr. Davila's report. A more detailed analysis of each of these points is presented in the Rebuttal document submitted to the Court.

THE AREAS AROUND SACHA 14 WELL ARE PETROECUADOR'S RESPONSIBILITY AND NOT TEXPET'S.

Mr. Davila tries to ignore the fact that this area was not part of the September 1995 Remedial Action Plan agreed to between Texpet, the Ecuadorian government, and Petroecuador. As such, this site was not the responsibility of Texpet.

Considering that Sacha 14 is a production well which is still in operation and has had recent spills, and that Texpet has not participated in the operation of this or any other of Ecuador's oil fields since 1990, it is concluded that the Sacha 14 well site is solely and exclusively Petroecuador's responsibility.

CONTRARY TO WHAT MR. DAVILA SUGGESTS, THERE ARE NO HEALTH RISKS ASSOCIATED WITH TEXPET OPERATIONS

Mr. Davila does not evaluate the health risks that exist at this site. The expert should have taken into consideration that in order for risk to exist, there must be: a) a risk, for example, substance concentrations that are above the health risk-based criteria, b) a route of exposure, and c) receptors that could be exposed. Instead of evaluating if these conditions exist, Mr. Davila simply limits his evaluation to comparing the concentrations of constituents to the incorrect criteria and later, without performing an evaluation of the site-specific conditions, he irresponsibly refers to them as "toxic" substances.

Mr. Davila uses the term "contamination" to refer to the mere presence of petroleum. The presence of low concentrations of petroleum does not necessarily indicate that there is a risk to health. The plaintiffs' expert should have collected samples that are representative of the site that is being evaluated, and also should have determined if the substance concentrations could be harmful, if prolonged exposure to these substances exists, and if there's a connection between the substances and the petroleum operations. If each and every one of these requirements is not met, then there is no risk.

If Mr. Davila had performed an adequate risk evaluation, he would have realized that the degraded petroleum does not represent a risk to human health, and that the metals present in

the samples are in concentrations that reflect background concentrations, and/or are below risk-based criteria.

The analytical results for drinking water wells presented by Mr. Davila show that groundwater is free of petroleum hydrocarbons. A real risk in the drinking water, identified by Mr. Baca, another one of the experts appointed by the Court for this site, is the presence of coliform bacteria, which are not related to the oil and gas activities.

MR. DAVILA'S ALLEGATIONS REGARDING DANGEROUS WATER AND SOIL CONTAMINATION ARE FALSE

Mr. Davila misinterprets his own erroneous analytical data either because of lack of technical knowledge, or in an attempt to mislead the Court. Thus, for example, the following can be mentioned:

- There is no metal contamination in the soil as Mr. Davila affirms.
- The plaintiffs' expert uses deficient procedures when he attempts to take groundwater samples, which produces incorrect analytical results. Additionally, the plaintiffs' expert uses incorrect analytical methods.
- The residual petroleum in the soil is highly degraded and non-mobile. It is not migrating as suggested by the plaintiffs' expert. Furthermore, the water samples taken by the plaintiffs' expert demonstrate that there are no hydrocarbons in the water.

Figure A Summary of Mr. Davila's serious mistakes. The following figure presents a summary of the reasons why Mr. Davila's results should be rejected.

MUESTRAS DE SUELOS (1)							
Hoyo	Muestra	TPH (mg/Kg)	As (mg/Kg)	Ni (mg/Kg)	Pb (mg/Kg)	CrTotal (mg/Kg)	Cr+6 (mg/Kg)
SA14 AS	SA14-AS	572					
SA14 C1	SA14-C1 0.50-1.10 m	2,239	574	8,60	<0,5	7,20	<0,1
SA14 C1	SA14-C1 1.40-2.00 m	379	450	11,60	26,00	13,01	<0,1
SA14 C2	SA14-C2 0.80-2.00 m	7,915	540	12,20	45,80	9,1	<0,1
SA14 P2	SA14-P2 0.00-0.40 m		500	15,00	22,50	10,00	<0,1
SA14 P2	SA14-P2 1.00-1.50 m	1,149	611	12,20	45,80	9,1	<0,1
SA14 P3	SA14-P3 0.10-0.80 m	1,395	753	7,50	25,10	8,1	1
SA14 P3	SA14-P3 0.50-1.10 m	409	1,196	20,90	20,90	9,1	<0,1
SA14 PIT1	SA14-PIT1 80-200 cm	1,570	955	15,50	22,90	237,74	1,72
SA14 JI SB4	SA14-JI-SB4 0.00 m	399					
SA14 JI SB4	SA14-JI-SB4 3.00 m	<200					
SA14 PIT2	SA14-PIT2 200-280 cm	3,427	574	11,60	27,20	232,80	0,11
SA14 PIT2	SA14-PIT2 280-340 cm		574	11,30	<0,5	219,24	<0,1
SA14 JI SB1	SA14-JI-SB1 0.00 m	<200					
SA14 JI SB1	SA14-JI-SB1 3.60 m	<200					
SA14 JI SB5	SA14-JI-SB5 0.60 m	319					
SA14 JI SB5	SA14-JI-SB5 2.65 m	<200					
MUESTRAS DE AGUA							
Hoyo	Muestra	TPH (mg/Litro)	As (mg/Litro)	Ni (mg/Litro)	Pb (mg/Litro)	CrTotal (mg/Litro)	Cr+6 (mg/Litro)
SA14 PIT1	SA14-PIT1-MA1-120	82	<0,1	<0,01	<0,05		0,01
SA14 C2	SA14-C2-MA1-120	1,294	14,00	1,10	2,10		0,50
SA14-JI-TGW1	SA14-JI-TGW1	<0,01	<0,1	0,10	<0,05		0,01
SA14-JI-GW5	SA14-JI-GW5	<0,01	<0,1	<0,01	<0,05		0,01
SA14-JI-GW6	SA14-JI-GW6	<0,01	1,40	<0,01	1,70		0,01
LIMITE PERMISIBLES EN LAS NORMAS AMBIENTALES DE LOS ESTADOS UNIDOS (2)							
AGUA CONSUMO HUMANO (3)		0,5	1	0,05	0,05	0,05	0,05
SUELO AGRICOLA (4)		1000	50	50	100	65	0,4

(1) Fuente: Informe de Análisis, Centro de Servicios Ambientales y Químicos CESAO-PIICE

The reasons why Mr. Davila's concentrations are unacceptable are summarized in the following figure:

a	All the soil results should be rejected because he did not follow chain-of-custody procedures and did not present the QA/QC report (Section 3)	g	All his "water" results should be rejected because he did not follow chain-of-custody procedures and did not present the QA/QC report (Section 3)
b	This sample is from a small patch of asphaltic material and its condition does not present a health risk.	h	Since they were collected using unacceptable methods, the 3 mud samples ("water" samples are invalid. Their concentrations simply reflect the sediment in the samples (Section 5).
c	The barium concentrations are anomalous, but they are below background concentrations and health-based criteria (Section 4).	i	Hexavalent chromium results are invalid because the samples were analyzed after the holding time had elapsed (Section 5)
d	TPH was analyzed using the incorrect analytical method (Sections 2 and 3) and do not indicate that there's a health risk.	j	The samples do not contain TPH, Mr. Davila should not have highlighted this area.

e	Chromium was analyzed using an inappropriate method, and it is present in concentrations below background levels, which are below the criteria based on risk (Section 4).	k	Barium concentrations are incorrect (Section 5)
f	Hexavalent Chromium concentration is below risk-based criteria (Section 4)	l	These levels of lead cannot originate from petroleum.
		m	If Decreto 1215 would be applicable (which it is not), the correct criteria for agricultural soil is 2500 mg/kg and 4000 mg/kg for soils for industrial use, and not 1000 mg/kg

TEXPET OPERATED THE SITE APPROPRIATELY, CONSISTENT WITH ACCEPTABLE PRACTICES

Mr. Davila tries to find any evidence to show that Texpet operated irresponsibly, alleging that the practices followed by Texpet were unacceptable. Mr. Davila is completely wrong since Texpet operated in accordance with Ecuadorian laws of that time, specific to hydrocarbon activities, in a manner consistent with practices in the rest of the oil-producing countries at the time, including the U.S.A.