FEDERATIVE REPUBLIC OF BRAZIL

MINISTRY OF MINES AND ENERGY



DRAFT CONCESSION AGREEMENT OF AREAS WITH MARGINAL ACCUMULATIONS FOR REHABILITATION AND PRODUCTION OF OIL AND GAS

«AREA\_ MARGINAL ACCUMULATION»

«PROCESS\_AGREEMENT» No.

ENTERED INTO BY AND BETWEEN

NATIONAL AGENCY OF PETROLEUM, NATURAL GAS, AND BIOFUELS – ANP

and

«signatORY\_01\_operaTOR»

«signatORY\_02»

BRAZIL

2018

**CONCESSION AGREEMENT FOR REHABILITATION AND PRODUCTION OF OIL AND GAS**

entered into by and between

The **NATIONAL AGENCY OF PETROLEUM, NATURAL GAS, AND BIOFUELS – ANP** (hereinafter referred to as “ANP”), a special independent agency organized by Law No. 9,478 of August 6, 1997, part of the Indirect Federal Administration, bound to the Ministry of Mines and Energy, headquartered at SGAN (Setor de Grandes Áreas Norte) Quadra 603, Módulo I, 3º andar, in the city of Brasília, DF, and with Main Office at Avenida Rio Branco, nº 65, in the city of Rio de Janeiro, RJ, herein represented by its Director-General, «director\_general»,

and

“signatory\_01\_operator”, organized under the laws of Brazil, with its principal place of business at «address\_01», enrolled in the National Register of Legal Entities (CNPJ/MF) under No. «cnpj\_01» (hereinafter referred to as “Concessionaire”), herein represented by «signatory\_01\_representative\_01», «signatory\_01\_title\_01», and «signatory\_01\_representative\_02», «signatory\_01\_title\_02»,

and

“signatory\_02”, a business company organized under the laws of Brazil, with its principal place of business at «address\_02», enrolled in the National Register of Legal Entities (CNPJ/MF) under No. «cnpj\_02» (hereinafter referred to as “Concessionaire”), herein represented by «signatory\_02\_representative\_01», «signatory\_02\_title\_01», and «signatory\_02\_representative\_02», «signatory\_02\_title\_02».

**WHEREAS**

pursuant to articles 20, items V and IX of, and 176, main section, of the Constitution of the Federative Republic of Brazil and article 3 of Law No. 9,478/1997, the Oil and Gas Deposits existing in the national territory, the continental shelf, and the exclusive economic zone belong to the Federal Government;

pursuant to art. 177, I, of the Constitution of the Federative Republic of Brazil and article 4 of Law No. 9,478/1997, the Research and Exploration of the Oil and Gas Deposits existing in the national territory, the continental shelf, and the exclusive economic zone are the monopoly of the Federal Government;

pursuant to art. 177, paragraph one, of the Constitution of the Federative Republic of Brazil and art. 5 of Law No. 9,478/1997, the Federal Government may allow state-owned or privately-held companies incorporated under the Brazilian laws, with principal place of business and management in the Country, to develop activities of Exploration and Production of Oil and Gas, upon concession, as established in the prevailing laws and regulations;

pursuant to article 21 of Law No. 9,478/1997, all rights of Exploration and Production of Oil and Gas in the national territory, the continental shelf, and the exclusive economic zone are held by the Federal Government, and ANP shall be responsible for their management, except for the jurisdiction of other bodies and entities expressly provided by law;

pursuant to article 8 of Law No. 9,478/1997, the purpose of ANP is to procure the regulation, engagement, and inspection of the economic activities forming part of the Oil, Gas, and Biofuel Industry;

ANP, on behalf of the Federal Government, is responsible for entering into Concession Agreements for Rehabilitation and Production of Oil and Gas with the Concessionaire, in compliance with the provisions of articles 23 and 24 of Law No. 9,478/1997;

pursuant to arts. 25 and 26 of Law No. 9,478/1997 and upon meeting of the requirements provided for in Section I of Chapter V, ANP and the Concessionaire are authorized to enter into this Concession Agreement, which shall be governed, as appropriate, by the general standards of Section I and the provisions of Section VI, both from Chapter V of such Law;

pursuant to articles 36 to 42 of Law No. 9,478/1997, the Concessionaire participated in the bidding process for award of this Concession Agreement, and the bidding process in which it was declared the winner was awarded and approved for the Area with Marginal Accumulation defined in Annex I;

pursuant to article 46 of Law No. 9,478/1997, the Concessionaire paid the signature bonus to ANP in the amount indicated in Annex VI;

pursuant to the Open Acreage tender protocol and art. 43, item V, of Law No. 9,478/1997, the Concessionaire has provided ANP with the financial guarantee required to support performance of the Initial Work Program, as well as the Commitment to Decommission and Abandon Wells included in Annex X offered;

ANP and the Concessionaire enter into this Concession Agreement for Rehabilitation and Production of Oil and Gas for the Area with Marginal Accumulation identified in Annex I under the following terms and conditions.

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CHAPTER I – BASIC PROVISIONS

1. SECTION ONE – DEFINITIONS

Legal Definitions

* 1. The definitions contained in article 6 of Law No. 9,478/1997, in article 2 of Law No. 12,351/2010, and in article 3 of Decree No. 2,705/1998 are hereby incorporated into this Agreement and, consequently, are valid for all its purposes and effects whenever they are used herein, either in the singular or plural, in the masculine or feminine gender.

Contractual Definitions

* 1. Also for the purposes and effects of this Agreement, the definitions contained in this paragraph shall also be valid whenever the following words and phrases are used in the singular or plural, in the masculine or feminine gender:
     1. **Affiliate**: any controlling or controlled legal entity of private law, performing a business activity under arts. 1,098 to 1,100 of the Brazilian Civil Code, as well as entities directly or indirectly controlled by the same company.
     2. **Field Area**: area delimited by the polygon defining the Field, upon approval of the Development Plan.
     3. **Concession Area**: area of the Block which superficial projection is delimited by the polygon defined in Annex I of this Agreement.
     4. **Development Area**: any plot of the Concession Area retained for the Development Phase.
     5. **Areas with Marginal Accumulations**: Concession Area with known discoveries of oil and/or natural gas, where there was no production or where the production has been interrupted or the agreement has been terminated due to lack of economic interest.
     6. **Assessment**: set of Operations intended to check the commercial feasibility of a Discovery or set of Discoveries of Oil and Gas in the Concession Area.
     7. **Well Assessment**: logging and formation tests performed between the End of Drilling and Well Completion that, combined with other activities previously developed at the well, will enable verification of the occurrence of areas of interest for presentation of a possible Discovery Assessment Plan.
     8. **Assignment**: transfer, in whole or in part, of the ownership of rights and obligations arising from the Agreement; consolidation, spin-off, and merger, when corporate reorganization results in change of Concessionaire; change of Operator, as well as exemption and replacement of the performance guarantee.
     9. **Concessionaire**: individually or collectively, the legal entities developing business activities that are members of the consortium, including the Operator.
     10. **Well Completion**: moment of completion of the activities directly related to drilling of a well (including, when applicable, logging, lining, and cementing) when its final depth is reached, after which all Operations exclusively refer to disassembly, decommissioning, or operation of the unit. For the cases in which the assessment and/or completion is started within sixty (60) days after the end of the activities directly related to drilling of the well or its temporary abandonment, the moment in which disassembly, decommissioning, or operation of the unit used for the assessment and/or completion is started shall be taken into account.
     11. **Agreement**: this Concession Agreement and its Annexes.
     12. **Consortium Agreement**: agreement regulating the rights and obligations of the Concessionaires regarding this Agreement.
     13. **Declaration of Commercial Feasibility**: formal and written notification of the Concessionaire to ANP declaring one or more Deposits as a Commercial Discovery in the Concession Area.
     14. **Discovery**: any occurrence of Oil or Gas in the Concession Area, regardless of the quantity, quality, or commercial feasibility, verified by at least two detection or assessment methods.
     15. **Development Phase**: contractual phase initiated with the approval of ANP for the Development Plan proposed by the Concessionaire and which is extended during the Production Phase while investments in wells, equipment, and facilities for the Production of Oil and Gas according to the Best Practices of the Oil Industry are required.
     16. **Production Phase**: contract period in which the Development and the Production are to be performed.
     17. **Rehabilitation Phase**: contract period that starts upon the signature of the agreement and ends with the Declaration of Commercial Feasibility or the end of the term defined in Annex II.
     18. **Brazilian Supplier**: any manufacturer or supplier of goods manufactured or services provided in Brazil through limited liability companies incorporated under the Brazilian laws or companies that use goods manufactured in the Country under special customs regimes and tax incentives applicable to the Oil and Gas industry.
     19. **Individualization of Production**: procedure aimed at sharing of the Production result and the reasonable use of the Country’s natural resources through unification of the Development and Production of the Deposits extending beyond the Concession Area;
     20. **Applicable Laws and Regulations**: the set of laws, decrees, regulations, resolutions, ordinances, normative instructions, or any other regulatory acts that are or may be applicable to the Parties or to the activities of Exploration, Assessment, Development, and Production of Oil and Gas, as well as to decommissioning of the facilities.
     21. **Best Practices of the Oil Industry**: The best and safest procedures and technologies available in the Oil and Gas Industry worldwide intended to: (a) ensure the operational safety of the facilities, preserving life, physical integrity, and human health; (b) preserve the environment and protect adjacent communities; (c) prevent or reduce as much as possible the risk of spill of oil, natural gas, by-products, and other chemicals that may be hazardous to the environment; (d) preserve oil and gas resources, which implies the use of adequate methods and processes to maximize the recovery of hydrocarbons in a technical, economic, and environmentally sustainable way, with the corresponding control of the reserve decline, and to mitigate surface losses; (e) minimize consumption of natural resources in the Operations. In order to perform the Best Practices of the Oil Industry, the Concessionaires shall rely on the standards issued by ANP and other Brazilian public bodies, incorporating technical standards and recommendations of internationally recognized bodies and associations of the Oil Industry, whenever such measures increase the chances to achieve the objectives listed above.
     22. **Operation:** all activities of Exploration, Assessment, Rehabilitation**,** Development, Production, decommissioning, or abandonment developed sequentially, collectively, or separately by the Concessionaire for the purposes of this Agreement.
     23. **Operator**: the Concessionaire designated to conduct and develop all Operations provided for in this Agreement on behalf of the Concessionaires, pursuant to Annex VII.
     24. **Party**: signatory of the Agreement.
     25. **Discovery Assessment Plan**: document specifying the work schedule and the relevant investments required for the Assessment of a Discovery or set of Discoveries of Oil and Gas in the Concession Area.
     26. **Development Plan**: document specifying the work program, schedule, and relevant investments required for the Development and the Production of a Discovery or set of Discoveries of Oil and Gas in the Concession Area, including its abandonment.
     27. **Annual Production Program**: document describing the forecasts for Production and handling of Oil, Gas, water, special fluids, and waste arising from the Production process of each Development Area or Field.
     28. **Annual Work and Budget Program**: document specifying the set of activities to be developed by the Concessionaire, including details on the investments required to develop such activities.
     29. **Facility Decommissioning Program**: document specifying the set of activities aiming at the definitive abandonment of wells, including their eventual plugging, decommissioning and proper final disposal of the facilities, and the recovery of the areas affected thereby.
     30. **Initial Work Program (PTI)**: activity schedule defined by ANP in the Tender Protocol and pursuant to Annex II, to be met by the Concessionaire during the course of the Rehabilitation Phase.
     31. **Rehabilitation**: activities and investments necessary to restore the operating conditions of an area, aiming at its Production.
     32. **Safety Instruction**: administrative act that acknowledges any conduct as irregular or presents an administrative understanding on the enforcement of the regulatory standard, determining, in a comprehensive manner, that the Operator shall refrain from performing it or shall observe it, under penalty of imposition of the penalties provided for in the Applicable Laws and Regulations.
     33. **Reentry**: activities developed in wells in order to restore its operating conditions for Production or injection.
     34. **Quarterly Expense Report**: document to be submitted by the Concessionaire to ANP detailing the amounts disbursed in Rehabilitation, Development, and Production Operations.
     35. **Final Discovery Assessment Report**: document submitted by the Concessionaire describing the Oil or Gas Discovery Assessment Operations, according to the Discovery Assessment Plan approved by ANP, showing its results and, if approved by ANP, making the Declaration of Commercial Feasibility effective.
     36. **Rehabilitation Phase Final Report**: document submitted by the Concessionaire, at the end of the Rehabilitation Phase, describing the development of the activities undertaken in the PTI and those additional to this Program.
     37. **Final Report for Decommissioning of the Facilities**: document submitted by the Concessionaire describing the decommissioning of the facilities and abandonment of the Field developed pursuant to the Facilities Decommissioning Plan.
     38. **Seismic Reprocessing**: process to submit seismic data to new processing, aiming at gaining quality in the results achieved.
     39. **End of Drilling**: moment in which the final depth of the well is reached, with no expectations of further progress.
     40. **Commitment to Decommission and Abandon Wells**: instrument, pursuant to Annex IX, through which the Concessionaire, with respect to the wells in which it may intervene aiming to restore their operating conditions for Production or injection, undertakes to develop the activities to decommission the facilities, dispose such wells, and recover the areas affected.
     41. **Extended Well Test**: test in a lined well with total expected free flow duration of more than seventy-two (72) hours, being understood that free flow is the production after cleaning the well, and with specific purposes aiming at assessing a Discovery in order to obtain, from interpretation of its data, information indicating the behavior of Reservoirs under dynamic long-term effects and supporting studies aimed at the design of the final Production systems.

1. SECTION TWO – SUBJECT MATTER

Rehabilitation and Production of Oil and Gas

* 1. The subject matter of this Agreement is:

1. perform, in the Concession Area, the Operations committed in the Initial Work Program and its attachments, aiming at the Rehabilitation of the Area with Marginal Accumulation and the Production of Oil or Gas under commercial conditions;
2. in case of a Discovery, at the Concessionaire’s discretion, to perform a Discovery Assessment under a Discovery Assessment Plan approved by ANP;
3. if the commercial feasibility of the Discovery is verified by the Concessionaire, to Produce Oil and Gas in the Concession Area under a Development Plan approved by ANP.

Costs, Losses, and Risks Associated with the Execution of Operations

* 1. The Concessionaire shall always and exclusively bear all costs and risks related to the execution of the Operations and its consequences.
  2. The Concessionaire shall bear all losses it may incur, including the ones resulting from an act of god or force majeure event, as well as accidents or events of nature affecting the Rehabilitation and Production of Oil and Gas in the Concession Area.
  3. The Concessionaire shall not be entitled to any payment, redress, refund, reimbursement, or indemnification in the event of failure in the Rehabilitation Phase or absence of commercial feasibility of any Discoveries in the Concession Area.
  4. The Concessionaire shall be the only party civilly liable for its own actions and the actions of its agents and subcontractors, as well as for the compensation for any damages caused by the Operations and their execution, regardless of fault.
     1. The Federal Government and ANP shall be reimbursed for any liens they may endure as a result of any demands motivated by acts under the responsibility of the Concessionaire, which shall bear such reimbursement.
  5. The Federal Government and ANP shall not undertake any risks or operating losses or bear costs, investments, and damages related to the execution of the Operations and its consequences.

Ownership of Oil and/or Gas

* 1. The Oil and Gas Deposits existing in the national territory, the continental shelf, and the exclusive economic zone belong to the Federal Government, pursuant to art. 20, items V and IX, of the Constitution of the Federative Republic of Brazil, and art. 3 of Law No. 9,478/1997.
     1. The Concessionaire shall have the ownership only of the Oil and Gas that are effectively produced and granted thereto at the Production Measurement Point, through original acquisition and according to this Agreement.
     2. The Concessionaire shall be subject to charges related to the Government taxes and shares, as well as those provided for in the Applicable Laws and Regulations.

Other Natural Resources

* 1. The Concessionaire is prohibited to use, enjoy, or dispose, in any way and at any title, totally or partially, of any other natural resources that may exist in the Concession Area other than Oil and Gas, except when duly authorized by the competent authorities, according to the Applicable Laws and Regulations.
     1. Discovery of natural resources other than Oil and Gas by chance shall be notified to ANP within no more than seventy-two (72) hours.
     2. The Concessionaire shall follow the instructions and allow implementation of the relevant measures determined by ANP or other competent authorities.
     3. Until such instructions are submitted to the Concessionaire, it shall refrain from taking any measures that may pose a risk or somehow damage the natural resources discovered.
     4. The Concessionaire shall not be required to suspend its activities, except when they pose a risk to the natural resources discovered or the Operations.
  2. Any interruption of the Operations, exclusively due to the discovery of other natural resources by chance, shall have its duration calculated and acknowledged by ANP for purposes of extension of this Agreement.

1. SECTION THREE – CONCESSION AREA

Identification

* 1. The Operations shall be conducted exclusively in the Concession Area described and delimited in [Annex I](#_ANEXO_I_-).
     1. If the ring fence of the area with marginal accumulations is partially located in land, partially in shallow water, the Concessionaire intending to develop offshore operations shall submit such request to ANP and obtain the minimum qualification required, without prejudice to obtaining the relevant environmental permits, under penalty of sanctions set forth in this agreement and in the Applicable Laws and Regulations.

Non-Exclusive Data Survey

* 1. ANP may, at its sole discretion, authorize third parties to perform in the Concession Area services of geology, geochemistry, geophysics, and other works of the same nature aiming at the survey on technical data intended for non-exclusive commercialization, pursuant to art. 8, item III, of Law No. 9,478/1997, and the Applicable Laws and Regulations.
     1. The performance of such services, unless in exceptional situations approved by ANP, shall not affect the ordinary course of the Operations.
     2. The Concessionaire shall have no responsibility regarding performance, by third parties, of such services or damages arising therefrom.

1. SECTION FOUR – EFFECTIVENESS

Effectiveness and Division into Phases

* 1. This Agreement becomes effective on its execution date and is divided into two phases:

1. Rehabilitation Phase, with expected duration set forth in Annex II – Initial Work Program; and
2. Production Phase, with duration defined in Section Eight.
   1. The effectiveness of this Agreement shall correspond to the period elapsed since the date of its execution until the end of the Rehabilitation Phase, except if a Declaration of Commercial Feasibility is issued, case in which there shall be an addition pursuant to Section Eight.
   2. Any extensions that may be authorized by ANP under this Agreement shall be added to such total effectiveness.
   3. The lapse of the effectiveness, according to the provisions of the preceding paragraph related to the extensions authorized by ANP, shall entail the lawful termination of the Agreement.

CHAPTER II – REHABILITATION

1. SECTION FIVE – REHABILITATION PHASE

Start and Duration

* 1. The Rehabilitation Phase shall begin on the date of execution of this Agreement and shall have the duration as set forth in Annex II.
     1. The first Annual Work and Budget Program shall cover the remainder of the current year and shall be submitted by the Concessionaire within sixty (60) days of the date of execution of this Agreement.
     2. If there is less than ninety (90) days to the end of the current year, the first Annual Work and Budget Program shall also contemplate the subsequent year separately.
     3. The activities of the former Annual Work and Budget Program committed in the Initial Work Program shall be mandatorily included.
     4. The procedures and deadlines regarding the approval of the Annual Work and Budget Program set forth in paragraph 9.3 apply.
  2. At the end of the Rehabilitation Stage, the Concessionaire shall return to ANP the entire Concession Area or Inform the Commercial Feasibility of the Area with Marginal Accumulation.

Initial Work Program, Additional Activities, and Commitment to Decommission and Abandon Wells

* 1. The Concessionaire shall perform in full the obligations related to the Initial Work Program during the Rehabilitation Phase, within the terms and conditions described in Annex II.
     1. The Concessionaire may develop activities additional to the Initial Work Program.
  2. The activities of the Initial Work Program and those additional thereto shall be monitored through the Annual Work and Budget Program, within the procedures and terms provided for in paragraph 9.3.
  3. The Concessionaire shall implement all activities necessary to abandon wells in which it may intervene to restore its operating conditions for production or injection, or wells with other purposes, as well as to decommission the facilities and recover the environment of the affected areas.
     1. The Concessionaire shall have 180 days of the date of execution of the Contract to confirm which wells it shall abandon, pursuant to the Commitment to Decommission and Abandon Wells in Annex IX.
        1. The confirmation shall be given under the Annual Work and Budget Program.
     2. Pursuant to paragraph 15.1, the Concessionaire shall provide the respective guarantees to Decommission and Abandon the wells for which it is responsible.
  4. The Concessionaire shall submit to ANP the Rehabilitation Phase Final Report, including the PTI and the activities already developed, in the end of the Rehabilitation Phase.
  5. The Concessionaire may contract data collection companies (EAD) for the collection of exclusive data, data processing, reprocessing and interpretation, as long as the requirements contained in the regulatory rules issued by ANP are previously met and as long as these companies are duly registered and in good standing with ANP.
  6. ANP shall issue a quality control report for return or acceptance of data received within one hundred and eighty (180) days of the date of the most recent delivery of accurate data by the Concessionaire.
  7. For purposes of compliance with the Initial Work Program, only data which acquisition, processing, reprocessing, and form have met all requirements defined in the regulatory rules and technical standards established by ANP shall be accepted thereby.

Extension of the Rehabilitation Phase and Suspension of the Agreement

* 1. Upon the occurrence of operational difficulties in the development of the PTI, during the Rehabilitation Phase, the Concessionaire may request to ANP the extension of this Phase.
     1. The request shall be sent to ANP upon at least a sixty (60)-day notice after the end of the Rehabilitation Phase.
        1. ANP shall have a thirty (30)-day period, as of the date of the request, to express its opinion with respect to it.
  2. The Agreement shall be automatically suspended if ANP does not resolve, before the end of the Rehabilitation Phase, upon the request for suspension or extension of the Rehabilitation Phase or for changes in the Initial Work Program.
     1. The Agreement shall be suspended as of the end of the Rehabilitation Phase until ANP’s resolution in final instance.
     2. After suspension of the Agreement, the deadlines for submission of the Declarations of Commercial Feasibility and the Discovery Assessment Plans shall also be suspended.
     3. During the suspension of the Agreement, the Concessionaire may not develop activities in the area, except upon the prior and express authorization of ANP, case in which the suspension shall be converted into a provisional extension of the Agreement.

Options to End the Rehabilitation Phase

* 1. The Concessionaire may end the Rehabilitation Phase at any time upon notice to ANP.
     1. The end shall not release the Concessionaire from compensation for any failure to comply with the Initial Work Program.
  2. Failure to comply with the Initial Work Program shall entail lawful termination of the Agreement and execution of the compensatory penalty provided for in Section Fourteen, and no other penalties are applicable as a result of such failure.
     1. The value of the activities of the Initial Work Program not developed are defined in Annex II and are net, and they may be required from the Concessionaire or guarantor, always subject to inflation adjustment by the General Price Index - Internal Availability (IGP-DI) of Fundação Getúlio Vargas or any other index that may replace it.

Concessionaire’s Options after Completion of the Initial Work Program

* 1. After performance of the Initial Work Program and up to the end of the term expected for the Rehabilitation Phase, the Concessionaire may, upon prior formal written notice to ANP:

1. inform the Commercial Feasibility of the Discovery, pursuant to the dispositions of Section Six of this Agreement, initiating the Production Phase;
2. retain the areas in which postponement of the Declaration of Commercial Feasibility is applicable, under paragraphs 7.4 and 7.5; or
3. fully relinquish the Concession Area.
4. SECTION SIX – DISCOVERY AND ASSESSMENT

Notification of Discovery

* 1. Any Discovery of Oil and/or Gas in the Concession Area must be notified by the Concessionaire to ANP on an exclusive basis within no more than seventy-two (72) hours.

Assessment, Discovery Assessment Plan

* 1. The Concessionaire may, at its discretion, proceed with the Assessment of a Discovery of Oil and/or Gas at any time.
  2. If the Concessionaire decides to proceed with the Discovery Assessment, it must submit a proposed Discovery Assessment Plan, prepared under the applicable laws and regulations, for ANP’s approval.
  3. If the Discovery Assessment Plan contemplates the performance of an Extended Well Test, the Consortium Members shall request to ANP a specific authorization to do so.

1. SECTION SEVEN – DECLARATION OF COMMERCIAL FEASIBILITY

Declaration of Commercial Feasibility

* 1. Upon compliance with the Initial Work Program, the Concessionaire may, at its sole discretion, submit the Declaration of Commercial Feasibility for the Discovery through notice to ANP.
     1. If it has not been submitted to ANP yet, the Final Rehabilitation Phase Report shall accompany the Declaration of Commercial Feasibility.
     2. The Declaration of Commercial Feasibility shall only become effective after approval of the Final Discovery Assessment Report by ANP.
  2. Failure by the Concessionaire to submit the Declaration of Commercial Feasibility in a timely manner shall entail the lawful termination of the Agreement regarding the relevant area retained for the Discovery Assessment.
  3. The submission of the Declaration of Commercial Feasibility shall not exempt the Concessionaire from the compliance with the Initial Work Program.

Postponement of the Declaration of Commercial Feasibility

* 1. If the main accumulation of hydrocarbons discovered and assessed in a Concession Area is Natural Gas, the Concessionaire may request to ANP an authorization to postpone the Declaration of Commercial Feasibility in up to five (5) years, in the following cases:

1. lack of market for the Natural Gas to be produced, expected to be created in less than five (5) years;
2. lack or inadequacy of infrastructure for transportation of the Natural Gas to be produced by the Concessionaire, expected to be implemented in less than five (5) years.
   1. If the main accumulation of hydrocarbons discovered and assessed in a Concession Area is Oil, the Concessionaire may request to ANP an authorization to postpone the Declaration of Commercial Feasibility in up to five (5) years, in the following cases:
3. lack of technology for the Production, outflow, or refining, expected to be created in less than 5 (five) years.
4. evidence of infeasibility to sell Oil verified by the Concessionaire; or
5. the volume of the Discovery is such that its commercial feasibility depends on additional Discoveries to be made in the same Block or in adjacent Blocks, aiming at the joint Development of all Operations.
   * 1. The request for postponing the Declaration of Commercial Feasibility shall be drawn up.
   1. The Concessionaire may request ANP that the period for postponement of the submission of the Declaration of Commercial Feasibility is extended for five (5) additional years.
   2. If ANP considers that the reason that caused the postponement provided for in paragraphs 7.4 and 7.5 has been overcome, it shall notify the Concessionaire to submit, at its discretion, a Declaration of Commercial Feasibility within thirty (30) days.
   3. If it decides to submit the Declaration of Commercial Feasibility, the Concessionaire shall submit a Development Plan for approval by ANP no later than one hundred and eighty (180) days of such notice, and paragraph 10.1 shall not apply.
   4. The Agreement shall be suspended during postponement of the term for submission of the Declaration of Commercial Feasibility.

CHAPTER III – PRODUCTION

1. SECTION EIGHT – PRODUCTION PHASE

Start and Duration

* 1. The Production Phase of the Field shall begin on the date of submission of the Declaration of Commercial Feasibility and shall last for fifteen (15) years.

Performance of the Operations in the Production Phase

* 1. In the Production Phase, the Concessionaire shall observe:

1. rationalization of the Production;
2. the control of the decline in reservoirs;
3. reduction in the burning of Natural Gas and greenhouse gas emissions to the atmosphere;
4. the operational safety and use of processes and alternatives that minimize the impact of the Operations aiming at ensure protection of human life and preservation of the environment;
5. decommissioning and abandonment shall be contemplated by the definitions of the field development project.

Extension at the Concessionaire’s request

* 1. The Concessionaire may apply for extension of the term provided for in paragraph 8.1 upon submission of a request to ANP, together with a reviewed Development Plan, at least twenty-four (24) months before the end of such term.
     1. ANP shall answer the request for review of the Development Plan and extension of the Production Phase within no more than one hundred and eighty (180) days, and it may refuse the Concessionaire’s proposal or subject it to changes in the reviewed Development Plan, as long as justified.

Extension by determination of ANP

* 1. ANP may request the Concessionaire to proceed with the Field Operation upon a minimum two hundred seventy (270)-day notice of the expected end of the Production.
     1. ANP’s request may be refused only upon justification based on evidenced non-cost-effectiveness, among other reasons.
        1. In case of refusal by the Concessionaire, ANP shall have sixty (60) days of receipt of the justification to analyze the arguments presented and resolve upon the matter.
     2. After ninety (90) days of ANP’s proposal, the absence of the Concessionaire’s reply shall be deemed implied acceptance.
     3. The Agreement shall be extended for the additional time indicated by ANP.

Consequence of the Extension

* 1. If case of extension of the Production Phase, under paragraphs 8.3 or 8.4, the Parties shall remain bound by the exact terms and conditions of this Agreement, except for, exclusively, any amendments agreed due to and for the purposes of such extension.
     1. At the end of the Production Phase, paragraphs 8.3 or 8.4 shall apply for the purposes of a possible new extension, as appropriate.

1. SECTION NINE – DOCUMENTS FOR MONITORING THE PRODUCTION PHASE

Plans and Programs

* 1. These are the Plans and Programs for monitoring the Production Phase:

1. Development Plan (PD);
2. Annual Work and Budget Programs (PAT); and
3. Annual Production Program
   * 1. The Plans and Programs for monitoring the Production Phase shall be prepared under the Applicable Laws and Regulations.

Deadlines

* 1. The Concessionaire shall submit the Development Plan to ANP within one hundred and eighty (180) days of the date on which the Declaration of Commercial Feasibility was submitted.
     1. If the Declaration of Commercial Feasibility is delayed, as provided for in paragraphs 7.4 and 7.5, the Development Plan shall be submitted on the date of the Declaration of Commercial Feasibility.
     2. ANP shall have one hundred and eighty (180) days of the date of receipt of the Development Plan to approve it or request the Concessionaire to make the modifications it deems applicable.
        1. If ANP does not reply within this term, the Development Plan shall be deemed approved, and ANP’s power/duty to demand revisions whenever necessary is not waived.
     3. If ANP requests any modifications, the Concessionaire shall submit them within sixty (60) days.
     4. Upon evidence of failure to submit the Development Plan within the term provided for in this paragraph, ANP shall notify the Concessionaire so that it submits the Plan within no more than ten (30) days.
     5. If the Development Plan is not approved by ANP and there are no applicable administrative appeals, this Agreement shall be lawfully terminated.
  2. The Concessionaire shall submit the Annual Work and Budget Program for the subsequent year to ANP by October thirty-one (31) of each calendar year.
     1. ANP shall have thirty (30) days of receipt of the PAT to approve it or request the Concessionaire to make the modifications it deems applicable.
     2. The Concessionaire shall resubmit the PAT including such changes within thirty (30) days or, if it disagrees with the modifications, it may discuss them with ANP within this same term in order to adjust it to what the Agency deems appropriate, according to the Best Practices of the Oil Industry.
  3. The Concessionaire shall submit the Annual Work Program (PAP) to ANP by October 31 of each calendar year. For the year in which the production shall begin, the PAP shall be submitted at least sixty (60) days before the expected Production start date.
     1. ANP shall have thirty (30) days of receipt of the PAP to approve it or request the Concessionaire to make the modifications it deems applicable.
     2. The Concessionaire shall resubmit the PAP including such changes within thirty (30) days or, if it disagrees with the modifications, it may discuss them with ANP within this same term in order to adjust it to which the Agency deems appropriate, according to the Best Practices of the Oil Industry.
  4. Untimely submission of the Plans and Programs listed in paragraph 9.1 causes the Concessionaire to be subject to the sanctions provided for in Section Twenty-Six and in the Applicable Laws and Regulations.
  5. The Concessionaire will be required to develop the Plans and Programs listed in paragraph 9.1, observing the modifications that may have been set by ANP.
  6. The Parties may request, at any time, a review of the Plans and Programs listed in paragraph 9.1.

Early Activities

* 1. Until the Development Plan is approved, any works, operations, or early production shall depend on ANP’s prior authorization, pursuant to the Applicable Laws and Regulations.

Reports

* 1. The Reports for monitoring the Production Phase are the following:

1. Monthly Production Report (BMP); and
2. Annual Reserves Report (BAR).
   1. The Reports for monitoring the Production Phase shall be prepared under the Applicable Laws and Regulations

Deadlines

* 1. The BMP shall be submitted to ANP by the Concessionaire until the fifteenth (15th) day of each month as of the month subsequent to the one when the Production begins.
     1. In case variance is greater than fifteen percent (15%) when compared to the volume expected for the corresponding month in the Annual Production Program, the Concessionaire shall present a justification to ANP by the fifteenth (15th) day of the subsequent month, pursuant to the Applicable Laws and Regulations.
  2. The BAR shall be submitted to ANP by the Concessionaire until January, 31, related to the previous year.

1. SECTION TEN – INDIVIDUALIZATION OF PRODUCTION

Production Individualization Agreement

* 1. The procedure of Individualization of Production of Oil and Gas shall be started under the Applicable Laws and Regulations if it is identified that a Deposit extends beyond the Concession Area.
  2. The Agreement and the Commitment for Individualization of Production shall be prepared under the Applicable Laws and Regulations.

CHAPTER IV – EXECUTION OF OPERATIONS

1. SECTION ELEVEN – EXECUTION BY THE CONCESSIONAIRE

Concessionaire’s Exclusivity

* 1. The Concessionaire shall have the exclusive right to execute the Operations in the Concession Area pursuant to the terms, conditions, and effectiveness of the Agreement.

Indication of the Operator by the Concessionaire

* 1. The Operator is designated by the Concessionaire to, on its behalf:

1. conduct and perform the Operations provided for in this Agreement;
2. submit the plans, programs, reports, guarantees, proposals, and communications to ANP; and
3. receive the replies, requests, proposals, and other communications from ANP.
   1. The Operator shall be responsible for full compliance with all the Concessionaire’s obligations set forth in this Agreement related to any aspect of the Operations and the payment of the Government Shares.
      1. In case of consortium, all Concessionaires shall be jointly liable for full compliance with all obligations of the Agreement.
   2. The Concessionaire that is a member of a consortium shall bear with investments related to its interest in the consortium, without prejudice to the joint liability.
   3. The Operator may transfer the responsible for the Operation at any time, upon submission of a request to ANP pursuant to Section Twenty-Two and the Applicable Laws and Regulations.
   4. The Operator may be removed by ANP in case of failure to comply with any of the sections of this Agreement if it does not cure its default within ninety (90) days of receipt of the notice from ANP indicating the default.
   5. In the events of transfer of responsibility for the Operation and removal of the Operator, the Concessionaire shall designate a new Operator, pursuant to the provisions of the Applicable Laws and Regulations. 
      1. The new Operator may perform its activities only upon assumption of all rights and obligations provided for in this Agreement, after authorization of ANP and execution of the relevant addendum to the Agreement.
   6. The Operator referred to in paragraphs 11.6 or 11.7 shall transfer to the new Operator the custody of all properties used in the Operations, accounting records, files, and other documents related to the Concession Area and the Operations at stake.
   7. The Operator referred to in paragraphs 11.6 or 11.7 shall remain liable for any acts, incidents, or circumstances related to its position of Operator incurred during its management.
      1. Such Operator shall also remain liable for all obligations and responsibilities arising from its position of operator until the transfer provided for in paragraph 11.9.
   8. ANP may, as a condition to approve a new Operator, require the latter and the Operator referred to in paragraphs 11.6 or 11.7 to take the necessary measures to fully transfer all information and other aspects related to this Agreement.
      1. ANP may require an audit and inventory be performed until transfer of the Operations to the new Operator.
      2. The audit and inventory costs shall be paid by the Concessionaire.
   9. In case of individual concessionaire, this shall be deemed, for purposes of this Agreement, the designated Operator of the Concession Area.

Diligence to Conduct Operations

* 1. The Concessionaire shall plan, prepare, implement, and control the Operations in a diligent, efficient and appropriate manner, pursuant to the Applicable Laws and Regulations and the Best Practices of the Oil Industry, always respecting the provisions in this Agreement and not performing any act that characterizes or may characterize a violation of the economic order.
     1. The Concessionaire shall, in all Operations:

1. adopt the measures required for preservation of oil resources and other natural resources and for the protection of human life, properties, and environment, pursuant to Section Seventeen;
2. respect the applicable technical, scientific, and safety rules and procedures, including as to the recovery of fluids, aiming at the rationalization of production and the control of the decline in the reservoirs; and
3. employ, whenever appropriate and economically justified, at ANP’s discretion, technical experiences and more advanced technologies, including the ones that increase the economic yield and the Production of the Deposits.
   1. The following are the Operator’s duties:
4. maintain minimum personnel, domiciled in Brazil, fluent in Portuguese, able to manage the daily Operations in an efficient and effective manner, as well as to respond to incidents in an appropriate and immediate way;
5. manage the activities involving operational or environmental risks, or risks to human health.

Buildings, Facilities, and Equipment

* 1. The Concessionaire is exclusively responsible for directly supplying, purchasing, renting, leasing, or otherwise obtaining, at its own account and risk, all properties, furniture, and real properties, including, without limitation, facilities, buildings, systems, equipment, machines, materials, and supplies required to execute the Operations.
     1. The purchase, rent, lease, or acquisition may be made in Brazil or abroad, pursuant to the Applicable Laws and Regulations and observing the provisions in paragraph 16.6 and in the other provisions of this Agreement.
  2. In case of use of pre-existing wells or infrastructure, the Concessionaire shall undertake, with respect to them, the responsibilities provided for in the Agreement and in the Applicable Laws and Regulations.
  3. The Concessionaire shall comply with the provisions included in the Applicable Laws and Regulations in Treatment or Processing of Natural Gas, as well as in Storage of Natural Gas and in Transportation of Gas, Oil, and its by-products.

Licenses, Authorizations, and Permits

* 1. The Concessionaire shall, at its own account and risk, obtain all licenses, authorizations, permits, and rights required under the Applicable Laws and Regulations, including those required for acquisition or use of properties referred to in paragraph 11.15.1.
     1. If the licenses, authorizations, and permits depend on a third-party agreement, the negotiation and execution of such agreements shall be the sole responsibility of the Concessionaire, and ANP may provide the assistance described in paragraph 12.4.
  2. The Concessionaire shall be held liable for infringement of the right to use materials and execution processes protected by trademarks, patents, or other rights, and it shall pay any obligations, liens, commissions, indemnifications, or other expenses arising from such infringement, including legal expenses.

Expropriations and Easements

* 1. The Concessionaire shall, at its own account and risk, pursuant to the provisions in paragraph 11.17, promote the expropriations and create the easements of real properties required to perform this Agreement, as well as to pay any and all resulting indemnification, cost, or expense.
  2. ANP shall start a process aiming at the declaration of public use, for purposes of expropriation and establishment of administrative easement of the real properties referred to in paragraph 11.19, upon substantiated request of the Concessionaire.

Free Access to the Concession Area

* 1. During the effectiveness of this Agreement, the Concessionaire shall have free access to the Concession Area and its facilities, pursuant to the provisions in paragraph 11.18.

Start of Production

* 1. The Concessionaire shall inform ANP about the Production start date upon notice to the Agency within twenty-four (24) hours after such date.

Temporary Interruption of Production

* 1. The Concessionaire may request the interruption of the Field Production for a period no longer than one (1) year, extendable at ANP’s discretion.
     1. ANP shall assess the request within sixty (60) days, renewable for the same period, and may request clarification from the Concessionaire.
     2. The term for assessment shall be resumed upon submission of the clarification required.
     3. Interruptions caused by an emergency situation, act of God, force majeure, or similar causes shall be immediately informed to ANP.
  2. Voluntary interruption of the Production shall not entail suspension of the term of the Agreement, except for the cases provided for herein.

Measurement

* 1. As of the Production start date of the Field, the Concessionaire shall measure, from time to time, on a regular basis, the volume and quality of the Oil and/or Gas produced at the Production Measurement Point.
     1. The measurement methods, equipment, and tools used shall be in compliance with the Applicable Laws and Regulations.

Production Availability

* 1. Ownership of the volumes of Oil and Gas measured pursuant to the preceding paragraph shall be granted to the Concessionaire at the Production Measurement Point.
     1. Quantification of the volumes shall be subject, at any time, to the supervision and corrections provided for in the Applicable Laws and Regulations.

Free Use

* 1. The Concessionaire shall be ensured the free use of the volumes of Oil and Gas granted thereto.

Consumption in the Operations

* 1. The Concessionaire may use as fuel, in the Operations, Oil and Gas produced in the Concession Area, as long as in reasonable quantities consistent with the Best Practices of the Oil Industry.
     1. The Concessionaire shall inform ANP, through the Monthly Production Report, the quantity of Oil and Gas consumed in the Operations and the purpose of its use.
     2. The volumes of Oil and Gas consumed in the Operations shall be calculated for purposes of calculation of the due Government and Third-Party Shares, provided for in Section Nineteen.

Results of Test

* 1. Data, information, results, interpretations, models of static and dynamic Reservoirs, and the flow regimes obtained from formation tests, Extended Well Tests, or Production Tests shall be submitted to ANP within the term defined in the Applicable Laws and Regulations.
  2. The volumes of Oil and Gas produced during the Extended Well Tests shall be granted to the Concessionaire pursuant to paragraph 11.27 and calculated for purposes of the due Government and Third-Party Shares, provided for in Section Nineteen.
  3. Oil and Gas Losses and Burning of Natural Gas. The losses of Oil or Gas occurred under the responsibility of the Concessionaire, as well as burning of Natural Gas in flares, shall be included in the Total Production Volume to be calculated for purposes of payment of the Government and Third-Party Shares, without prejudice to the provisions in Section Twenty-Five and Section Twenty-Six.
  4. Burning of Gas in flares shall be allowed only for reasons of safety, emergency, and commissioning, and shall be restricted to volumes previously and formally approved by ANP, pursuant to the Best Practices of the Oil Industry and the Applicable Laws and Regulations, except, in any case, for the provisions in article 47, paragraph 3, of Law No. 9,478/1997.

Drilling and Abandonment of Wells

* 1. The Concessionaire shall previously notify ANP of the start of drilling of any well in the Concession Area.
     1. The Concessionaire may interrupt the well drilling and abandon it before achieving the exploration objective established, pursuant to the Applicable Laws and Regulations and according to the Best Practices of the Oil Industry.
     2. ANP may exceptionally authorize drilling of wells in locations outside the Concession Area, due to Production Individualization Agreements or environmental issues.

Data Acquisition outside the Concession Area

* 1. Upon comprehensive request from the Concessionaire, ANP may authorize Operations off the Concession Area limits.
     1. The request shall include the technical justification to data acquisition.
     2. Data acquired off the Concession Area limits shall be immediately classified as public after its acquisition.
     3. The Concessionaire shall submit data and information acquired off the Concession Area limits to ANP, pursuant to the Applicable Laws and Regulations.
     4. Operations off the Concession Area limits shall not be taken into account for reduction in the Initial Work Program.

Facilities or Equipment outside the Concession Area

* 1. ANP may authorize the positioning or the construction of facilities or equipment in a place outside the Concession Area, aiming at complementing or optimizing the logistic structure related to the Operations.
     1. The Concessionaire must submit to ANP a justified request for positioning of facilities or equipment outside the Concession Area.
        1. The justification shall contemplate technical and economic aspects, as well as the positioning or construction Project, as the case may be.
     2. The provisions in Section Seventeen shall also apply to the equipment and facilities outside the Concession Area.

1. SECTION TWELVE – CONTROL OF OPERATIONS AND ASSISTANCE BY ANP

Monitoring and Inspection by ANP

* 1. ANP shall permanently monitor and inspect the Operations directly or through arrangements with bodies of the Federal Government, States, or the Federal District.
     1. The monitoring and inspection, or the absence thereof, shall not exclude or reduce the Concessionaire’s responsibility for full performance of the obligations undertaken.

Access and Control

* 1. ANP shall have free access to the Concession Area and the ongoing Operations, equipment, and facilities of the Concessionaire, as well as all records, studies, and technical data available, for purposes of monitoring and inspection.
     1. The Concessionaire shall provide to the representatives of ANP transportation, meals, personal protective equipment, and accommodations in the locations, under the same conditions as the ones provided to its own personnel.
     2. For the purposes of survey on data, information, or assessment of responsibilities about operational incidents, the access shall be provided by the Concessionaire through the unrestricted and immediate provision of transportation, food, personal protective equipment, and accommodation to the representatives of ANP.
     3. The Concessionaire shall provide information requested by ANP pursuant to the term and form established.
  2. The Concessionaire shall allow free access for the authorities with jurisdiction over any of its activities.

Assistance to the Concessionaire

* 1. Upon request, ANP may provide assistance to the Concessionaire in obtaining the licenses, authorizations, permits, and rights referred to in paragraph 11.17.
     1. ANP shall instruct the processes aiming at the declaration of public use referred to in paragraph 11.20.

Release from the Contracting Party’s and ANP’s responsibility

* 1. The Concessionaire is fully responsible for conduction of the Operations, and ANP is not responsible whatsoever as a result of the assistance requested and eventually provided.

1. SECTION THIRTEEN – DATA AND INFORMATION

Supply by the Concessionaire

* 1. The Concessionaire shall keep ANP informed with respect to the progress, results, and terms of the Operations.
     1. The Concessionaire shall send to ANP, as determined by ANP, copies of maps, sections, profiles, studies, interpretations, other geological, geochemical, and geophysical data and information, including data on wells, models of static and dynamic Reservoir, and flow regimes obtained from tests, in addition to reports or any other documents defined in a specific regulation and obtained as a result of the Operations and of this Agreement, containing information necessary to characterize the progress of the works and the geological knowledge of the Concession Area.
     2. Under article 22 of Law No. 9,478/1997, the technical inventory formed by data and information on the Brazilian sedimentary basins are an integral part of the national oil resources, and the Concessionaire shall submit such data and information, including those regarding the geological, geophysical, and geochemical modeling of the Concession Area, to ANP.
     3. The quality of the copies and other reproductions of data and information referred to this paragraph shall be as reliable and standard as the respective originals, including with respect to color, size, legibility, clarity, compatibility, and other relevant characteristics.
     4. ANP shall ensure compliance with the confidentiality periods, pursuant to the Applicable Laws and Regulations.

Processing or Analysis Abroad

* 1. The Concessionaire, upon the prior and express authorization by ANP, may dispatch rock and fluid samples or geological, geophysical, and geochemical data abroad, under the Applicable Laws and Regulations.

1. SECTION FOURTEEN – COMPENSATORY PENALTY FOR DEFAULT OF THE INITIAL WORK PROGRAM

Compensatory Penalty for Default of the Initial Work Program

* 1. As compensatory penalty for default of the Initial Work Program, the Concessionaire shall pay a fine in an amount equal to the Initial Work Program non-performed, as provided for in paragraphs 14.14 to 14.16.

If the amount of the fine imposed by ANP is higher than the amount obtained through the execution of the financial guarantee effected under paragraph 14.14, its charge shall proceed based on the difference.

Financial guarantee of the Initial Work Program

* 1. During the Rehabilitation Phase, the Concessionaire shall provide ANP with one or more financial guarantees for the Initial Work Program, according to the amount set in Annex II, within the term established in the tender protocol.
  2. The financial guarantees provided shall be accompanied by a letter signed by all Concessionaires expressing full awareness of paragraph 11.4 and of the fact that the obligations of the Initial Work Program are not fractional, and each Concessionaire shall be jointly responsible for reimbursement in case of default.

Types of Financial Guarantees

* 1. The Concessionaire may provide ANP with the following types of financial guarantee of the compensatory penalty for default of the Initial Work Program:

1. letter of credit;
2. performance bond;
3. Oil and Gas pledge agreement; and
4. escrow deposit.
   1. The financial guarantees may be combined in order to total the amount guaranteed.
   2. The financial guarantees shall comply with the form indicated in the tender protocol.
   3. The financial guarantees may only be replaced or changed after approval by ANP.

Adjustment of the Financial Guarantees

* 1. The value of the financial guarantee of the PTI shall be automatically subject to inflation adjustment on January 1st of each calendar year, by the IGP-DI variation of the immediately preceding year, except on the January 1st that immediately follows the publication of the tender protocol, in which case there shall be no update.
  2. The Concessionaire shall submit the update of the financial guarantees to ANP up to January 31 of each calendar year.
     1. The annual update of the guarantee is hereby waived if the type of guarantee provided already contains a clause for automatic inflation adjustment by the IGP-DI.

Effectiveness of Financial Guarantees

* 1. The effectiveness of the financial guarantee shall exceed the date expected for completion of the Rehabilitation Phase by at least one hundred and eighty (180) days.
     1. Financial guarantees shall be renewed whenever necessary, in the amount adjusted by inflation, pursuant to the provisions of paragraph 14.8.
     2. If the Rehabilitation Phase is suspended or extended, the financial guarantees shall be updated or renewed in order to cover a term of no less than one hundred and eighty (180) days as of the new date on which this Phase shall be completed.
  2. In the event of expiration of the financial guarantees, the Concessionaire shall replace them or provide additional guarantees.

Review of the Secured Amount

* 1. ANP may reasonably adjust the monetary amount of the financial guarantees and notify the Concessionaire so that it updates the guarantees already provided.
     1. The Concessionaire shall have up to sixty (60) days of receipt of the notification to update the financial guarantees.
     2. ANP may not make any adjustments in intervals of less than one (1) year.
     3. If the guarantee has been provided as an Oil and Gas pledge agreement, ANP may notify the Concessionaire in order to, pursuant to the tender protocol and the pledge agreement entered into by and between the parties, call for margin or, alternatively, provide to ANP a new guarantee in order to cover any difference between the required guarantee and the actual guarantee, in up to sixty (60) days of receipt of the notification.

Return of the Financial Guarantees

* 1. At the end of the Rehabilitation Phase, and once the Rehabilitation Phase Final Report is approved, ANP shall return the respective financial guarantees to the Concessionaire in up to ninety (90) days.

Enforcement of the Compensatory Penalty

* 1. If verified failure to comply with the Initial Work Program, ANP shall summon the Concessionaire to pay the amount corresponding to the non-executed portion, as compensatory penalty, within thirty (30) days, without any discount for voluntary payment.
  2. In the absence of the voluntary payment, ANP shall register the debit in the overdue tax system and execute the amount due, plus applicable statutory charges, deducted from the debit the amount already executed from the corresponding financial guarantees.
  3. The amount of the imposition set forth in the penalty clause shall be adjusted by the IGP-DI until the date on which the effective payment is made.
  4. Receipt of the amount corresponding to the compensatory penalty for failure to implement the Initial Work Program:

1. does not exempt the Concessionaire from performing the other obligations arising from the Agreement;
2. does not affect ANP’s right to seek other remedies and impose any applicable sanctions for acts other than the mere failure to implement the Initial Work Program; and
3. does not allow the Concessionaire to advance to the Production Phase.
   1. For escrow deposit, the guarantee shall be performed upon withdrawal of the adjusted amount, through correspondence from ANP to the depositary, regardless of prior authorization of the depositor.
   2. If ANP compulsorily excludes a member of the consortium under the Concession Agreement, the financial guarantee provided shall be executed and the PTI may be partially deducted, and the rights and obligations arising from the excluded consortium member’s share are spread between the other participants.
4. SECTION FIFTEEN – FINANCIAL GUARANTEE OF DECOMMISSIONING AND ABANDONMENT

Provision of a Financial Guarantee of Decommissioning and Abandonment

* 1. For the Rehabilitation Phase, the Concessionaire shall provide ANP one or more financial guarantees of decommissioning and abandonment regarding the wells indicated in Annex II in which it actually intends to intervene.
     1. The monetary amount corresponding to the financial guarantee of decommissioning and abandonment shall be estimated based on the Best Practices of the Oil Industry.
     2. The financial guarantee shall be submitted within twelve (12) months before the date expected for completion of the Exploration Phase.
     3. The term of the financial guarantee shall exceed at least one hundred and eighty (180) days the date provided for the completion of the Rehabilitation Phase.
        1. If the Rehabilitation Phase is suspended or extended, the financial guarantees shall be updated or renewed in order to cover a term of no less than one hundred and eighty (180) days as of the new date on which this Phase shall be completed.
        2. In the event of expiration of the financial guarantees, the Concessionaire shall replace them or provide additional guarantees.
  2. For the Production Phase, the financial guarantees of decommissioning and abandonment shall correspond to the amount approved by ANP according to the Annual Work and Budget Program.
     1. The Concessionaire shall keep the financial guarantees effective since the beginning of the Production Phase.
        1. The financial guarantees shall be effective for a period of at least one year.
  3. The provision of a decommissioning and abandonment guarantee does not exempt the Concessionaire from the obligation to execute all Operations required for decommissioning and abandonment of the Field.

Types of Financial Guarantees of Decommissioning and Abandonment

* 1. The Concessionaire may provide to ANP the following instruments as financial guarantees of decommissioning and abandonment:

1. letter of credit;
2. performance bond; or
3. other types of guarantees accepted by ANP.
   1. The financial guarantees of decommissioning and abandonment may be combined in order to total the amount guaranteed.
   2. The financial guarantees of decommissioning and abandonment may only be replaced or changed after approval by ANP.

Review of the Secured Amount

* 1. The Concessionaire, as it develops the activities to which the guarantees of decommissioning and abandonment were offered, may request to ANP the decrease in the amount of the financial guarantees.
  2. ANP may reasonably adjust the monetary amount of the financial guarantees of decommissioning and abandonment, notifying the Concessionaire so it adjusts the guarantees already provided.
     1. In case of adjustment of the monetary value, the provisions set forth in paragraphs 14.13.1 and 14.13.2 are applicable.

Return of the Financial Guarantees

* 1. The financial guarantees of decommissioning and abandonment shall be returned to the Concessionaire by ANP within ninety (90) days after:

1. the end of the Rehabilitation Phase and once the Final Report of the Rehabilitation Phase is approved; and
2. the end of the Production Phase and once the Final Report of Decommissioning and Abandonment is approved.

Execution of the Financial Guarantees

* 1. If the Concessionaire does not conduct all Operations required for the decommissioning and abandonment of the Field, ANP shall execute the respective financial guarantees.
     1. Execution of the Financial Guarantees:

1. does not exempt the Concessionaire from performing the other obligations arising from the Agreement;
2. does not affect ANP’s right to seek other remedies and impose any applicable sanctions.
3. SECTION SIXTEEN – PERSONNEL, SERVICES, AND SUBCONTRACTS

Personnel

* 1. The Concessionaire shall, directly or indirectly, recruit and hire, at its own account and risk, all personnel required to execute the Operations, being, for all purposes of this Agreement, the sole and exclusive employer.
     1. Recruitment and engagement may be performed in Brazil or abroad according to the Concessionaire’s selection criteria, pursuant to the Applicable Laws and Regulations, also regarding the minimum percentage of Brazilian personnel employed.
  2. The Concessionaire shall be exclusively and fully responsible, in Brazil and abroad, for measures regarding the entry, exit, and stay of its foreign personnel in the Country.
  3. The Concessionaire shall observe what is provided for in the Applicable Laws and Regulations regarding personnel engagement, retainment, and dismissal, occupational accidents, and industrial safety, undertaking sole and exclusive responsibility for collection and payment of social-security and labor contributions and other applicable charges and allowances due for any reason, as provided by the Brazilian law.
  4. The Concessionaire shall provide meals, personal protective equipment, and accommodation suitable for its personnel while on duty or commuting, specifically regarding the amount, quality, hygiene conditions, safety, and healthcare, under the Applicable Laws and Regulations.
  5. The Concessionaire shall remove or replace, at any time, any of its technicians or team members due to misconduct, technical deficiency, or poor health conditions.

Services

* 1. The Concessionaire must directly perform, contract, or otherwise obtain, at its own account and risk, all services required for performance of this Agreement.
     1. The services may be contracted in Brazil or abroad, under the Applicable Laws and Regulations.
     2. If it contracts services from its Affiliates, the prices, deadlines, quality, and other agreed terms shall be competitive and compatible with the market practices.
  2. The Concessionaire shall enforce the provisions in this Agreement and in the Applicable Laws and Regulations for all its subcontractors and suppliers.
  3. The Concessionaire shall be held fully and strictly liable for the activities of its subcontractors resulting, directly or indirectly, in damages or losses to the environment, to ANP, or to the Federal Government.
  4. The Concessionaire shall keep the inventory and the records of all services referred to in paragraphs 16.1 and 16.6 updated, under the Applicable Laws and Regulations.
     1. Any inventory balances not used in other Concession Areas, upon authorization of ANP, shall be treated as reduction of cost in the Operations.

1. SECTION SEVENTEEN – OPERATIONAL SAFETY AND ENVIRONMENT

Environmental Control

* 1. The Concessionaire shall, in the performance of the Agreement:

1. ensure environmental preservation, developing the activities according to the Best Practices of the Oil Industry and the Applicable Laws and Regulations;
2. mitigate the occurrence of impacts and/or damages to the environment;
3. ensure safety of the Operations for purposes of protecting human life, the environment, and the Federal Government’s heritage;
4. ensure protection of the Brazilian historical and cultural heritage;
5. restore degraded areas in compliance with the Applicable Laws and Regulations and the Best Practices of the Oil Industry;
6. meet the Safety Recommendations issued by ANP pursuant to the Applicable Laws and Regulations.
   1. ANP may, at any time, request a copy of the studies submitted for approval of the applicable environmental authority if awareness of its content becomes required for the instruction/management of the Agreement entered into herein.
   2. In case of an environmental permitting process in which the applicable authority deems that a Public Hearing is required, the Concessionaire shall submit to ANP a copy of the studies prepared aiming at obtaining the permits at least thirty (30) business days before the Hearing.
   3. The Concessionaire shall submit to ANP a copy of the environmental permits and their relevant renewals, pursuant to the deadlines defined in the specific regulations issued by ANP or, before that, if awareness of the content becomes necessary for the instruction or management of the Agreement entered into herein.
   4. The Concessionaire shall immediately inform ANP and the competent authorities of any occurrence arising from an intentional or accidental fact or act involving risk or damage to the environment or to human health, property damages to its own or third-party assets and properties, fatalities or severe injuries to the personnel or to third parties, or unscheduled interruptions of the Operations, pursuant to the Applicable Laws and Regulations and the instructions provided for in manuals issued by ANP, when applicable.

Liability for Damages and Losses

* 1. The Concessionaire shall undertake full and strict liability for all environmental damages that may result from the execution of the Operations, directly or indirectly.
     1. The Concessionaire shall indemnify the damages resulting from the Operations.
     2. The Concessionaire shall indemnify the Federal Government and ANP, pursuant to paragraphs 2.2 to 2.6, for any and all lawsuit, appeal, claim or legal oppositions, arbitration court, audit, inspection, investigation, or dispute of any kind, as well as for any damages, compensations, punishments, fines, or penalties of any kind, related to or resulting from such damages and losses.

1. SECTION EIGHTEEN – INSURANCE

Insurance

* 1. The Concessionaire shall provide and keep in force, during the effectiveness of this Agreement, insurance coverage for all cases required by the Applicable Laws and Regulations, without entailing limitation of its liability under this Agreement.
     1. These insurance policies must cover:

1. properties;
2. personnel;
3. extraordinary expenses for the operation of wells;
4. cleaning, in the event of accidents;
5. decontamination, in the event of accidents; and
6. civil liability for damages to the environment and the Federal Government’s heritage.
   * 1. The Concessionaire shall include ANP as coinsured in the policies covering civil liability, and it shall not impair ANP’s right to be fully reimbursed for losses and damages exceeding the indemnification received by virtue of the coverage provided for in the policy.
   1. At ANP’s sole discretion and provided that previously authorized by it, self-insurance may be accepted.
   2. The Concessionaire shall obtain, from its insurance companies, the inclusion of a clause in all policies through which they expressly waive any implied or explicit rights of subrogation against ANP or the Federal Government.
   3. Insurance through Affiliates is accepted as long as provided by a company authorized by the Private Insurance Superintendence – SUSEP to perform this activity and previously authorized by ANP.
   4. The Concessionaire’s policies and global insurance programs may be used for the purposes of this Section Eighteen, provided that previously authorized by ANP.
   5. The Concessionaire shall deliver to ANP, upon request, within five (5) business days, a copy of all policies and agreements regarding the insurance policies referred to in paragraph 18.1, as well as a copy of any and all amendment, change, endorsement, postponement, or extension thereof, and a copy of any and all related loss occurrence, complaint, or report.

CHAPTER v – GOVERNMENT SHARES

1. SECTION NINETEEN – SHARES

Government and Third-Party Shares

* 1. In addition to the Signature Bonus, paid before the date of execution of the Agreement, the Concessionaire shall pay to the Federal Government and third parties the following shares, pursuant to the Applicable Laws and Regulations:

1. Royalties;
2. payment for land occupancy or withholding; and
3. payment of a share to the landowner.
   * 1. Taking into account the subject matter of this Agreement, the amounts to be paid shall comply with the provisions in Annex V and in the Applicable Laws and Regulations.
   1. The Concessionaire shall not be exempted from payment of Government and Third-Party Shares in cases of:
4. production earned during the Extended Well Test period;
5. suspension of the term of this Agreement;
6. act of God, force majeure, and similar causes.

1. SECTION TWENTY – TAXES

Tax Regime

* 1. The Concessionaire shall be subject to the tax regime in the federal, state and municipal scopes, undertaking to comply with it under the terms, deadlines, and conditions defined in the Applicable Laws and Regulations.

Certificates and Evidence of Regularity

* 1. Upon request of ANP, the Concessionaire shall submit the original copies or certified copies of all certificates, registration acts, authorizations, evidence of enrollment in taxpayers’ registries, evidence of tax regularity, evidence of regular standing as to the payment of the social charges instituted by law, enrollments in entities or professional associations, and any other similar documents or certificates.

1. SECTION TWENTY–ONE – CURRENCY AND FOREIGN CURRENCY

Currency

* 1. The currency shall be Real, for all purposes and effects of this Agreement.

Foreign Currency

* 1. The entry and remittance of foreign currency shall observe the Brazilian laws, including the regulations issued by the monetary authorities of the Country.

1. SECTION TWENTY–TWO – ACCOUNTING AND FINANCIAL AUDIT BY ANP

Accounting

* 1. Under the applicable laws and regulations, the Concessionaire shall:

1. keep all documents, books, papers, records, and other procedural documents;
2. keep all supporting documents required for determination of the Government and Third-Party Shares supporting the accounting bookkeeping;
3. make the applicable entries;
4. submit the accounting and financial statements;
5. submit the Quarterly Expense Report, or a document that may replace it, to ANP;

Audit

* 1. ANP may perform an audit, including for the statements of calculation of the Government Shares, under the Applicable Laws and Regulations.
     1. ANP shall perform audit directly or through contracts and partnerships, under the Applicable Laws and Regulations.
     2. The Concessionaire shall be notified at least thirty (30) days before the audits.
     3. ANP shall have comprehensive access to the documents, books, records, and other documents referred to in paragraph 22.1, including the contracts and agreements entered into by the Concessionaire and related to the acquisition of goods and services for the Operations, for the last ten years.
     4. The Concessionaire is responsible for the information provided by third parties.
     5. ANP may require from the Concessionaire any documents required to settle any doubts.
     6. Any absence of audit or omission of its conclusions shall neither exclude nor reduce the Concessionaire’s liability to fully perform the obligations of this Agreement, nor shall represent implied agreement with methods and procedures contrary to this Agreement or to the Applicable Laws and Regulations.

CHAPTER VI – GENERAL PROVISIONS

1. SECTION TWENTY–THREE– ASSIGNMENT OF THE AGREEMENT

Assignment

* 1. The Concessionaire’ rights and obligations on this Agreement may be, in whole or in part, subject to Assignment, conditional on prior and express authorization of ANP.
  2. The parties shall keep the Agreement terms and conditions unchanged until execution of the respective addendum, and, before execution, it is prohibited to:

a) transfer or use assets related to the Agreement object of the assignment; and

b) exercise the assignee’s management power over the Agreement and its execution.

* 1. Default of paragraph 23.2 constitutes Assignment without the prior and express approval of ANP.
  2. The Operator and the other members of the Consortium shall have, respectively, at least a thirty percent (30%) and a five percent (5%) share in the Agreement throughout its effectiveness.
  3. The Concessionaires shall notify ANP of the change on its corporate control within thirty (30) days of the filing of the corporate act with the competent registration body, under the Applicable Laws and Regulations.
     1. The notice shall include the documentation required, under the Applicable Laws and Regulations.

Undivided Share in Rights and Obligations

* 1. Assignment of the Concession Area shall always represent an undivided share in the Concessionaire’s rights and obligations, observing the joint liability of the assignor and the assignee under the Applicable Laws and Regulations.

Assignment of an Area

* 1. The Assignment of a portion of a Field shall not be accepted, except as an alternative to a Production Individualization Agreement not materialized, at ANP’s discretion.

Assignment Nullity and Need for Prior Express Approval

* 1. Any Assignment that does not comply with the provision in this section or in the Applicable Laws and Regulations shall be lawfully null and subject to the penalties provided for in this Agreement and in the Applicable Laws and Regulations.

Approval of Assignment

* 1. ANP shall have a ninety (90)-day period as of submission of the full documentation and as required, under the Applicable Laws and Regulations, to resolve upon the Assignment.
  2. The Assignment of the Agreement shall only be authorized, except in the event of paragraph 26.5.2, when:

1. the Concessionaires perform the obligations in the Agreement; and
2. the assignor and the assignee, or the guaranteed party, in the events of exemption or replacement of a performance guarantee, perform all their obligations related to the Government and Third-party shares, in compliance with all concession agreements or production sharing agreement to which they are parties.

Effectiveness and Efficacy of the Assignment

* 1. Upon approval of the Assignment by ANP, the Agreement shall be amended so that the act is performed, except in the events of exemption or replacement of a performance guarantee, under the Applicable Laws and Regulations.
  2. The addendum to the Agreement shall be effective as of the date of its execution, under the Applicable Laws and Regulations.
  3. Within forty-five (45) days of the execution of the addendum, the Concessionaire shall submit to ANP a copy of the Consortium Agreement or of the amendment filed with the applicable commercial registry.
  4. As of the execution of the addendum, the former Concessionaire shall have a ninety (90)-day period to transfer all exclusive data related to the agreement assigned, whether public or confidential, to the new concessionaire.
     1. The new concessionaire shall become the holder of the rights to exclusive data, and the deadlines for confidentiality already in progress shall remain unchanged, under the Applicable Laws and Regulations.

Creation of Guarantees on the rights arising from this Agreement

* 1. Within the scope of credit transactions or credit facility agreement, the Concessionaires may create guarantee on the rights arising from this Agreement.
  2. Concessionaire shall notify ANP of the guarantee business provided for in Section 23.15, by sending a copy of the respective instrument of guarantee, within thirty (30) days of the date of its execution.
  3. The guarantee shall be foreclosed under the Applicable Laws and Regulations and upon notice to ANP pursuant to the instrument of guarantee, provided that transfer of ownership arising from the guarantee foreclosure constitutes an assignment and depends on prior and express consent of ANP.

1. SECTION TWENTY FOUR – RELINQUISHMENT

Relinquishments

* 1. The Concessionaire may relinquish the entire Area if it decides to end operations after the Rehabilitation Phase, upon notice to ANP.
     1. Relinquishment shall not exempt the Concessionaire from the obligation to comply with the Initial Work Program.
     2. The Concessionaire shall not be entitled to any reimbursement for the investments made.

Use of the Relinquished Area by ANP

* 1. As of the expression of interest in the relinquishment of the Area by the Concessionaire, ANP may use it at its sole discretion, including for purposes of new bidding processes.

Relinquishment of the Concession Area in the Rehabilitation Phase

* 1. The Concessionaire may relinquish the Concession Area at any time during the Rehabilitation Phase, upon notice to ANP.
  2. If the Concessionaire does not submit a Declaration of Commercial Feasibility for the Area within sixty (60) days after the end of the Rehabilitation Phase, it shall send a Facility Decommissioning Program to ANP, prepared under the Applicable Laws and Regulations.
  3. The submission of the Facility Decommissioning Program does not entail any kind of acknowledgement or release by ANP nor exempt the Concessionaire from compliance with the Initial Work Program and the responsibilities indicated in Section Seventeen.
     1. Failure to submit the Declaration of Commercial Feasibility by the end of the Rehabilitation Phase entails the lawful termination of the Agreement, after the due process of law.

Relinquishment of the Concession Area in the Production Phase

* 1. The Concessionaire may, at any time during the Production Phase, relinquish the Field, upon notice to ANP.
  2. Once the Production Phase is completed, the Field shall be relinquished to ANP pursuant to paragraph 8.1.
  3. At its discretion, ANP may adopt the measures necessary to continue the Field Operation and may also contract a new party over the last one hundred and eighty (180) days of the end of this Phase.
     1. The Concessionaire shall use all efforts and take all applicable measures in order to, over the last one hundred and eighty (180) days of Production or as of the notice described in paragraph 24.3, properly transfer the Operations to the new Concessionaire, in order not to impair the Field management and Production.
  4. In a term of no less than one hundred and eighty (180) days before the end of the Production Phase, the Concessionaire shall submit to ANP a Facility Decommissioning Program, prepared under the Applicable Laws and Regulations.
     1. ANP shall have one hundred and eighty (180) days of the date of receipt of the Facility Decommissioning Program to approve it or request the Concessionaire to make the modifications it deems applicable.
     2. If ANP requests modifications, the Concessionaire shall have a term of up to sixty (60) days of receipt of notification to submit them, thus repeating the procedure provided for in preceding paragraph.
        1. The Agreement is hereby automatically extended, in this case, for the term required for approval and development of the Facility Decommissioning Program.
     3. ANP may determine that the Concessionaire does not plug certain wells or decommission or remove certain facilities and equipment.
  5. In case of a Field, the plan for decommissioning and abandonment and the mechanisms to make the necessary funds available shall be provided for in the respective Development Plan and reviewed from time to time throughout the Production Phase through the Annual Work and Budget Programs.
  6. The cost of decommissioning and abandonment of Operations shall be established in order to cover the activities of definitive abandonment of wells, decommissioning and removal of lines and facilities, and rehabilitation of areas, pursuant to the Applicable Laws and Regulations.

Properties to be Reversed

* 1. Pursuant to item VI of articles 28 and 43 of Law No. 9,478/1997 and to the Applicable Laws and Regulations, any and all personal and real properties, principal and ancillary, forming part of the Concession Area and that, at ANP’s sole discretion, are necessary to enable continuity of the Operations or which use is considered of public interest, shall become owned by the Federal Government and be managed by ANP in case of termination of this Agreement.
  2. In case of sharing of properties for the Operations of two or more Fields, such properties may be withheld until conclusion of all Operations.
  3. Properties not reversed pursuant to paragraph 24.13, including useless material, shall be removed and/or disposed of by the Concessionaire, at its own account and risk, pursuant to the provisions of this Agreement and the Applicable Laws and Regulations.

Conditions for Relinquishment

* 1. Any and all relinquishment of the Concession Area, as well as the consequent reversal of properties, shall be final and made by the Concessionaire with no liens whatsoever for the Federal Government or ANP, under article 28, paragraphs 1 and 2, of Law No. 9,478/97, and the Concessionaire shall not be entitled to reimbursement.
  2. The relinquishment of areas or Fields forming part of the Concession Area does not exempt the Concessionaire from the responsibility provided for in paragraph 17.6.

Relinquishment by termination of the Agreement

* 1. Termination of this Agreement for any reason shall require the Concessionaire to immediately relinquish the entire Concession Area to ANP.
  2. This Agreement shall only be terminated after full compliance with the Facility Decommissioning Program, approved by ANP, with immediate relinquishment of the relevant Concession Area, pursuant to the provisions in paragraphs 24.15 and 24.16.

1. SECTION TWENTY–FIVE – RELATIVE DEFAULT AND PENALTIES

Sanctions

* 1. In case of failure to perform the obligations set forth in this Agreement or performance in a place, time, or manner other than that agreed, the Concessionaire shall incur the specific sanctions provided for herein and in the Applicable Laws and Regulations, without prejudice to the liability for potential losses and damages resulting from the default.
  2. In case of failure to comply with the Applicable Laws and Regulations, the Concessionaire shall incur the applicable legal and administrative sanctions.

1. SECTION TWENTY-SIX – TERMINATION OF THE AGREEMENT

Lawful Termination

* 1. This Agreement shall be lawfully terminated:

1. upon lapse of the effective period provided for in Section Four;
2. upon completion of the Rehabilitation Phase with no compliance with the Initial Work Program;
3. at the end of the Rehabilitation Phase, in case there has been no Declaration of Commercial Feasibility;
4. in case the Concessionaire relinquishes the Concession Area;
5. upon failure to deliver the Development Plan within the term established by ANP;
6. upon non-approval by ANP of the Development Plan provided for in Section Nine;
7. upon refusal of the Concessionaire to execute, in whole or in part, the Production Individualization Agreement after ANP’s decision; or
8. upon adjudication of bankruptcy or non-approval of request for judicial reorganization of any Concessionaire by the competent court, except as provided for in paragraph 26.5.2.

Rescission by will of the Parties: Bilateral and unilateral termination

* 1. This Agreement may be terminated at any time upon mutual agreement between the Parties, without prejudice to performance of the obligations under this agreement.
  2. At any time during the Production Phase, the Concessionaire may terminate this Agreement only upon notice to ANP at least one hundred and eighty (180) days before the date intended to terminate the Agreement.
     1. The Concessionaire may not interrupt or suspend the Production undertaken in the Annual Production Programs during the minimum period of one hundred and eighty (180) days of the date of the notice of intention to terminate.
  3. Termination of the Agreement does not exempt the Concessionaire from the responsibility provided for in paragraph 17.6.

Termination for Absolute Default

* 1. This Agreement shall be terminated upon the following events:

1. failure by the Concessionaire to perform the contractual obligations, except if they are lawfully waived; or
2. judicial or extrajudicial reorganization, with no submission of an approved reorganization plan able to demonstrate to ANP its economic and financial capacity to fully perform all contractual and regulatory obligations.
   * 1. In case of item “a”, before termination of the Agreement, ANP shall notify the Concessionaire to perform the obligation not performed within a term of no less than ninety (90) days, except when extremely urgent.
     2. After confirming the absolute default, the Concessionaire shall be granted a ninety (90)-day period, or shorter, when extremely urgent, to formalize before ANP the request for Assignment of its undivided share in the rights and obligations of this Agreement, under penalty of imposition of the penalties provided for in this Agreement, in addition to contract termination.
     3. In case of more than one Concessionaire, and if the Assignment provided for in paragraph 26.5.2 is not performed, ANP shall only terminate this Agreement with respect to the defaulting party, and its undivided share in the rights and obligations of this Agreement is divided between the other non-defaulting Concessionaires, in the proportion of their shares, upon prior and express approval by the Contracting Party, based on ANP’s opinion.

Consequences of Termination

* 1. In any of the cases of termination provided for in this Agreement or in the Applicable Laws and Regulations, the Concessionaire shall not be entitled to any reimbursement.
  2. Once this Agreement is terminated, the Concessionaire shall be liable for losses and damages arising from its default and termination, paying all applicable indemnifications and compensations, as provided by law and herein.

1. SECTION TWENTY-SEVEN – ACT OF GOD, FORCE MAJEURE, AND SIMILAR CAUSES

Full or Partial Exemption

* 1. The obligations undertaken in this Agreement shall only be released in the events of acts of God, force majeure, and similar causes that justify non-performance, such as administrative action or omission, factum principis, and unexpected disruptions.
     1. Exemption of the Concessionaire from its obligations shall be exclusively related to the obligations in this Agreement which performance becomes impossible due to acts of God, force majeure, or similar causes, acknowledged by ANP.
     2. ANP’s decision acknowledging the occurrence of acts of God, force majeure, or similar causes shall indicate the portion of this Agreement which performance shall be dismissed or postponed.
     3. Acknowledgement of acts of God, force majeure, or similar causes does not exempt the Concessionaire from payment of the Government and Third-Party Shares.
  2. Notification of events that may be considered an act of God, force majeure, or similar cause shall be immediate and shall specify such circumstances, its causes and consequences.
     1. Cessation of the events shall be equally notified.

Amendment and Termination of the Agreement

* 1. After the act of God, force majeure, or similar causes are overcome, the Concessionaire shall perform the affected obligations, and the term for performance of these obligations shall be extended for the period corresponding to the duration of the event.
     1. Depending on the extent and severity of the effects of the act of God, force majeure, or similar causes, the Parties may agree on the amendment or termination of the Agreement.
     2. During interruption of the contract term, all Parties’ obligations not affected by act of God, force majeure, and similar causes remain effective and enforceable.

Environmental Permitting

* 1. ANP may extend or suspend the course of the contract term in case of evidenced delay in the environmental permitting procedure due to exclusive fault of the applicable public entities.
  2. As long as requested by the Concessionaire, the suspension of the lapse of the contract term for more than five (5) years may entail contract termination, and the Concessionaire shall have no right to any type of indemnification.
     1. The Concessionaire shall be responsible for evidencing that, in the period between suspension of the lapse of the contract term and request for termination of the Agreement, it has not contributed to the delay of the environmental permitting process.
  3. As long as requested by the Concessionaire, the final denial by the competent environmental authority of the permit essential to the development of the activities may entail contract termination, and the Concessionaire shall not be entitled to any type of indemnification.
  4. The Concessionaire shall be responsible for evidencing that it did not contribute to the denial of the environmental permitting process for such denial to be considered an act of God, force majeure, and similar cause.

Losses

* 1. The Concessionaire shall individually and exclusively assume all losses arising from the situation of act of God, force majeure, or similar causes.

1. SECTION TWENTY-EIGHT – CONFIDENTIALITY

Obligation of the Concessionaire

* 1. Any and all data and information acquired, processed, produced, developed, or, in any way, obtained as a result of the Operations and the Agreement, are strictly confidential.
  2. Data and information referred to in paragraph 28.1 may not be disclosed by the Concessionaire without ANP’s prior consent, except when:

1. they are or become public by a third party authorized to disclose them;
2. there is a requirement for disclosure arising from legal obligation or court order;
3. the disclosure is made according to the rules and limits imposed by the stock exchange in which the Concessionaire’s shares are traded;
4. the disclosure is directed to an Affiliate, consultant, or agent of the Concessionaire;
5. the disclosure is directed to the financial institution and insurance company to which the Concessionaire resorts or to a consultant thereof;
6. the disclosure is directed to a potential assignee in good faith or to its Affiliate or consultant; and
7. the disclosure is directed to a Concessionaire or contractor under another regime of Exploration and Production of Oil and Gas in an adjacent area, to its Affiliate, or to its consultant, aiming at the execution of the Production Individualization agreement.
   * 1. Disclosure of data and information referred to in items “d” to “g” shall be conditioned to a previous confidentiality agreement, which shall:
8. include the provisions in paragraphs 28.1 and 28.2;
9. establish that its default shall be subject to the provision in Section Twenty-Five;
10. prohibit the disclosure by the third party of the data and information received without ANP’s prior consent.
    * 1. The third party shall not count on the benefit of the exceptions provided for in sub-items “a” to “g” for disclosure of data and information without ANP’s prior consent.
      2. In the events provided for in sub-items “a” to “g”, the Concessionaire shall send ANP a notice within thirty (30) days of the disclosure.
      3. The notice shall be followed by data and information disclosed, the reasons for the disclosure, and the list of third parties who had access to such data and information.
      4. In the events provided for in sub-items “d” to “g”, the notice shall also be followed by a copy of the confidentiality agreement referred to in paragraph 28.2.1.
    1. The provisions in paragraphs 28.1 and 28.2 shall remain in effect and shall survive termination of this Agreement.

ANP’s Commitment

* 1. ANP undertakes not to disclose any data and information obtained as a result of the Operations and related to the areas withheld by the Concessionaire, pursuant to art. 5, paragraph 2, of Decree No. 7,724/2012.
     1. Such provision shall not apply in case the disclosure is necessary for compliance with the applicable legal provisions, including the laws and regulations on access to information, or for proceeding with the purposes to which it was created.

1. SECTION TWENTY-NINE – NOTICES, REQUESTS, COMMUNICATIONS, AND REPORTS

Notices, Requests, Plans, Programs, Reports, and other Communications

* 1. Notices, requests, submission of plans, programs, reports, as well as any other communications provided for in this Agreement shall be formal and made in writing, pursuant to the Applicable Laws and Regulations.
     1. If there is no specific provision in the Applicable Laws and Regulations, the communications set forth herein shall be delivered in person, upon receipt, or sent by mail, with proof of receipt.
     2. Acts and communications related to this Agreement shall be written in Portuguese and signed by a legal representative of the Concessionaire or an attorney-in-fact with specific powers.

Addresses

* 1. The addresses of the representatives of the Parties are included in [Annex VIII](#_ANEXO_X_–).
     1. In case of change of address, the Parties undertake to notify the other Party about the new address upon at least thirty (30)-day notice of the change.

Validity and Efficacy

* 1. The notices provided for in this Agreement shall be deemed valid and effective on the date they are effectively received.

Amendments to the Acts of Incorporation

* 1. The Concessionaire shall notify ANP about any amendments to its acts of incorporation, bylaws, or articles of association by sending, within thirty (30) days, copies thereof and copies of the documents for election of its managers or for evidence of the acting board of executive officers.

1. SECTION THIRTY – LEGAL REGIME

Governing Law

* 1. This Agreement shall be executed, governed, and construed according to the Brazilian laws.
     1. The parties shall comply with the Applicable Laws and Regulations in the execution of the Agreement.

Reconciliation

* 1. The Parties undertake to use all efforts as to amicably resolve upon any and all dispute or controversy arising from this Agreement or related thereto.
     1. Such efforts shall include at least the request for a specific reconciliation meeting by the unsatisfied party, followed by its request and factual and lawful reasons.
     2. The request shall be met, and the meeting shall be scheduled by the other party within fifteen (15) days of the request, in ANP’s offices. The representatives of the parties shall have powers to compromise on the matter.
     3. After the meeting, if no agreement is immediately reached, the parties shall have at least thirty (30) additional days to negotiate an amicable solution.

Mediation

* 1. Upon written agreement and at any time, The Parties may submit dispute or controversy to mediation of qualified entity therefor, pursuant to its regulation and according to the Applicable Laws and Regulations.

Independent Expert

* 1. Upon written agreement, the Parties may resort to an independent expert in order to obtain a well-grounded opinion that may lead to the settlement of the dispute or controversy.
     1. In case such agreement is signed, arbitration may only be filed after issuance of the expert’s opinion.

Arbitration

* 1. After the procedure set forth in paragraph 30.2, if one of the Parties considers there are no conditions for an amicable solution to the dispute or controversy referred to in such paragraph, such issue shall be submitted to arbitration.

1. The arbitration proceeding shall be managed by a notoriously acknowledged arbitral institution with trustworthy reputation, with capacity to manage arbitration according to the rules of this Section and preferably with its principal place of business or office for management of cases in Brazil;
2. The Parties shall choose the arbitral institution by mutual agreement. If the Parties do not reach an agreement regarding the choice of the arbitral institution, ANP shall indicate one of the following institutions: (i) International Court of Arbitration of the International Chamber of Commerce; (ii) London Court of International Arbitration; or (iii) Hague Permanent Court of Arbitration. If ANP does not indicate an institution within the term established in paragraph 30.2.3, the other party may indicate any of the three institutions referred to in this item.
3. The arbitration shall follow the rules of the chosen arbitral institution, only with respect to what is in compliance with this Section. Only expedited procedures or procedures from a single arbitrator shall be adopted in case of an express agreement between the parties.
4. Three arbitrators shall be appointed. Each Party shall choose an arbitrator. The two arbitrators so appointed shall designate the third arbitrator, who shall preside over the panel;
5. The city of Rio de Janeiro, Brazil, shall be the seat of the arbitration and the place where the arbitration award is rendered;
6. The language of the arbitration proceeding shall be the Portuguese. However, the Parties may support the proceeding with testimonies or documents in any other language, as decided by the arbitrators, with no need for a sworn translation;
7. On the merits, the arbitrators shall decide based on the Brazilian laws;
8. The arbitration award shall be final and its content shall bind the Parties. Any amounts possibly payable by ANP shall be paid off by a special judicial order, except in the event of administrative acknowledgement of the request;
9. The expenses required to compose, conduct, and development the arbitration, such as costs of the arbitral institution and for advance payment of arbitral fees, shall be paid in advance exclusively by the Party requiring composition of the arbitration. The requested Party shall only indemnify such amounts proportionally to the result of the arbitration, as decided in the arbitration award;
10. If expert evidence is required, the independent expert shall be designated by mutual agreement between the Parties or, in the absence of agreement by the Arbitration Court. The costs for such expert examination, including expert fees, shall be paid in advance by the Party requiring it or by the arbitration claimant, if it is proposed by the Arbitration Court. Such costs shall be borne, in the end, by the defeated Party, pursuant to the preceding item. The Parties may appoint expert assistants of their choice on its account, however, such costs shall not be subject to reimbursement;
11. The Arbitration Court shall convict the Party, defeated in whole or in part, to pay attorney’s fees, under articles 85 and 86 of the Brazilian Code of Civil Procedure, or rule that may succeed it. No other compensation for expenses of a Party shall be due upon its own representation;
12. If preliminary injunctions or urgent protective measures are required before arbitration, the interested Party may request them directly from the Judiciary Branch, based on the Applicable Laws and Regulations, and they shall be cancelled if arbitration is not filed within thirty (30) days of the date of effectiveness of the decision;
13. Upon request of the Concessionaire, ANP may, at its sole discretion, suspend the adoption of measures for performance of guarantees and registration in debtor register, provided that the Concessionaire keeps the guarantees effective during the terms provided for in this Agreement, for a period sufficient to compose the Arbitration Court, in order to avoid unnecessary filing of the legal action provided for in the preceding item;
14. The arbitration proceeding shall observe the principle of disclosure, pursuant to the Brazilian Laws and Regulations and the confidential data under this agreement. The arbitral institution responsible for the proceeding shall be in charge of disclosure of information to the public, which shall be done preferably though the Internet.
    1. The Parties hereby represent to be aware that the arbitration addressed by this Section refers exclusively to disputes arising from the Agreement or related thereto and is intended to settle only litigations related to the equity rights available, under Law No. 9,307/1996.
       1. Controversies on equity rights available are considered for purposes of this Section:
15. application of contractual penalties and their calculation, as well as controversies arising from the performance of guarantees;
16. calculation of indemnifications arising from termination or transfer of the Agreement;
17. failure by any of the parties to perform contractual obligations;
18. demands related to contractual right or obligation.

Jurisdiction

* 1. For the provisions in item “I” of paragraph 30.5 and matters not related to the equity rights available, as provided by Law No. 9,307/1996, the Parties elect the Federal Courts – Judiciary Section of Rio de Janeiro, Brazil, as the sole competent court, to the exclusion of any other court, however privileged it may be.

Suspension of Activities

* 1. ANP shall decide whether to suspend or not the activities under dispute or controversy.
     1. The criterion supporting the decision shall be the need to avoid a personal or property risk of any nature, especially regarding the Operations.

Justifications

* 1. ANP undertakes to, whenever it exercises its discretionary power, justify the act pursuant to the Applicable Laws and Regulations and the Best Practices of the Oil Industry.

Continuous Application

* 1. The provisions of this Section shall remain in effect and shall survive termination of the Agreement.

1. SECTION THIRTY–ONE – FINAL PROVISIONS

Execution of the Agreement

* 1. The Concessionaire shall maintain all conditions of eligibility and qualification required by ANP, during the whole execution of the Agreement, in compliance with the obligations undertaken by it.

Amendments and Addenda

* 1. Omission or forbearance by any of the Parties to require compliance with the provisions of this Agreement, as well as acceptance of a performance other than the required in the agreement, shall not imply novation or limit such Party’s right to subsequently impose compliance with these provisions or require a performance consistent with what is required in the agreement.
  2. Any amendments or addenda to this Agreement shall observe the Applicable Laws and Regulations and shall only be valid if formally made in writing and signed by the representatives of the Parties.

Disclosure

* 1. ANP shall cause all or part of the terms of this Agreement to be published in the Federal Official Gazette, for validity *erga omnes.*

In witness whereof, the Parties sign this Agreement in [number in words] (XX) counterparts of equal form and content for a single effect, in the presence of the witnesses below.

Rio de Janeiro, «execution\_date».

|  |
| --- |
|  |
| **National Agency of Petroleum, Natural Gas, and Biofuels – ANP**  «signatory\_anp\_name»  «signatory\_anp\_position» |
|  |
| **«signatory»**  «signataria\_representante01\_nome»  «signataria\_representante01\_cargo» |
|  |
| **«signataria»**  «signatory\_representative02\_name»  «signatory\_representative02\_position» |

Witnesses:

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Name: «witness\_01\_name»  CPF: «witness\_01\_cpf» |  | Name: «witness\_02\_name»  CPF: «witness\_02\_cpf» |

ANNEX I – CONCESSION AREA

The Concession Area object of this Agreement is the Area with Marginal Accumulation «area\_marginal accumulation», the cartographic parameters of which are listed below.

**CARTOGRAPHIC PARAMETERS USED FOR THE COORDINATES**

ANNEX II – INITIAL WORK PROGRAM

The activities to be developed by the Concessionaire for purposes of development of the Initial Work Program (PTI) are indicated in the table below.

The activities indicated herein are included in the subject matter of this Agreement.

**Initial Work Program**

|  |  |  |
| --- | --- | --- |
| Area | km² | PTI (No. of activities) |
| «area\_marginal accumulation» | «area\_km2» | «pti» |

**Total Amount of the Initial Work Program and Financial Guarantee**

|  |  |
| --- | --- |
| Price of the PTI  (R$) | Price of the Guarantee of the PTI  (R$) |
| «price\_pti»  («price\_pti\_in words») | «guarantee\_pti»  («guarantee\_pti\_in words») |

Legend:

AT1 – Reentry in wells aiming at rehabilitating the production;

AT2 – Extended Well Test;

AT3 – Formation Test;

AT4 – 2D Seismic Reinterpretation;

AT5 – 3D Seismic Reinterpretation; and

**Duration of the Rehabilitation Phase**

|  |
| --- |
| Duration of the Rehabilitation Phase (years) |
| 3 years |

ANP may, at its sole discretion, accept other activities proposed by the Concessionaire with the relevant technical justification.

ANNEX III – FINANCIAL GUARANTEE OF THE INITIAL WORK PROGRAM

(Attach a copy of the Financial Guarantee with respect to the Initial Work Program)

ANNEX IV – PERFORMANCE GUARANTEE

(Attach a copy of the document submitted, if available)

ANNEX V – GOVERNMENT AND THIRD-PARTY SHARES

Pursuant to Section Nineteen, the Concessionaire shall pay the following Government and Third-Party Shares:

1. Royalties in the amount corresponding to five percent (5%) of the Production of Oil and Gas in the Concession Area;
2. Payment for Occupation or Withholding of the Area: i) in the Rehabilitation Phase[[1]](#footnote-2), in the amount of R$ «withholding\_rehabilitation» («withholding\_rehabilitation\_in words») per square kilometer or fraction of the Concession Area, with the increase provided for in Decree No. 2,705 of August 3, 1998 in case of extension; ii) during the period of the Development Phase of the Production Phase, in the amount of R$ «withholding\_development» («withholding\_development\_in words»); and iii) during the Production Phase, in the amount of R$ «withholding\_production» («withholding\_production\_in words»); and
3. Payment to the landowners of a share equivalent to one half of one percent (0.5%) of the Production of Oil and Gas, under the Applicable Laws and Regulations.

ANNEX VI – PAYMENT OF THE SIGNATURE BONUS

|  |  |  |
| --- | --- | --- |
| Signature Bonus paid by the Concessionaire | | |
| Area | Amount Offered (in words) | Signature Bonus Paid (in words) |
| «area\_marginal accumulation» | «offering\_bonus» («offering\_bonus\_in words») | «bonus\_payed» («bonus\_payed\_in words») |

ANNEX VII – INDICATION OF OPERATOR

The initial Operator is «signatory». A new Operator may be designated as provided for in Section Eleven and pursuant to the conditions of Section Twenty-Three.

ANNEX VIII – ADDRESS

**National Agency of Petroleum, Natural Gas, and Biofuels – ANP**

Avenida Rio Branco nº 65, térreo/protocolo, Centro, Rio de Janeiro, RJ

CEP: 20090-004

**«signatory\_01\_operator»**

«address\_01»

CEP: «cep\_01»

**«signatory\_02»**

«address\_02»

CEP: «cep\_02»

ANNEX IX – COMMITMENT TO DECOMMISSION AND ABANDON

(Attach a copy of the Commitment to Decommission and Abandon)

1. Payment for Withholding or Occupancy of Area in Reais per square kilometer, pursuant to the Tender Protocol. [↑](#footnote-ref-2)