FEDERATIVE REPUBLIC OF BRAZIL

MINISTRY OF MINES AND ENERGY



DRAFT OF CONCESSION AGREEMENT FOR EXPLORATION AND PRODUCTION OF OIL AND GAS

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No. «numBER\_AGREEMENT»

ENTERED INTO BY AND BETWEEN

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

AND

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«signatORY\_02»

BRAZIL

2019

**CONCESSION AGREEMENT FOR EXPLORATION 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»,

“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 article 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 is 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 Exploration 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 Block 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 Minimum Exploration Program offered;

ANP and the Concessionaire enter into this Concession Agreement for Exploration and Production of Oil and Gas for the Block identified in Annex I under the following terms and conditions.

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1. BASIC PROVISIONS

1. SECTION ONE – DEFINITIONS

Legal Definitions

* 1. The definitions in art. 6 of Law No. 9,478/1997; in art. 2 of Law No. 12,351/2010, as appropriate; and in art. 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, whether in the singular or plural form, 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 or the plots of the area of the Block remaining subject withheld by the Concessionaire after the partial relinquishments provided for herein are made.
     4. **Development Area**: any plot of the Concession Area retained for the Development Phase.
     5. **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.
     6. **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.
     7. **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.
     8. **Concessionaire**: individually or collectively, the legal entities developing business activities that are members of the consortium, including the Operator.
     9. **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.
     10. **Agreement**: this Concession Agreement and its Annexes.
     11. **Consortium Agreement**: agreement regulating the rights and obligations of the Concessionaires regarding this Agreement.
     12. **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.
     13. **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.
     14. **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.
     15. **Flow of First Oil**: date of the first measurement of volumes of Oil and Gas at one of the Production Measurement Points in each Development Module.
     16. **Exploration Phase**: contract period in which the Exploration and Assessment are to be performed.
     17. **Production Phase**: contract period in which the Development and the Production are to be performed.
     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. **Macro-Group**: set of properties and services purchased or contracted by the Concessionaires to develop the activities in the segments defined under this Agreement with specific Local Content commitments.
     22. **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.
     23. **Development Module**: individual module composed of facilities and infrastructure for the Production of Oil and Gas of one or more Deposits of a certain Field, pursuant to the Development Plan approved by ANP.
     24. **New Reservoir**: accumulation of Oil and/or Gas in areas other than those already in Production or under Assessment.
     25. **Operation**: all activities of Exploration, Assessment, Development, Production, decommissioning, or abandonment developed sequentially, collectively, or separately by the Concessionaire for the purposes of this Agreement.
     26. **Operator**: the Concessionaire designated to conduct and develop all Operations provided for in this Agreement on behalf of the Concessionaires, pursuant to Annex VII.
     27. **Party**: signatory of the Agreement.
     28. **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.
     29. **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.
     30. **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.
     31. **Annual Work and Budget Program of the Exploration Phase**: a document reviewed every year of the Exploration Phase specifying the set of activities to be developed and the ones already developed by the Consortium Members, including details of the necessary investments.
     32. **Annual Work and Budget Program of the Production Phase:** a document specifying the set of activities to be developed by the Concessionaire, including details on the investments required to develop such activities in the Production Phase for the next five years.
     33. **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.
     34. **Minimum Exploration Program**: work schedule provided for in [Annex II](#_ANEXO_II_–), to be met by the Concessionaire during the course of the Exploration Phase.
     35. **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.
     36. **Local Content Report**: document to be submitted by the Concessionaire to ANP detailing the amounts disbursed for purposes of Local Content assessment.
     37. **Local Content Inspection Report**: expert report issued by ANP that assesses fulfillment of the contractual commitments declared by the Operator in the Local Content Report before beginning of any sanctioning process.
     38. **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.
     39. **Final Report for Decommissioning of the Facilities**: document submitted by the Concessionaire describing the activities developed pursuant to the Facilities Decommissioning Plan.
     40. **Seismic Reprocessing**: process to submit seismic data to new processing, aiming at gaining quality in the results achieved.
     41. **Social Responsibility**: Concessionaire’s responsibility for the impacts of its decisions and activities on the society and environment, through an ethical and transparent behavior that (i) contributes to the sustainable development, including health and wellness of the society, and takes into account expectations of the stakeholders; (ii) is in compliance with the Best Practices of the Oil Industry; and (iii) is integrated into the Concessionaire and shown in its relationships related to the Concessionaire’s activities within its sphere of influence.
     42. **Early Production System**: temporary facility with limited capacity, aiming at the early Production and obtaining of data and information for better characterization of the Reservoir, for purposes of adequacy of the Development Plan.
     43. **End of Drilling**: moment in which the final depth of the well is reached, with no expectations of further progress.
     44. **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.
     45. **Unit of Work**: conversion unit for different exploratory works used for the purpose of assessing implementation of the Minimum Exploration Program provided for in [Annex II](#_ANEXO_II_–).

1. SECTION TWO – SUBJECT MATTER

Exploration and Production of Oil and Gas

* 1. The subject matter of this Agreement is:

1. to conduct Exploration Operations in the Concession Area undertaken in the Minimum Exploration Program or in addition thereto;
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 Exploration 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 exploration 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 article 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_-).

Voluntary Relinquishments

* 1. The Concessionaire may, at any time during the Exploration Phase, voluntarily relinquish areas forming part of the Concession Area.
     1. Voluntary relinquishments shall be communicated in writing.
     2. Voluntary relinquishments shall not exempt the Concessionaire from the obligation to comply with the Minimum Exploration Program.
     3. Once the Exploration Phase is completed, the Concessionaire may only keep as Concession Area the Development Area.

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.

Conditions for Relinquishment

* 1. Any and all relinquishment of areas or Fields forming part 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 art. 28, paragraphs 1 and 2, of Law No. 9,478/1997, 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 21.8.

Use of the Relinquished Areas by ANP

* 1. As of the date on which the areas are relinquished by the Concessionaire, ANP may use them at its sole discretion, including for purposes of new bidding processes.

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. Exploration Phase, for the whole Concession Area, with expected duration set forth in Annex II; and
2. Production Phase, for each Field, with duration defined in Section Nine.
   1. The effectiveness of this Agreement shall correspond to the period elapsed since the date of its execution until the end of the Exploration Phase, except if a Declaration of Commercial Feasibility of one or more Discoveries is issued, case in which there shall be an addition pursuant to Section Nine.
   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.
3. EXPLORATION AND ASSESSMENT
4. SECTION FIVE – EXPLORATION PHASE

Start and Duration

* 1. The Exploration Phase shall have the duration set forth in Annex II and shall consist of a single period.
  2. The Exploration Phase shall start on the date of execution of this Agreement and shall end:

1. upon lapse of the term set forth in Annex II;
2. upon total relinquishment of the Concession Area; or
3. in case of area previously retained for Discovery Assessment:
4. upon submission of the Declaration of Commercial Feasibility; or
5. with relinquishment of the area.

Minimum Exploration Program

* 1. The Concessionaire shall perform the obligations related to the Minimum Exploration Program within the terms and under the conditions described in Annex II.
  2. The Concessionaire may develop exploratory activities in addition to those of the Minimum Exploration Program by submitting the additional work schedule to ANP before beginning of its implementation.
  3. ANP may approve changes in the Minimum Exploration Program upon request from the Concessionaire under the following conditions:

1. if the Concessionaire technically demonstrates that this change is consistent with the Best Practices of the Oil Industry; and
2. if the Concessionaire indicates the Prospecting that motivated the change request.
   1. Seismic Reprocessing may be converted into Units of Work for purposes of compliance with the Minimum Exploration Program.
      1. The conversion of Seismic Reprocessing into Units of Work is limited to a single version for each survey on seismic data.
      2. For purposes of conversion into Units of Work:
3. the reprocessed seismic data shall be exclusively contained within the Concession Area; and
4. the Seismic Reprocessing shall include pre-stack time migration or pre-stack depth migration .
   1. The Concessionaire may contract, at its sole discretion, data acquisition companies (EAD) for the collection of exclusive data, as long as the requirements contained in the regulatory standards issued by ANP are previously met and as long as these companies are duly registered and in good standing with ANP.
   2. 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.
   3. For purposes of performance of the Minimum Exploration 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 converted into Units of Work.

The exploration work shall be converted into Units of Work for purposes of compliance with the Minimum Exploration Program, according to the criteria listed in Annex II.

In case of full or partial default of the Minimum Exploration Program, the Concessionaire may not proceed with the Production Phase.

Upon a substantiated request by the Concessionaire, ANP may exempt it from conversion of the remaining portion of the Minimum Exploration Program, without prejudice to the continuity of the Agreement.

In consideration for such exemption, the Concessionaire shall pay an amount in cash corresponding to twice the total amount of the non-converted Units of Work, subject to inflation adjustment by the General Price Index – Internal Availability (IGP-DI) of Fundação Getúlio Vargas or another index that may replace it, pursuant to paragraph 6.9.

The Agreement shall be automatically suspended if ANP does not resolve, before the end of the Exploration Phase, upon the request for exemption from compliance with the remaining portion of the Minimum Exploration Program.

Upon satisfaction of the conditions provided for above, the Minimum Exploration Program shall be deemed completed in full for all purposes of the Agreement.

Annual Work and Budget Program of the Exploration PhaseThe Annual Budget and Work Programs of the Exploration Phase shall strictly correspond to the other approved plans and programs.

The Concessionaire shall submit to ANP by October 31st of each year the Annual Work and Budget Program of the Exploration Phase under the Applicable Laws and Regulations.

The first Annual Work and Budget Program of the Exploration Phase shall include 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.

The content and the procedures for submitting, reviewing, and changing the Annual Work and Budget Programs of the Exploration Phase are those defined in the guidelines provided by ANP and set forth in the Applicable Laws and Regulations.

Extension of the Exploration Phase and Suspension of the Agreement

The Agreement shall be automatically suspended if ANP does not resolve, before the end of the Exploration Phase, upon the request for suspension or extension of the Exploration Phase or for changes in the Minimum Exploration Program, pursuant to paragraph 5.5.

The Agreement shall be suspended as of the end of the Exploration Phase until ANP’s resolution in final instance.

After suspension of the Agreement, the deadlines for submission of the Declarations of Commercial Feasibility and the Discovery Assessment Plans shall also be suspended.

During the suspension of the Agreement as provided for in paragraph 5.14, the Concessionaire may not develop Exploration 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.

During implementation of the Discovery Assessment Plan approved by ANP, the Agreement shall be automatically suspended in case of request for change of the Date of Decision or request for change of the deadline of the Discovery Assessment Plan.

The suspension provided for in paragraph 5.15 shall take place until ANP resolves upon the request, if it does not do so by the date originally established as the Date of Decision or the deadline of the Discovery Assessment Plan.

The suspension provided for in paragraph 5.15 shall be in line with paragraphs 5.14.1, 5.14.2, and 5.14.3.

If the Concessionaire makes a Discovery during the Exploration Phase when it is not possible to perform the Discovery Assessment before the end of this phase, it may requested from ANP the extension of the Exploration Phase for the term required to perform the Assessment and issue any Declaration of Commercial Feasibility according to a Discovery Assessment Plan approved by ANP.

The extension referred to in paragraph 5.16 is restricted to the area retained for Discovery Assessment, according to the Discovery Assessment Plan approved by ANP.

In the event of paragraph 5.16, the Exploration Phase shall be automatically suspended until ANP resolves upon the Discovery Assessment Plan and, consequently, upon the request for extension to perform the Discovery Assessment.

If, at the end of the Exploration Phase, the Concessionaire starts drilling an exploratory well without having completed the Well Assessment, the Exploration Phase shall be extended until the Well Completion date, with an addition of sixty (60) days to submit any proposed Discovery Assessment Plan.

The substantiated request for extension due to the drilling in progress shall be sent by the Concessionaire to ANP at least seventy-two (72) hours before the end of the Exploration Phase, in which event the Concessionaire is hereby authorized to continue the urgent works, except for ANP’s express resolution to the contrary.

The deadline for such request may be reduced, provided that technically justified by the Concessionaire and approved by ANP.

Options to End the Exploration Phase

The Concessionaire may end the Exploration Phase at any time upon notice to ANP.

The end shall not release the Concessionaire from compensation for any failure to comply with the Minimum Exploration Program.

Failure to comply with, in part or in full, the Minimum Exploration Program shall entail lawful termination of the Agreement and execution of the compensatory penalty provided for in Section Six, and no other penalties are applicable as a result of such failure.

The value of the activities of the Minimum Exploration Program not developed are defined in Units of Work and are net, and they may be required from the Concessionaire or guarantor, always subject to inflation adjustment by the IGP-DI pursuant to paragraph 6.9.

Development Areas eventually retained by the Concessionaire and the event provided for in paragraph 5.11.1 are exceptions to the abovementioned provision.

Concessionaire’s Options after Completion of the Minimum Exploration Program

After performance of the Minimum Exploration Program and up to the end of the term expected for the Exploration Phase, the Concessionaire may, upon prior formal written notice to ANP:

1. propose the development of a Discovery Assessment Plan, relinquishing the remaining Concession Area;
2. inform the Commercial Feasibility of the Discovery, pursuant to the dispositions of Section Seven of this Agreement, initiating the Production Phase;
3. retain the areas in which postponement of the Declaration of Commercial Feasibility is applicable, under paragraphs 8.4 and 8.5; or
4. fully relinquish the Concession Area.

Relinquishment of the Concession Area at the End of the Exploration Phase

Within sixty (60) days of the end of the Exploration Phase, the Concessionaire must forward to ANP a plan for relinquishment of areas, prepared pursuant to the Applicable Laws and Regulations.

The submission of such plan does not imply any kind of acknowledgement or release by ANP nor exempt the Concessionaire from performing the Minimum Exploration Program.

1. SECTION SIX – COMPENSATORY PENALTY FOR DEFAULT OF THE MINIMUM EXPLORATION PROGRAM

Compensatory Penalty for Default of the Minimum Exploration Program

* 1. As compensatory penalty for default of the Minimum Exploration Program, the Concessionaire shall pay a fine in an amount equal to the Minimum Exploration Program non-performed, as provided for in paragraphs 6.14 and 6.15.

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 6.14, its charge shall proceed based on the difference.

Financial guarantee of the Minimum Exploration Program

* 1. The Concessionaire shall provide ANP with one or more financial guarantees for the Minimum Exploration 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 15.4 and of the fact that the obligations of the Minimum Exploration Program are not fractional, and each Concessionaire shall be jointly responsible for reimbursement in case of default.
  3. In case the Concessionaire does not provide the suitable financial guarantees, the Agreement shall be terminated regarding the areas that are not under Development.

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 Minimum Exploration Program:

1. letter of credit;
2. performance bond;
3. oil and gas pledge agreement; and
4. escrow deposit, exclusively for Blocks onshore.
   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 Minimum Exploration Program 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 adjustment.

The Concessionaire shall submit the update of the financial guarantees to ANP up to January 31 of each calendar year.

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

The effectiveness of the financial guarantee shall exceed the date expected for completion of the Exploration Phase by at least one hundred and eighty (180) days.

Financial guarantees shall be renewed whenever necessary, in the amount adjusted by inflation, pursuant to the provisions of paragraph 6.9.

In the event of expiration of the financial guarantees, the Concessionaire shall replace them or provide additional guarantees.

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, request provision to ANP of 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

In the absence of outstanding issues, ANP shall issue the certificate of completion of the Minimum Exploration Program within thirty (30) days after its completion and, then, it shall return the respective financial guarantees.

Enforcement of the Compensatory Penalty

* 1. If verified failure to comply with the Minimum Exploration Program, ANP shall summon the Concessionaire to pay the adjusted amount from the units of work which were not performed, as compensatory penalty, within thirty (30) days, without any discount for voluntary payment.

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.

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.

ANP’s representation of contract default has immediate effect and characterizes a cause sufficient to execute the bid bond offered, including performance bond.

Suspension of the performance of the financial guarantee upon ANP’s decision, pursuant to item “m” of paragraph 34.5, or of the arbitration award or court decision in effect does not prevent communication of the loss by ANP to the insurance company, within the effective period of the corresponding guarantee.

After the suspension is terminated with no reversal of the administrative decision referred to in paragraph 6.14.3, the effective performance of the financial guarantee shall come upon termination of the suspension, even if the original effective period of the guarantee is expired.

Receipt of the amount corresponding to the compensatory penalty for failure to implement the Minimum Exploration 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 Minimum Exploration Program; and
3. does not allow the Concessionaire to advance to the Production Phase.

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.

1. SECTION SEVEN – DISCOVERY AND ASSESSMENT

Notification of Discovery

* 1. Any Discovery 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, and Final Discovery Assessment Report

* 1. The Concessionaire may, at its discretion, proceed with the Assessment of a Discovery at any time during the Exploration Phase.
  2. If the Concessionaire decides to proceed with the Discovery Assessment, it must submit a proposed Discovery Assessment Plan for ANP’s approval.
  3. ANP shall have a term of up to sixty (60) days after receipt of the Discovery Assessment Plan to approve it or reasonably notify the Concessionaire for it to make modifications.
     1. The Concessionaire shall have a term of up to thirty (30) days of notification to submit the modifications to ANP, repeating the procedure provided for in paragraph 7.4.
     2. Any changes suggested by the Concessionaire shall be communicated to ANP, repeating the procedure provided for in paragraph 7.4.
  4. The Concessionaire shall be authorized to start implementation of the Discovery Assessment Plan after its approval or upon authorization of ANP.
  5. The activities of the Discovery Assessment Plan may be calculated as Units of Work for purposes of performance of the Minimum Exploration Program, provided that they are performed within the original term for the Exploration Phase, before the extension for the Discovery Assessment Plan, and may be classified as Units of Work pursuant to the terms set forth in the tender protocol.
  6. Once the Discovery Assessment is completed, the Concessionaire shall submit to ANP a Final Discovery Assessment Report, which shall indicate and justify any proposal for withholding of the Development Area of the Commercial Discovery.

Discovery Assessment through Extended Well Test

* 1. If the Discovery Assessment Plan contemplates the performance of a Extended Well Test, the Concessionaire shall request to ANP a specific authorization to do so.

The performance of the Extended Well Test without the use or reinjection of the Natural Gas shall be limited to a term of one hundred and eighty (180) days, unless in exceptional cases, at ANP’s discretion.

1. SECTION EIGHT – DECLARATION OF COMMERCIAL FEASIBILITY

Declaration of Commercial Feasibility

* 1. Upon compliance with the Discovery Assessment Plan approved by ANP, the Concessionaire may, at its sole discretion, submit the Declaration of Commercial Feasibility for the Discovery.
     1. If it has not been submitted to ANP yet, the Final Discovery Assessment 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. Submission of one or more Declarations of Commercial Feasibility shall not exempt the Concessionaire from performance of the Minimum Exploration 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. 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 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. Extension of the term for submission of the Declaration of Commercial Feasibility shall apply exclusively to the area previously retained for Discovery Assessment.
   3. During extension of the term for submission of the Declaration of Commercial Feasibility, the Agreement shall be suspended with respect to the area previously retained for Discovery Assessment.
   4. If ANP considers that the reason that caused the postponement provided for in paragraphs 8.4 and 8.5 has been overcome, it shall notify the Concessionaire to submit, at its discretion, a Declaration of Commercial Feasibility within thirty (30) days.
      1. 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.

1. DEVELOPMENT AND PRODUCTION
2. SECTION NINE – PRODUCTION PHASE

Start and Duration

* 1. The Production Phase of each Development Area shall begin on the date of submission of the Declaration of Commercial Feasibility and shall last for twenty-seven (27) years.
  2. The provisions of this Section regarding extension or termination of this Agreement apply to each Development Area or Field, on an individual basis.

Extension at the Concessionaire’s request

* 1. The Concessionaire may apply for extension of the term provided for in paragraph 9.1 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 9.3 or 9.4, 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 9.3 or 9.4 shall apply for the purposes of a possible new extension, as appropriate.

Termination

* 1. At any time during the Production Phase, the Concessionaire may request termination of this Agreement, in whole or in part, upon at least one hundred-eighty (180)-day notice before the date intended to terminate the Agreement, which shall be approved in advance by ANP.
     1. ANP shall have ninety (90) days of date of receipt of the request for termination to analyze such request.
     2. The Concessionaire may not interrupt or suspend the Production undertaken in the Production Programs of the Field(s) or Development Area(s) at stake, unless duly authorized by ANP.
     3. Termination of the Agreement does not exempt the Concessionaire from the responsibility provided for in paragraph 21.8.

Relinquishment of the Field

* 1. The Field shall be relinquished to ANP at the expected end of the Production.
  2. At its discretion, ANP may adopt the measures necessary to continue the Field Operation and may also contract a new party.
     1. The Concessionaire shall use all efforts and take all applicable measures in order to, , properly transfer the Operations to the new Concessionaire, in order not to impair the Field management and Production.

The Concessionaire shall submit to ANP a Facility Decommissioning Program.

The Facility Decommissioning Program shall strictly comply with the Applicable Laws and Regulations and the Best Practices of the Oil Industry, also pursuant to the provisions in Section Twenty-One and the other relevant provisions applicable to the reversal of properties provided for in paragraphs 18.6 and 18.7.

In the absence of specific regulation, deadline for submission of the Facility Decommissioning Program shall not be lower than 2 (two) years before the expected end of the Production.

If ANP requests additional informations, the Concessionaire shall have a term of up to sixty (60) days of receipt of notification to submit them.

The activities provided for in the Facility Decommissioning Program may only start upon ANP’s express authorization.

The Agreement is hereby automatically extended, in this case, for the term required for approval and implementation of the Facility Decommissioning Program.

Upon approval of the Facility Decommissioning Program, ANP may indicate which properties shall inure to the benefit of the Federal Government, under the Applicable Laws and Regulations, and establish that the Concessionaire shall neither permanently abandon certain wells nor decommission or remove certain facilities and equipment, without prejudice to its right to relinquish the area.

This Agreement shall only be terminated for a certain Development Area or Field after full compliance with the Facility Decommissioning Program and approval by ANP of the Final Report for Decommissioning of the Facilities, with immediate relinquishment of the relevant area, pursuant to the provisions in paragraphs 3.3 and 3.4.

The Concessionaire shall not be entitled to any reimbursement for the investments made.

1. SECTION TEN – DEVELOPMENT PLAN

Deadlines

The Concessionaire shall submit the Development Plan to ANP within one hundred and eighty (180) days of submission of the Declaration of Commercial Feasibility or receipt of a communication of approval of the Final Discovery Assessment Report, whichever comes last.

If the Declaration of Commercial Feasibility is delayed, as provided for in paragraphs 8.4 and 8.5, the Development Plan shall be submitted on the date of the Declaration of Commercial Feasibility.

Untimely submission of the Development Plan shall cause the Concessionaire to be subject to the sanctions provided for in Section Twenty-Nine and in the Applicable Laws and Regulations.

Upon evidence of failure to submit the Development Plan within the term provided, ANP shall notify the Concessionaire so that it submits the Plan within no more than thirdy (30) days, after which the Agreement shall be lawfully terminated with respect to the relevant Development Area.

Development Area

The Development Area shall encompass all Deposits to be produced.

The Development Area shall be delimited based on data and information obtained during the Exploration Phase and the Discovery Assessment, according to the Applicable Laws and Regulations and the Best Practices of the Oil Industry.

During the Development Phase, the Concessionaire may request ANP to change the Development Area in order to incorporate other plots from the Concession Area in it, as long as, cumulatively:

1. one or more Deposits are verified to be extrapolating the Development Area; and
2. the plots intended to be incorporated have not been relinquished by the Concessionaire in compliance with the provisions of the Agreement.

The Development Area to be retained shall be the one included in the Final Discovery Assessment Report approved by ANP.

If the Development Area is different from that one included in the Final Discovery Assessment Report, the Concessionaire shall adjust it pursuant to paragraph 10.7.

The Concessionaire shall retain, of the Development Area, only the Field Area approved by ANP in the scope of the Development Plan.

The Concessionaire shall immediately relinquish the remaining plots to ANP, pursuant to the provisions in paragraphs 3.4 and 3.5 and in the Applicable Laws and Regulations.

Approval and Implementation of the Development Plan

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.

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.

If ANP requests modifications, the Concessionaire shall submit them within the term determined by ANP, repeating the procedure provided for in paragraph 10.7.

Failure by ANP to approve the Development Plan shall entail lawful termination of the Agreement regarding the relevant Development Area, after depletion of the applicable administrative appeals.

Until the Development Plan is approved, the Concessionaire may not carry out any work or perform Operations in the Development Area, except upon prior approval of ANP.

The request for early Production shall be substantiated and observe the precepts for preserving oil resources, ensuring operational safety, and preserving the environment.

The Concessionaire shall conduct all Operations according to the Development Plan approved by ANP.

Reviews and Amendments

The Development Plan may be revised or amended in the following cases:

1. as required by ANP or at the request of the Concessionaire if it fails to comply with the Applicable Laws and Regulations or the Best Practices of the Oil Industry;
2. at the request of the Concessionaire, in case of evidenced changes in the technical or economic conditions assumed in its preparation.

The provisions included in paragraphs 10.7 to 10.9 shall apply to the reviews of the Development Plan as appropriate, including regarding the disapproval of the reviews by ANP.

Buildings, Facilities, and Equipment

The Concessionaire shall be responsible for all buildings and facilities and for the supply of equipment for extraction, Treatment of Natural Gas, collection, storage, measurement, and Transfer of the Production.

The Concessionaire’s definition of the actions related to paragraph 10.14, including with respect to the contribution of the required resources, shall be mandatory in order to characterize the commercial feasibility and develop the Discovery.

1. SECTION ELEVEN – PRODUCTION START DATE AND ANNUAL PRODUCTION PROGRAMS

Start of Production

The Field Production shall start within no more than five (5) years of the date of submission of the Declaration of Commercial Feasibility, extendable at ANP’s discretion.

The Concessionaire shall notify ANP about the Production Start Date within seventy-two (72) hours after such date.

The Production of Oil and Gas at a Production Facility may only be started after completion of the installation of a system for use or reinjection of Natural Gas, except in the cases expressly authorized by ANP, in order to reduce burning of Natural Gas.

Annual Production Program

The Concessionaire shall submit to ANP the Annual Production Program for the calendar year in which the Production starts at least sixty (60) days before the Production Start Date, under the Applicable Laws and Regulations.

Any variance equal to or higher than ten percent (10%) shall be based on the Applicable Laws and Regulations and the Best Practices of the Oil Industry.

The Concessionaire shall submit to ANP the Annual Production Program for the subsequent year by October 31st of each calendar year, under the Applicable Laws and Regulations.

Approval of the Annual Production Program

ANP shall have thirty (30) days of receipt of the Annual Production Program to approve it or request the Concessionaire to make the modifications it deems applicable.

If ANP requests modifications, the Concessionaire shall resubmit the Annual Production Program including such changes within thirty (30) days of the date of request, repeating the procedure provided for in paragraph 11.5.

If the Concessionaire disagrees with the proposed modifications, it may discuss them with ANP aiming at adjusting the modifications to be implemented in the Annual Production Program where ANP deems appropriate and according to the Best Practices of the Oil Industry.

The Concessionaire will be required to comply with the Annual Production Program containing the modifications eventually determined by ANP.

If, at the beginning of the period referred to in certain Annual Production Program, the Parties are discussing any modifications proposed by ANP due to the application of the provisions in paragraph 11.5, the lowest Production level among those proposed by the Concessionaire and ANP shall be used in any month and until final definition of the Annual Production Program.

Revision

The Parties may agree, at any time, on the review of an ongoing Annual Production Program, provided that such review complies with the provisions of paragraphs 11.3 and 11.4.

When the review is proposed by ANP, the Concessionaire shall have thirty (30) days of receipt of the notice to discuss it with ANP and submit a reviewed Annual Production Program to ANP.

The provisions of paragraph 11.5 shall apply to any reviews, as appropriate.

Production Volume Variance

The volume produced in the Field each month may not vary by more than fifteen percent (15%) when compared to the Production volume expected for the corresponding month in the Annual Production Program.

In case of a variation higher than the referred percentage, the Concessionaire shall submit the justification to ANP by the fifteenth (15th) day of the month following the variation.

A variance greater than such percentage shall be allowed due to technical reasons, acts of God, force majeure, or similar causes that shall be assessed by ANP.

Temporary Interruption of Production

The Concessionaire may request from ANP voluntary interruption of the Production of a Field for a period of one (1) year, extendable at ANP’s discretion.

ANP shall assess the request within sixty (60) days, renewable for the same period, and may request clarification from the Concessionaire.

The term for assessment shall be resumed upon submission of the clarification required.

Voluntary interruption of the Production shall not entail suspension of the term of the Agreement.

Annual Work and Budget Program of the Production PhaseThe same provisions regarding the Annual Production Program as to the procedures of delivery, approval, and revision apply to the Annual Work and Budget Program of the Production Phase.

1. SECTION TWELVE – MEASUREMENT, MONTHLY REPORTS, AND PRODUCTION AVAILABILITY

Measurement

As of the Production Start Date of each Development Area or Field, the Concessionaire shall measure, from time to time, on a regular basis, the volume and quality of the Oil and Gas produced at the Production Measurement Point.

The measurement methods, equipment, and tools established in the respective Development Plan and in the Applicable Laws and Regulations shall be used.

Monthly Production Reports

The Concessionaire shall submit to ANP a monthly report on the Production of each Development Area or Field, pursuant to the Applicable Laws and Regulations.

The report shall be submitted by the fifteenth (15th) day of each month, starting from the month following the Production Start Date of each Field.

Production Availability

Ownership of the volumes of Oil and Gas measured pursuant to paragraph 12.1 shall be granted to the Concessionaire at the Production Measurement Point.

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

The Concessionaire shall be ensured the free use of the volumes of Oil and Gas granted thereto pursuant to paragraph 12.3.

Supply to the Domestic Market

In emergency situations that may put at risk the domestic supply of Oil and Gas, as well as their by-products, ANP may determine that the Concessionaire limit its exports of these hydrocarbons.

An emergency situation is that so enacted by the President of the Republic.

The Production share with limited export shall be directed to serve the Brazilian market or to compose strategic inventories for the Country.

ANP shall notify the Concessionaire on the limitation to exports upon at least thirty (30)-day notice.

The Production share to which the restriction on free use applies shall be determined every month with respect to the proportion of the Concessionaire’s share in the domestic Oil and Gas Production for the immediately preceding month.

Consumption in the Operations

The Concessionaire may use as fuel, in the Operations, Oil and Gas produced in the Concession Area, provided that in quantities authorized by ANP.

The Concessionaire shall inform ANP, upon substantiated notice, any variation over fifteen percent (15%), with respect to the Annual Production Program, in the quantity of Oil and Gas consumed in the Operations, as well as the purpose of its use.

The Concessionaire shall include such information in the Monthly Production Reports.

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 Twenty-Three.

Results of Test

Data, information, results, interpretations, models of static and dynamic Reservoirs, and the flow regimes obtained from formation tests, Extended Well Tests, or Early Production Systems during execution of the Operations of this Agreement shall be submitted to ANP immediately after their obtaining or completion or within the term defined in the Applicable Laws and Regulations.

Information shall also contemplate the volumes of Oil, Gas, and water produced.

For Extended Well Tests, data, information, results, and interpretations shall be submitted to ANP in accordance with the frequency established in the approved Discovery Assessment Plans.

The Production and transportation arising from Extended Well Tests and Early Production Systems shall be reported through the monthly production report.

The volumes of Oil and Gas produced during the Extended Well Tests shall be granted to the Concessionaire pursuant to paragraph 12.3 and calculated for purposes of the due Government and Third-Party Shares, provided for in Section Twenty-Three.

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 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-Nine and Section Thirty.

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.

1. SECTION THIRTEEN – INDIVIDUALIZATION OF PRODUCTION

Production Individualization Agreement

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.

1. SECTION FOURTEEN – DISCOVERY, ASSESSMENT, AND DEVELOPMENT OF NEW RESERVOIR IN THE PRODUCTION PHASE

Any Discovery of a New Oil and Gas Reservoir shall be notified to ANP by the Concessionaire, on an exclusive basis, no later than seventy-two (72) hours after that. The notice shall be sent along with all relevant data and information available.

The Concessionaire may, at its discretion, proceed with Assessment of the Discovery of a New Reservoir at any time during the Production Phase.

In case the Concessionaire decides to proceed with Assessment of the Discovery of a New Reservoir, it shall submit the activities for Assessment in the Annual Work and Budget Program of the Production Phase, pursuant to the procedures in Section Eleven.

In case the Concessionaire decides to proceed with Development of the New Reservoir, it shall inform ANP and, within one hundred and eighty (180) days after communication, it shall present ANP with a Development Plan, under the applicable Laws and Regulations.

Development or Production of the New Reservoir shall only be authorized after approval of ANP, under the applicable Laws and Regulations.

1. EXECUTION OF OPERATIONS
2. SECTION FIVETEEN – EXECUTION BY THE CONCESSIONAIRE

Concessionaire’s Exclusivity

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

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

1. conduct and perform the Operations provided for in this Agreement;
2. submit plans, programs, guarantees, proposals, and communications to ANP;
3. receive replies, requests, proposals, and other communications from ANP.

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.

In case of consortium, all Concessionaires shall be jointly liable for full compliance with all obligations of the Agreement.

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.

The Operator may transfer the responsible for the Operation at any time, upon submission of a request to ANP pursuant to Section Twenty-Eight and the Applicable Laws and Regulations.

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.

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.

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.

The Operator referred to in paragraphs 15.5 or 15.6 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.

The Operator referred to in paragraphs 15.5 or 15.6 shall remain liable for any acts, incidents, or circumstances related to its position of Operator incurred during its management.

Such Operator shall also remain liable for all obligations and responsibilities arising from its position of operator until the transfer provided for in paragraph 15.8.

ANP may, as a condition to approve a new Operator, require the latter and the resigning or removed Operator to take the necessary actions to transfer all information and other aspects related to this Agreement.

ANP may require an audit and inventory be performed until transfer of the Operations to the new Operator.

The audit and inventory costs shall be paid by the Concessionaire.

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

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.

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, heritage, and environment, pursuant to Section Twenty-One;
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;
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.

It is the Operator’s duty to:

a) 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;

b) continuously monitor all activities involving operational, environmental, or human health risks, through a monitoring center, necessarily located in Brazil;

c) participate in the preparation and formally approve the emergency response procedures and the studies of risk analysis of the activities performed within the scope of this Agreement, pursuant to the Best Practices of the Oil Industry;

d) establish an organizational structure and resources in Brazil with personnel responsible for the operational safety in order to equalize strengths between the decisions related to the operating activities and the operational safety risk management and ensure that operational risks are deemed priority in the consortium’s decision-making process.

The personnel referred to in item “a” of paragraph 15.13 must be designated pursuant to the Best Practices of the Oil Industry and be directly proportional to the operational and environmental risks assumed by the Operator Concessionaire.

The monitoring center referred to in item “b” of paragraph 15.13 must be located onshore and provided with technology and size compatible with the risks assumed by the Operator Concessionaire pursuant to the Best Practices of the Oil Industry.

Licenses, Authorizations, and Permits

The Concessionaire shall, at its own account and risk, obtain all licenses, authorizations, and permits required under the Applicable Laws and Regulations.

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 assistance according to paragraph 16.5.

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.

Free Access to the Concession Area

During the effectiveness of this Agreement, the Concessionaire shall have free access to the Concession Area and its facilities.

Drilling and Abandonment of Wells

The Concessionaire shall previously notify ANP of the start of drilling of any well in the Concession Area.

The Concessionaire may interrupt the well drilling and abandon it, pursuant to the Applicable Laws and Regulations and according to the Best Practices of the Oil Industry.

If the well is part of the Minimum Exploration Program and does not achieve its exploration objective approved by ANP, its drilling shall not be calculated for purposes of conversion into Units of Work, unless ANP, at its sole discretion, so decides.

ANP may exceptionally authorize drilling of wells in locations outside the Concession Area, due to Production Individualization Agreements or environmental issues.

Additional Work Programs

The Concessionaire may propose implementation of additional work programs in the Concession Area at any time.

The proposed additional works program and the necessary investments for its implementation shall be submitted to ANP, according to this Agreement.

Data Acquisition outside the Concession Area

Upon comprehensive request from the Concessionaire, ANP may authorize Operations off the Concession Area limits.

Data acquired off the Concession Area limits shall be immediately classified as public after its acquisition.

The Concessionaire shall submit data and information acquired off the Concession Area limits to ANP, under the Applicable Laws and Regulations.

Operations off the Concession Area limits shall not be taken into account for performance of the Minimum Exploration Program.

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

Monitoring and Inspection by ANP

ANP shall permanently monitor and inspect the Operations directly or through arrangements with bodies of the Federal Government, States, or the Federal District.

The monitoring and inspection, or the absence thereof, shall not exclude or reduce the Concessionaire’s responsibility for full performance of the obligations undertaken in this Agreement in any way.

Access and Control

ANP shall have free access to the Concession Area and the ongoing Operations, equipment, and facilities, as well as to all records, studies, and technical data available.

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.

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.

The Concessionaire shall allow free access for the authorities with jurisdiction over any of its activities.

The Concessionaire shall provide, within the term and in the manner established, information requested by the ANP.

Assistance to the Concessionaire

Upon request, ANP may provide assistance to the Concessionaire in obtaining the licenses, authorizations, permits, and rights referred to in paragraph 15.14.

ANP shall instruct the processes aiming at the declaration of public use referred to in paragraph 18.4.

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

The Concessionaire, at its own account and risk, is fully responsible for execution of the Operations, and ANP is not responsible whatsoever as a result of the assistance requested and eventually provided.

1. SECTION SEVENTEEN – DATA AND INFORMATION

Supply by the Concessionaire

The Concessionaire shall keep ANP informed with respect to the progress, results, and terms of the Operations.

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.

Under art. 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 modelling of the Concession Area, to ANP.

ANP shall ensure compliance with the confidentiality periods, under the applicable laws and regulations.

The quality of the copies and other reproductions of data and information referred to in paragraph 17.1.1 shall be as reliable and standard as the respective originals, including with respect to color, size, legibility, clarity, compatibility, and other relevant characteristics.

Processing or Analysis Abroad

The Concessionaire may dispatch rock and fluid samples or geological, geophysical, and geochemical data abroad upon the prior and express authorization by ANP.

1. SECTION EIGHTEEN – PROPERTIES

Properties, Equipment, Facilities, and Materials

The Concessionaire is exclusively responsible for directly supplying, purchasing, renting, leasing, chartering, or otherwise obtaining, at its own account and risk, all properties, furniture, and real properties, including facilities, buildings, systems, equipment, machines, materials, and supplies required to execute the Operations.

The purchase, rent, lease, or acquisition may be made in Brazil or abroad, under the applicable laws and regulations.

Licenses, Authorizations, and Permits

The Concessionaire shall be fully responsible, pursuant to paragraph 14.14, for obtaining all licenses, authorizations, and permits required for acquisition or use of the properties referred to in paragraph 18.1.

Expropriations and Easements

The Concessionaire shall, at its own account and risk, pursuant to the provisions in paragraph 18.2, 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.

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 18.3, upon substantiated request of the Concessionaire.

Facilities or Equipment outside the Concession Area

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.

The Concessionaire must submit to ANP a justified request for positioning of facilities or equipment outside the Concession Area.

The justification shall contemplate technical and economic aspects, as well as the positioning or construction Project, as the case may be.

The provisions in Section Twenty-One shall also apply to the equipment and facilities outside the Concession Area.

Relinquishment of Areas and Reversal of Properties

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.

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.

The cost of decommissioning and abandonment of Operations shall be established in order to cover the activities of permanent abandonment of wells, decommissioning and removal of lines and facilities, and rehabilitation of areas, under the Applicable Laws and Regulations.

Decommissioning and Abandonment Guarantees

The Concessionaire shall provide decommissioning and abandonment guarantee as of the Production Start Date, and, for that, it may use:

1. performance bond;
2. letter of credit;
3. financial support fund; or
4. other types of guarantee, at ANP’s discretion.

The amount of the decommissioning and abandonment guarantee for a Development Area or Field shall be reviewed at the request of the Concessionaire or ANP, if there are events that change the cost of abandonment and decommissioning of Operations.

The guarantee provided by the Concessionaire shall be equivalent to the cost expected for decommissioning and abandonment of the infrastructure already implemented.

In the case of a guarantee provided through a support fund:

1. the Concessionaire shall submit to ANP, on 15th of February and August of each year, supporting documentation for the contributions made, as well as inform the adjusted balance of the fund;
2. ANP may audit the procedure adopted by the Concessionaire in management of the financial support fund;
3. the balance ascertained after all Operations required for decommissioning and abandonment of the Field are conducted shall be for the sole benefit of the Concessionaire.

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 at its own account and risk.

Properties to be Reversed

Pursuant to item VI of arts. 28 and 43 of Law No. 9,478/1997 and of 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 or relinquishment of plots of the Concession Area.

In case of sharing of properties for the Operations of two or more Fields, such properties may be withheld until conclusion of all Operations.

Removal of Non-Reversed Properties

Properties not reversed, 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 under the Applicable Laws and Regulations.

1. SECTION NINETEEN – PERSONNEL, SERVICES, AND SUBCONTRACTS

Personnel

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.

Recruitment and engagement may be performed in Brazil or abroad according to the Concessionaire’s selection criteria, under the Applicable Laws and Regulations, also regarding the minimum percentage of Brazilian personnel employed.

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.

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.

The Concessionaire shall provide meals, personal protective equipment, and accommodations 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.

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

The Concessionaire must directly perform, contract, or otherwise obtain, at its own account and risk, all services required for performance of this Agreement.

The services may be contracted in Brazil or abroad, under the Applicable Laws and Regulations, also regarding the minimum percentage of Brazilian personnel employed.

If it contracts services from its Affiliates, the prices, deadlines, quality, and other agreed terms shall be competitive and compatible with the market practices, pursuant to the provisions in Section Twenty.

The Concessionaire shall enforce the provisions in this Agreement and in the Applicable Laws and Regulations for all its subcontractors and suppliers.

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.

The Concessionaire shall keep the inventory and the records of all services referred to in paragraphs 19.1 and 19.6 updated, under the Applicable Laws and Regulations.

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 TWENTY – LOCAL CONTENT

Concessionaire’s Commitment with the Local Content

The Concessionaire shall meet the following minimum mandatory percentages of Local Content:

In the Exploration Phase: Global Local Content of eighteen percent (18%).

In the Development Phase or for each Development Module, in case of Module Development, for the following Macro-Groups:

1. Well Construction: twenty-five percent (25%);
2. Production Collection and Outflow System: forty percent (40%);
3. Stationary Production Unit: twenty-five percent (25%).

The Concessionaire shall ensure preference to Brazilian Suppliers whenever their bids have more favorable conditions of price, deadline, and quality, or conditions equivalent to the ones submitted by foreign suppliers.

The procedures for contracting goods and services directed to performance of this Agreement shall:

1. include Brazilian Suppliers among the suppliers invited to submit bids;
2. provide, in Portuguese or English, the same specifications to all companies invited to submit proposals. If requested by any Brazilian company invited, the Concessionaire shall provide the documentation translated into Portuguese.
3. accept equivalent specifications of Brazilian Suppliers, as long as the Best Practices of the Oil Industry are complied with.

The contract for goods and services from Affiliates is also subject to the specifications in paragraph 20.3, except in the cases of services that, pursuant to the Best Practices of the Oil Industry, are usually performed by Affiliates.

The Concessionaire shall submit to ANP, for monitoring, Reports on Local Content under Exploration and Development, under the Applicable Laws and Regulations.

Determination of the Local Content

The Local Content of goods and services shall be evidenced to ANP through submission of the respective Local Content certificates or of a document that may replace it, under the Applicable Laws and Regulations.

For purposes of determination, the Local Content of goods and services shall be expressed as a percentage of the value of the good or service contracted.

In order to determine the Local Content, the monetary amount corresponding to the goods and services contracted shall be adjusted for the month and year in which compliance with the provisions in this Section is verified using the IGP-DI or other index that may replace it.

The milestones for determination of the Local Content by ANP shall be:

1. completion of the Exploration Phase;
2. completion of each Development Module; and
3. completion of the Field Development Phase that does not contemplate modular Development.

For purposes of determination of the Local Content, the Development Phase shall start on the date of submission of the Declaration of Commercial Feasibility and shall end, for each Development Module, upon the first of:

1. the lapse of ten (10) years after the Flow of First Oil;
2. the abandonment by the Concessionaire of the Development of the Development Module; or
3. the investments set forth in the Development Plan, except those related to field abandonment.

In case of the engagements provided for in paragraph 20.1.4, item “c”, expenditures related to the unit operation fee must not be accounted for purposes of assessment of the Local Content.

Excess Local Content

If the Concessionaire exceeds the Local Content required, whether in the Exploration Phase or in a Development Module, the excess amount, in national currency, may be transferred to the Development Modules to be implemented thereafter.

In case of Offshore Fields, the Operator shall indicate the Macro-Group to which the excess of the Exploration Phase will be directed.

Any excess verified in the Development Modules may be transferred only between the same Macro-Groups.

Request for transfer of the excess shall be submitted to ANP within thirty (30) days of the first business day after receipt by the Operator of the Local Content Inspection Report of the Production Development Phase or subsequent Modules, in case of modular Development.

The excess monetary amount shall be adjusted by the IGP-DI or any other index that may replace it.

Penalty for Failure to Respect the Local Content

Failure to respect the Local Content shall subject the Concessionaire to a penalty, which shall be calculated on the defaulted monetary amount, in the following percentage, as the case may be:

1. If the percentage of the Unused Local Content is below sixty-five percent (65%) of the Minimum Local Content, the penalty shall be forty percent (40%) of the amount of the Unused Local Content.
2. if the percentage of the unused Local Content is equal to or higher than sixty-five percent (65%), the penalty shall begin at forty percent (40%), reaching seventy-five percent (75%) of the amount of the Minimum Local Content, in case of 100% unused Local Content, according to the formula:

M (%) = NR (%) – 25%.

Where,

M(%) is the percentage of the penalty to be calculated on the defaulted monetary amount; and

NR (%) is the percentage of unused Local Content.

In case of simultaneous failure to honor more than one commitment for the Macro-Groups referred to in paragraph 20.1.4, the amount of the penalty shall correspond to the sum of the penalties for each Macro-Group.

The amount of the penalty shall be adjusted by the IGP-DI up to the date of the effective payment.

1. SECTION TWENTY–ONE – OPERATIONAL SAFETY AND ENVIRONMENT

Environmental Control

The Concessionaire shall have a safety and environment management system that complies with the Best Practices of the Oil Industry and the Applicable Laws and Regulations.

Among other obligations, the Concessionaire shall:

1. ensure preservation of an ecologically balanced environment;
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.

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.

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.

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.

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.

Social Responsibility

The Concessionaire shall provide a management system for Social Responsibility and sustainability consistent with the Best Practices of the Oil Industry.

Liability for Damages and Losses

Without prejudice to the provisions in paragraph 21.1, the Concessionaire shall undertake full and strict liability for all environmental damages that may result from execution of the Operations, directly or indirectly.

The Concessionaire shall indemnify the damages resulting from the Operations.

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 TWENTY–TWO – INSURANCE

Insurance

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.

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.

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.

At ANP’s sole discretion and provided that previously authorized by it, self-insurance may be accepted.

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.

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.

The Concessionaire’s policies and global insurance programs may be used for the purposes of this Section Twenty-Two, provided that previously authorized by ANP.

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 22.1, 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.

1. GOVERNMENT SHARES AND INVESTMENTS IN RESEARCH, DEVELOPMENT, AND INNOVATION
2. SECTION TWENTY–THREE – SHARES

Government and Third-Party Shares

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. special share;
3. payment for land occupancy or withholding; and
4. payment of a share to the landowner.

Based on criteria established in the Applicable Laws and Regulations, ANP may grant reduction in the percentage of royalties provided for in this Agreement to up to five percent (5%), as to enable extension of useful life and maximization of the factor for recovery of the Fields, as long as the economic benefit for the Federal Government, generated by the new investment plan to be performed, is evidenced.

The Concessionaire shall not be exempted from payment of Government and Third-Party Shares in cases of:

1. production earned during the Formation Test period, in the Exploration Phase, only if the production is economically exploited;
2. production earned during the Formation Test period, in the Production Phase;
3. production earned during the Extended Well Test period;
4. suspension of the term of this Agreement;
5. act of God, force majeure, and similar causes.
6. SECTION TWENTY–FOUR – FUNDS FOR RESEARCH, DEVELOPMENT, AND INNOVATION

If the Special Share is payable for a Field in any quarter of the calendar year, the Concessionaire shall be required to pay Expenses Identified as Research, Development, and Innovation in the fields of interest and topics relevant to the industry of Oil, Natural Gas, and Biofuels, in an amount equal to one percent (1%) of the Gross Revenue of the Production for such Field.

The amount referred to in this paragraph is payable for the Field originated from the Concession Area.

The Concessionaire may use these funds by June 30th of the year following the calendar year of calculation of the gross revenue of the Production.

The Concessionaire shall provide to ANP a full report of the Expenses Identified as Research, Development, and Innovation within the terms and in the formats defined in the Applicable Laws and Regulations.

Of the funds provided for in paragraph 24.1, the concessionaire shall invest:

1. from thirty percent (30%) to forty percent (40%) in national universities or research and development institutes accredited by ANP; and
2. from thirty percent (30%) to forty percent (40%) in research, development, and innovation activities aiming at the development of products or processes with technological innovation before Brazilian Companies.

The remaining balance of the Expenses Identified as Research, Development, and Innovation, upon compliance with paragraphs 24.2, may be invested in research, development, and innovation activities developed at facilities of the very Concessionaire or its Affiliates, located in Brazil, or of Brazilian Companies, or at universities or research and development institutes accredited by ANP.

Any Expenses Identified as Research, Development, and Innovation incurred by the Concessionaire in amounts higher than one percent (1%) of the Gross Revenue of the Production, or in case of lack of obligation to incur such Expenses, as provided for in paragraph 24.1, may be offset to the benefit of the Concessionaire in order to evidence the obligation in future periods of this Agreement.

This offsetting shall be regulated under the Applicable Laws and Regulations.

1. SECTION TWENTY–FIVE – TAXES

Tax Regime

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

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–SIX – CURRENCY AND FOREIGN CURRENCY

Currency

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

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

Accounting

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 Local Content and of the Government and Third-Party Shares supporting the accounting bookkeeping;
3. make the applicable entries;
4. submit the accounting and financial statements; and
5. submit to ANP the Local Content Report under the Applicable Laws and Regulations.

Audit

ANP may perform an audit, including for the statements of calculation of the Government Shares, under the Applicable Laws and Regulations.

ANP shall perform audit directly or through contracts and partnerships, according to the Applicable Laws and Regulations.

The Concessionaire shall be notified at least thirty (30) days before the audits.

ANP shall have comprehensive access to the books, records, and other documents referred to in paragraph 27.1, 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 (10) years.

The Concessionaire is responsible for the information provided by third parties.

The Concessionaire shall make available to ANP the respective Local Content certificates, in addition to agreements, tax documents, and other supporting records corresponding to the good or service acquired, for ten (10) years after the milestone of determination of the Local Content.

ANP may require from the Concessionaire any documents required to settle any doubts.

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.

1. GENERAL PROVISIONS

1. SECTION TWENTY–EIGHT– ASSIGNMENT OF THE AGREEMENT

Assignment

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.

The parties shall keep the Agreement terms and conditions unchanged until execution of the respective addendum, and, before execution, it is prohibited to:

1. transfer or use assets related to the Agreement object of the assignment; and
2. exercise the assignee’s management power over the Agreement and its execution.

Default of paragraph 28.2 constitutes Assignment without the prior and express approval of ANP.

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.

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.

The notice, pursuant paragraph 28.5, shall include the documentation required, under the Applicable Laws and Regulations.

Undivided Share in Rights and Obligations

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

Partial Assignment of an Area during the Exploration Phase

If ANP authorizes Assignment resulting in division of the Concession Area, each of the area to be assigned and the remaining area shall be delimited by a single polygonal line determined according to criteria established by ANP.

The resulting areas shall be independent for all purposes, including for calculation of the Government and Third-Party Shares.

ANP may define an additional Minimum Exploration Program for the areas to be divided.

Each of the areas divided shall have an associated Minimum Exploration Program, the total number of activities of which shall exceed the number set forth in the original program.

Assignment of an Area in the Production Phase

The Assignment of a portion of a Field shall not be accepted, except as an alternative to a Production Individualization Agreement, as long as approved by ANP under the Applicable Laws and Regulations.

Assignment Nullity and Need for Prior Express Approval

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

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.

The Assignment of the Agreement shall only be authorized, except in the event of paragraph 30.4.2, 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.

If the assignor is in default and the Assignment is not voluntary, as determined by ANP or as a result of an execution of a contract clause with third parties, the Assignment shall be allowed if the assignee or the executor of the guarantee pays the obligations related to the contracts to be assigned; provided that they undertake to transfer any amount eventually payable to the assignor as a result of the Assignment directly to ANP, until the assignor’s full debt to ANP is settled.

Assignment to an Affiliate shall not be accepted in the event provided for in paragraph 28.11.1.

Effectiveness and Efficacy of the Assignment

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 and in the event provided for in paragraph 28.17, under the Applicable Laws and Regulations.

The addendum to the Agreement shall be effective as of the date of its execution, under the Applicable Laws and Regulations.

Within forty-five (45) days of the execution of the addendum, the Contractor shall submit to ANP a copy of the Consortium Agreement or of the amendment filed with the applicable commercial registry.

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.

The new concessionaire shall become the holder of the rights to exclusive data, and the deadlines for confidentiality already in progress shall remain unchanged, pursuant to the Applicable Laws and Regulations.

New Concession Agreement

In the event of division of the Concession Area for any reason, a new concession agreement shall be executed for each area resulting from the division, keeping the same terms, obligations, programs, and deadlines of the original Agreement.

Upon approval of the Assignment, ANP shall call the Concessionaires to execute the new Concession Agreements within thirty (30) days of such approval.

The new Concession Agreements entered into by the Parties shall be effective as of the date of their execution, under the Applicable Laws and Regulations.

Within the scope of credit transactions or credit facility agreement, the Concessionaires may create guarantee on the rights arising from this Agreement.

Concessionaire shall notify ANP of the guarantee business provided for in Section 28.19 above, by sending a copy of the respective instrument of guarantee, within thirty (30) days of the date of its execution.

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–NINE – RELATIVE DEFAULT AND PENALTIES

Sanctions

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.

In case of failure to comply with the Applicable Laws and Regulations, the Concessionaire shall incur the applicable legal and administrative sanctions.

1. SECTION THIRTY – TERMINATION OF THE AGREEMENT

Lawful Termination

This Agreement is terminated:

1. upon lapse of the effective period provided for in Section Four;
2. upon completion of the Exploration Phase without performance of the Minimum Exploration Program;
3. at the end of the Exploration Phase, in case there has been no Commercial Discovery;
4. in case the Concessionaire fully 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 Ten;
7. upon refusal of the Concessionaire to execute, in whole or in part, the Production Individualization Agreement after ANP’s decision;
8. by operation of law in case the financial guarantees are not renewed thirty (30) days before the end of its effective term; or
9. 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 30.4.2.

Rescission by will of the Parties: Bilateral and unilateral termination

This Agreement may be terminated at any time upon mutual agreement between the Parties, without prejudice to performance of the obligations under this Agreement.

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.

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.

Termination for Absolute Default

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.

In case of item “a” of paragraph 30.4, 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.

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.

In case of more than one Concessionaire, and if the Assignment provided for in paragraph 30.4.2 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

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.

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 THIRTY–ONE – ACT OF GOD, FORCE MAJEURE, AND SIMILAR CAUSES

Full or Partial Exemption

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.

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.

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.

Acknowledgement of acts of God, force majeure, or similar causes does not exempt the Concessionaire from payment of the Government and Third-Party Shares.

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.

Cessation of the events shall be equally notified.

Amendment and Termination of the Agreement

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:

1. the Parties may agree on the amendment or termination of the Agreement;
2. ANP may suspend the course of the contract term regarding the affected portion of the Agreement.
   * 1. 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

ANP may extend or suspend the course of the contract term in case of evidenced delay in the environmental licensing process .

* + 1. Suspension or extension of the agreement may be granted upon reasoned request by the Concessionaire.

The agreement may be preventively suspended, upon analysis by and decision of ANP, of the date of notice of the decision to the Concessionaire.

* + 1. In order for the lapse of the contract term to be suspended or extended, the regulatory term for decision of the licensing authority in the environmental permitting procedure should have been exceeded.
    2. The Concessionaire shall evidence that it did not contribute to the dilation of the environmental permitting process and that the delay is exclusively attributable to the applicable public entities.
    3. After the merit of ANP’s claim for suspension of the agreement is granted, the course of the agreement term shall be deemed suspended until definitive manifestation of the environmental agency.
    4. After the merit of ANP’s claim for suspension of the agreement is granted, the redefinition of the term due to delay of the environmental authority shall be counted as of the confirmation of delay caused by the environmental authority up to the date of suspension of the agreement.

In case the Agreement is preventively suspended pursuant to paragraph 31.4.1.1, denial of ANP’s claim for suspension of the agreement shall entail redefinition of the term elapsed of the date of notice of preliminary suspension up to the date communication of the denial or up to termination of the effectiveness of the Agreement, whichever comes first.

If ANP deems it unreasonable, the suspension of the lapse of the contract term shall be interrupted at any time.

After ANP’s claim for extension of the agreement is granted, redefinition of the term due to delay caused by the environmental authority shall be counted of the confirmation of the delay caused by the environmental authority up to the date of the claim for extension.

The final opinion of the environmental authority shall be immediately communicated to ANP by the Concessionaire.

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.

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.

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.

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

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

1. SECTION THIRTY–TWO – CONFIDENTIALITY

Obligation of the Concessionaire

All the data and the information acquired, processed, produced, developed, or, in any way, obtained as a result of the Operations and the Agreement, are confidential.

Data and information referred to in paragraph 32.1 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.

Disclosure of data and information referred to in items “d” to “g” shall be conditioned to a previous confidentiality agreement, which shall:

1. include the provisions in paragraphs 32.1 and 32.2;
2. establish that its default shall be subject to the provision in Section Twenty-Nine;
3. prohibit the disclosure by the third party of the data and information received without ANP’s prior consent.

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.

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.

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.

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 32.2.1.

The provisions in paragraphs 32.1 and 32.2 shall remain in effect and shall survive termination of this Agreement.

ANP’s Commitment

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.

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 THIRTY–THREE – NOTICES, REQUESTS, COMMUNICATIONS, AND REPORTS

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

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.

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.

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

The addresses of the representatives of the Parties are included in [Annex VIII](#_ANEXO_X_–).

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

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

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–FOUR – LEGAL REGIME

Governing Law

This Agreement shall be executed, governed, and construed according to the Brazilian laws.

The parties shall comply with the Applicable Laws and Regulations in the execution of the Agreement.

Reconciliation

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.

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.

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.

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

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

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.

In case such agreement is signed, arbitration may only be filed after issuance of the expert’s opinion.

Arbitration

After the procedure set forth in paragraph 34.2, 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 34.2.3, 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.

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.

Controversies on equity rights available are considered for purposes of this section:

1. application of contractual penalties and their calculation, as well as controversies arising from the performance of guarantees;
2. calculation of indemnifications arising from termination or transfer of the Agreement;
3. failure by any of the parties to perform contractual obligations;
4. demands related to contractual right or obligation.

Jurisdiction

For the provisions in item “I” of paragraph 34.5 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

ANP shall decide whether to suspend or not the activities under dispute or controversy.

The criterion supporting the decision shall be the need to avoid a personal or property risk of any nature, especially regarding the Operations.

Justifications

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

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

1. SECTION THIRTY–FIVE – FINAL PROVISIONS

Execution of the Agreement

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

Amendments and Addenda

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.

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

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 «counterparts» counterparts of equal form and content for a single effect, in the presence of the witnesses below.

Rio de Janeiro, <execution\_date>.

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| **National Agency of Petroleum, Natural Gas, and Biofuels – ANP**  Décio Oddone  Director-General of ANP |
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Witnesses:

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| --- | --- | --- |
|  |  |  |
| Name: Witness 1  CPF: CPF of Witness 1 |  | Name: Witness 2  CPF: CPF of Witness 2 |

ANNEX I – CONCESSION AREA

The Concession Area of this Agreement is Block «block», the cartographic parameters of which are listed below.

**CARTOGRAPHIC PARAMETERS USED FOR THE COORDINATES**

ANNEX II – MINIMUM EXPLORATION PROGRAM

The Exploration Phase shall last «\_\_\_\_ » years and shall constitute a single period.

The activities for purposes of the performance of the Minimum Exploration Program, to be exercised by the Concessionaire, are listed in this Annex.

**Minimum Exploration Program**

|  |  |  |
| --- | --- | --- |
| Block | Area of the Block (km²) | (Units of Work)¹ |
| «block» | «block\_area» | «pem\_uw» |

**UW Value for purposes of the Financial Guarantee for the Exploration Phase (R$/UW)**

|  |  |
| --- | --- |
| Sector | R$/UW |
| «sector» | «uw\_value\_for\_calculation\_guarantee\_\_» |

**Total Amount of the Minimum Exploration Program and Financial Guarantee**

|  |  |
| --- | --- |
| Amount of the Minimum Exploration Program (“PEM”)  (R$) | Amount of the Financial Guarantee  (R$) |
| «pem\_currency»  «pem\_currency\_in words» | «pem\_guarantee currency»  «pem\_guarantee\_in words» |

**Equivalence of the Units of Work (UWs)**

| **Item** | **Unit** | **Amount** |
| --- | --- | --- |
| **2D Seismic** | (UW/km) | «2d\_seismic\_uw\_km» |
| **3D Seismic** | (UW/km²) | «3d\_seismic\_uw\_km2» |
| **2D Reprocessing** | (UW/km) | «2d\_seismic\_reprocessing\_uw\_km» |
| **3D Reprocessing** | (UW/km²) | «3d\_seismic\_reprocessing\_uw\_km2» |
| **Gravimetry** | (UW/km) | «grav\_potential\_methods\_uw\_km» |
| **Gradiometric Gravimetry** | (UW/km) | «grav\_grad\_potential\_methods\_uw\_km» |
| **High-Resolution Gravimetry** | (UW/km) | «grav\_ar\_potential\_methods\_uw\_km» |
| **Magnetometry** | (UW/km) | «mag\_potential\_methods\_uw\_km» |
| **Gradiometric Magnotometry** | (UW/km) | «mag\_grad\_potential\_methods\_uw\_km» |
| **Gamma spectrometry** | (UW/km) | «gammaspectrometry» |
| **Electromagnetic** | (UW/receptor) | «electromagnetic\_uwreceptor» |
| **Electromagnetic** | (UW/km) | «electromagnetic\_uwkm» |
| **Electromagnetic** | (UW/km²) | «electromagnetic\_uwkm2» |
| **Electromagnetic Reprocessing** | (UW/receptor) | «electromagnetic\_reprocessing\_uwreceptor» |
| **Electromagnetic Reprocessing** | (UW/km) | «electromagnetic\_reprocessing\_uwkm» |
| **Electromagnetic Reprocessing** | (UW/km²) | «electromagnetic\_reprocessing\_uwkm2» |
| **Geochemistry** | (UW/Sample) | «geochemistry\_uwsample» |
| **Multibeam Bathymetry** | (UW/km²) | «bathymetry\_multibeam\_uwkm2» |
|  | | |
| **Exploratory Well** | (UW/well) | «exploratory\_well\_uw\_well» |
| **Exploration Objective** | «minimum\_exploration\_objective» | |

**Reduction factors of the non-exclusive surveys for purposes of performance of the Minimum Exploration Program**

|  |  |
| --- | --- |
| Time elapsed since request for reduction of the Minimum Exploration Program to ANP to the date of completion of the operations for acquisition or reprocessing of non-exclusive data. | Reduction Factor\* |
| 0-1 year | 1.0 |
| 1-2 years | 0.9 |
| 2-3 years | 0.8 |
| 3-4 years | 0.7 |
| 4-5 years | 0.6 |
| 5-6 years | 0.5 |
| 6-7 years | 0.4 |
| 7-8 years | 0.3 |
| 8-9 years | 0.2 |
| 9-10 years | 0.1 |
| > 10 years | 0 |

For purposes of performance of the Minimum Exploration Program, the non-exclusive surveys and reprocessing provided for in the tender protocol shall be taken into account, upon application of the rules and the reduction factor indicated in the Table “Reduction factors of the non-exclusive surveys for purposes of performance of the Minimum Exploration Program”.

Only non-exclusive surveys authorized by ANP shall be accepted; provided that the data acquisition companies meet all requirements of data submission to the Exploration and Production Database (BDEP).

For purposes of calculation of the amount to be considered for performance of the Minimum Exploration Program, the following shall be taken into account: the time elapsed between request for deduction and conclusion of the operations for non-exclusive data acquisition or reprocessing.For purposes of performance of the Minimum Exploration Program, the wells drilled shall achieve the main purpose approved by ANP in the Notice of Well Drilling.

ANNEX III – FINANCIAL GUARANTEE OF THE MINIMUM EXPLORATION PROGRAM

(Attach a copy of the Financial Guarantee of the Minimum Exploration Program)

ANNEX IV – PERFORMANCE GUARANTEE

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

ANNEX V – GOVERNMENT AND THIRD-PARTY SHARES

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

1. Royalties in the amount corresponding to \_\_\_ percent (\_\_\_%) of the Production of Oil and Gas in the Concession Area;

(The amount of the industry royalty rate shall be included according to Table 3 of the Open Acreage tender protocol.)

1. Special Share in the amount defined in Decree No. 2,705 of August 3, 1998;
2. Payment for Occupancy or Withholding of Area[[1]](#footnote-2): i) during the Exploration Phase, in the amount of \_\_\_\_\_\_ Reais (R$\_\_\_\_\_\_) per square kilometer or fraction of the Concession Area, with the increase provided for in Decree No. 2,705 of August 3, 1998 in case of extension; ii) during the period of the Development Phase of the Production Phase, in the amount of \_\_\_\_\_\_ Reais (R$\_\_\_\_\_\_); and iii) during the Production Phase, in the amount of \_\_\_\_\_\_ Reais (R$\_\_\_\_\_\_); and
3. Payment to the landowners of a share equivalent to one percent (1%) 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 | | |
| Block | Amount Offered (in words) | Signature Bonus Paid (in words) |
| «block» | «bonus» («bonus\_words») | «bonus» («bonus\_words») |

ANNEX VII – INDICATION OF OPERATOR

The initial Operator is «signatory\_01\_operator». A new Operator may be designated as provided for in section Fiveteen and pursuant to the conditions of section Twenty-Eight.

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»

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