

FEDERAL REPUBLIC OF BRAZIL
MINISTRY OF MINES AND ENERGY



CONCESSION AGREEMENT FOR THE EXPLORATION, DEVELOPMENT AND
PRODUCTION OF OIL AND NATURAL GAS

Nº _____

BY AND BETWEEN
AGÊNCIA NACIONAL DO PETRÓLEO

And

BRAZIL

2003

*The Portuguese language version of this draft Concession Agreement is the only official version.
This English language version is provided for the convenience of Round participants and
interested parties.*

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CONCESSION AGREEMENT FOR EXPLORATION, DEVELOPMENT AND PRODUCTION OF OIL AND NATURAL GAS

by and between

The AGÊNCIA NACIONAL DO PETRÓLEO, a special autarchy created by Law 9.478, of August 6, 1997 (hereinafter called the "Petroleum Law"), part of the Indirect Federal Administration, linked to the Ministry of Mines and Energy, with headquarters and jurisdiction at SGAN Quadra 603, Módulo I, 3º andar, Brasília, DF (hereinafter called "the ANP"), herein represented by its Director General, Sebastião do Rego Barros,

and

_____, a company organized and existing under the laws of Brazil, with headquarters at _____, enrolled with the Taxpayers' Registry (CGC/MF) under number _____, herein represented by _____

WHEREAS

pursuant to Article 177, item I, of the Brazilian Federal Constitution (hereinafter called "Federal Constitution") and Article 4 of the Petroleum Law, the Exploration for and Production of Oil and Natural Gas Pools and other liquid hydrocarbons existing in the Brazilian national territory is a Federal Government monopoly;

according to Article 176, main paragraph, of the Federal Constitution, and Article 3 of the Petroleum Law, the reserves of Oil, Natural Gas and other liquid hydrocarbons existing in the Brazilian national territory, which includes the inland, territorial sea, continental shelf and exclusive economic zone, belong to the Federal Government;

pursuant to Article 176, paragraph 1, of the Federal Constitution, the Exploration for and Production of mineral resources may be undertaken only with the authorization or concession by the Federal Government, considering the national interest;

pursuant to the referenced Article 177 of the Federal Constitution and Articles 5 and 23 of the Petroleum Law, the Federal Government may allow public and private companies, incorporated under the Brazilian Law and with headquarters and management in Brazil, to perform activities of Exploration and Production of Oil and Natural Gas, through Concession Agreements preceded by a bidding process;

pursuant to Articles. 8 and 21 of the Petroleum Law, all rights to the Exploration and Production of Oil and Natural Gas within the national territory, which includes the inland, territorial sea, continental shelf, and exclusive economic zone, belong to the Federal Government and the ANP is in charge of their management;

the ANP is responsible for, in the name of the Federal Government, signing with the Concessionaire Concession Agreements for the performance of activities for Exploration, Development and Production of Oil and Natural Gas in Blocks which observe the provisions of Articles 23 and 24 of the Petroleum Law, and is also in charge of the complete and permanent supervision of such activities with the purpose of caring for the Federal Government assets, in accordance with the national interest;

according to Articles 25 and 26 of the Petroleum Law and having met the conditions set forth in Section I of the above-mentioned Law, the ANP and the Concessionaire are authorized to sign

this Concession Agreement which will respect the general rules of Section I and the provisions of Section VI, both in Chapter V of the referred law,

that, according to Articles 36 to 42 of the Petroleum Law, the Concessionaire has taken part in the bidding process for the granting of this Concession Contract, and has been confirmed as winner for the Blocks named _____, _____, and _____, each one representing a distinct object of this Contract, hereinafter identified as BM (BT) – XXX-XX, for the purposes of Reports and Communiqués arising from this Contract;

that the Concessionaire shall pay to the Federal Government and third parties the Government Participation as set out in Articles 45 to 52 of the Petroleum Law, when applicable;

that, according to Article 46 of the Petroleum Law. The Concessionaire has effected payment to the ANP in the amount of R\$_____([amount in words]), referred to herein as the signature bonus.

NOW THEREFORE, the ANP and the Concessionaire sign this Concession Agreement for the Exploration, Development and Production of Oil and Natural Gas in the Block(s) identified in Annex I (Concession Area), according to the following clauses and conditions:

CHAPTER I - BASIC PROVISIONS

1 Clause One:

Definitions

Legal Definitions

- 1.1 The definitions contained in Article 6 of the Petroleum Law and in Article 3 of Decree No. 2.705, of August 3, 1998 (hereinafter called "Participation Fees") are hereby incorporated to this Agreement and, as a result of this, will be valid for all means and effects of this Agreement whenever the following words and expressions are used herein, whether in the singular or plural:

Sedimentary Basin	Prospecting or Exploration
Block	Oil
Oil or Natural Gas Field	Production Metering Point
Standard Metering Condition	Reference price
Production Start-Up Date	Prospect
Basic By-Products	Production Gross Revenue
Oil By-Products	Production Net Revenue
Commercial Discovery	Refining or Refinement
Development	Reservoir or Deposit
Distribution	Resale
Pipeline Distribution of Gas	Transfer
Stockpiling of Natural Gas	Transportation
Natural Gas or Gas	Treatment or Processing of Natural Gas
Oil Industry	Oil Equivalent Volume
Pool	Supervised Production Volume
Production	Total Production Volume
Participation Fees	

Contractual Definitions

- 1.2 Also for purposes and effects of this Agreement, the definitions set forth in this Clause 1.2 will be additionally valid whenever the following words and expressions are used herein, whether in the singular or plural:

- 1.2.1 “Affiliate” means, with respect to any Party, any Person that, directly or indirectly, controls or is controlled by such party, or that is under common control, directly or indirectly, with such Party.
- 1.2.2 “Ultra-Deep Water” means those areas where the bathymetric depth (the vertical distance between the water surface and sea-bottom) is equal to or greater than 2000m. (two thousand meters).
- 1.2.3 “Concession Area” means the Block(s) defined by area polygon(s), in accordance with Annex I (Concession Area) or the parts of this (these) Block(s) which remain under this Agreement after the relinquishments provided herein are done. Accordingly, references to the Concession Area shall include all Development Areas and Fields established and retained by the Concessionaire pursuant to this Agreement.
- 1.2.4 “Development Area” means any part of the Concession Area, which is set-aside for Development pursuant to paragraph 9.2.
- 1.2.5 “Evaluation” means the group of Operations, which, as part of the Exploration, have the purpose of verifying the commercial viability of an Oil or Natural Gas Discovery in the Concession Area.
- 1.2.6 “Nationally Produced Goods” means all machinery or equipment, including replacement parts, items and components utilized in Operations for which the bill of sale was issued by the manufacturer subsequent to the Effective Date and where, notwithstanding paragraph 20.1.9, the value of the foreign components and services incorporated does not exceed 40% (forty percent) of the price indicated in the bill of sale, excluding from the value of all foreign components and goods acquired all taxes except for import duties.
- 1.2.7 “Field” signifies “Oil or Natural Gas Field” as defined in the Petroleum Law.
- 1.2.8 “Assignment” shall mean any sale, assignment, transfer or any other disposition by any means of all or any part of the rights and obligations of the Concessionaire under this Agreement.
- 1.2.9 “Concessionaire” means, individually and jointly, each of _____, _____ and _____, together with their respective successors and assigns pursuant to Clause Twenty-Eight, all of them mutually responsible and liable pursuant to this Agreement, without prejudice to the right or obligation of the Concessionaire or of each of such assignees to individually perform the acts they are obliged or have the right to under the law or this Agreement.
- 1.2.10 “Agreement” means this agreement, as well as its Annex I (Concession Area), Annex II (Work and Investment Program), Annex III (Letter of Credit to Guarantee Minimum Exploration Program Minimum Percentage of Local Investments for Specific Activities in the Exploration Phase and in the Production Development Stage), Annex IV (Performance Guarantee Letter of Credit to Guarantee Minimum Exploration Program), and Annex V (Government and Third Party Participation Performance Guarantee), and Annex VI (Government and Third Party Participation), which are hereby incorporated hereto.
- 1.2.11 “Consortium Agreement” means the consortium agreement signed by the Concessionaires that first entered into this Agreement or the agreement referred to in paragraph 28.4 (c), as the case may be.

- 1.2.12 “Effective Date” means the date of signature of this Agreement, pursuant to paragraph 4.1.
- 1.2.13 “Declaration of Commerciality” means the written notice from the Concessionaire to the ANP declaring a Pool as a Commercial Discovery in the Concession Area, pursuant to paragraph 7.1.
- 1.2.14 “Discovery” means any occurrence of Oil and Natural Gas, other hydrocarbons, minerals, and, in general, any other natural resources in the Concession Area, independent from quantity, quality or commercial viability, verified by at least two detection or evaluation methods.
- 1.2.15 “Qualified Research and Development Expenditures” shall mean the expenditures for the Research and Development activities and for technology services related to the discovery, testing or use of new products, processes or application of existing technology to new applications in the Petroleum sector, in accordance with paragraph 24.1.
- 1.2.16 “Development Stage” means, with respect to any Field, the period beginning with the date of submission to the ANP the Declaration of Commerciality for such Development Area, and ending with the earlier of (i) the completion of the work and activities comprising Development, as described in such Development Plan or (ii) the abandonment of Development in such Field in accordance with paragraph 8.5, whichever occurs first.
- 1.2.17 “Exploration Phase” means the period of time defined for Exploration in paragraph 5.1.
- 1.2.18 “Production Phase” means, for each Field, the period of time defined for Production in paragraph 8.1.
- 1.2.19 “Brazilian Supplier” means any seller or supplier of Nationally Produced Goods or Services Supplied in Brazil.
- 1.2.20 “Associated Gas” means the Natural Gas produced in a Pool where it is found in solution in the Oil or in contact with underlying gas-saturated oil.
- 1.2.21 “Non-Associated Gas” means the Natural Gas, which is produced from a dry Gas Pool or a Gas Condensate Pool.
- 1.2.22 “Oil Industry Best Practices” means such practices and procedures employed in the Petroleum industry worldwide by prudent and diligent Operators under conditions and circumstances similar to those experienced in connection with the relevant aspect or aspects of the Operations, principally aimed at guaranteeing: a) conservation of petroleum and gas resources, which implies the utilization of adequate methods and processes to maximize the recovery of hydrocarbons in a technically and economically sustainable manner, with a corresponding control of reserves decline, and to minimize losses at the surface; b) operational safety, which entails the use of methods and processes that promote occupational security and the prevention of accidents; c) environmental protection, that calls for the adoption of methods and processes which minimize the impact of the Operations on the environment.
- 1.2.23 “Operations” means all and any activities or operations, whether Exploration, Appraisal, Development, Production, Deactivation or abandonment performed by the Concessionaire, under and for the purposes of this Agreement.

- 1.2.24 "Operator" means the Operator designated in paragraph 13.2, together with any replacement or successor Operator.
- 1.2.25 "Annual Budget" means a detailed statement of expenses and investments to be made by the Concessionaire in the performance of the relevant Annual Work Program, within any one calendar year, pursuant to Clause Sixteen.
- 1.2.26 "Party" means the ANP or the Concessionaire and "Parties" means the ANP and the Concessionaire.
- 1.2.27 "Exploration Period" has the meaning provided in paragraph 5.1.
- 1.2.28 "Person" shall mean any individual, corporation, *sociedade anonima*, association, joint venture, partnership, trust, limited liability company, joint-stock company, unincorporated organization or any government agency, or subdivision thereof.
- 1.2.29 "Heavy Oil" means all oil with a relative density equal to or less than 1.00 greater than 0,92 and at 15°C (or gravity equal to or less than 22° API).
- 1.2.30 "Evaluation Plan" means the document prepared by the Concessionaire containing the work and relevant investment program necessary for the Evaluation of an Oil or Natural Gas Discovery in the Concession Area, pursuant to Clause Six.
- 1.2.31 "Development Plan" means the document prepared by the Concessionaire containing the work and relevant investment program necessary for the Development of an Oil or Natural Gas Discovery in the Concession Area, pursuant to Clause Nine.
- 1.2.32 "Local Investment Percentage in the Development Stage" means the ratio expressed as a percentage of (i) the sum of the values of the Nationally Produced Goods and the Services Supplied in Brazil, acquired directly or indirectly by the Concessionaire, related to the Development Operations with respect to all Development Areas; and (ii) the sum of the values of all goods and services acquired directly or indirectly by the Concessionaire related to investments for the Development Operations with respect to all Development Areas, calculated at the end of the Development Stage, as provided in paragraph 20.1.1(b).
- 1.2.33 "Local Investment Percentage in the Exploration Phase" means the ratio expressed as a percentage of (i) the sum of the values of the Nationally Produced Goods and the Services Supplied in Brazil, acquired directly or indirectly by the Concessionaire for investments related to Operations related to Exploration in the Concession Area; and (ii) the sum of the values of all goods and services acquired directly or indirectly by the Concessionaire for Operations related to Exploration in the Concession Area, as provided in paragraph 20.1.1(a).
- 1.2.34 "Production" means the group of activities for the extraction of Oil and Natural Gas, as defined in the Petroleum Law, or the volume of Oil and Natural Gas, as may be inferred from the context in each case.
- 1.2.35 "Annual Work Program" means the group of activities to be performed by the Concessionaire within any one calendar year, pursuant to Clause Sixteen.
- 1.2.36 "Production Program" means the program in which the provisions for the Production and movement of Petroleum, Natural Gas, water and residues originating from the Production process for each Field, are specified pursuant to Clause Ten.

- 1.2.37 “Minimum Exploration Program” means the work program provided in Annex II (Work and Investment Program) to be mandatory accomplished by the Concessionaire during the Exploration Phase, pursuant to paragraph 5.2.
- 1.2.38 “Installations Deactivation Program” has the meaning provided in paragraph 8.6.1.
- 1.2.39 “ICC Rules” means the Rules of Conciliation and Arbitration of the International Chamber of Commerce that are in force.
- 1.2.40 “Acquisition of Goods and Services Report” means the documentation prepared by the Concessionaire describing the goods or services acquired in relation to Operations in the Exploration Phase and to the Development Stage, the supplier chosen and his country of origin.
- 1.2.41 “Final Evaluation Report on Oil and/or Natural Gas Discoveries” means the document prepared by the Concessionaire describing the operations employed, and presenting results of the Evaluation Plan.
- 1.2.42 “Service Supplied in Brazil” means all services, including without limitation, rentals, leasing and similar services, used in Operations and procured directly or indirectly in conjunction with Brazilian companies which evidence adequate knowledge and capacity with respect to such services, where, notwithstanding paragraph 20.1.9, the value of incorporated foreign components and services does not exceed 20% (twenty percent) of the sales price, excluding taxes.
- 1.2.43 “Long Term Test” means well tests conducted during the Exploration Phase with the exclusive goal of obtaining data and information to understand the reservoirs, with a total flow time greater than 72 (seventy-two) hours.
- 1.2.44 [“Work Unit” means a conversion unit for different exploratory works, used in order to measure the execution of the Minimum Exploration Program foreseen in Annex II \(Work and Investment Program\).](#)

2 Clause Two:

Objective

Operations

- 2.1 The objective of this Agreement is the performance, by the Concessionaire, of the Operations specified in Annex II (Work and Investment Program) and any other additional activities of Exploration that the Concessionaire may decide to undertake within [the Block\(s\) of](#) the Concession Area ~~specified in this Agreement~~, with the objective of producing Oil and Natural Gas under economic conditions in the referred Concession Area, and if any Discovery is made, the Evaluation, Development and Production of the Hydrocarbons concerned, all on the terms defined herein.

At the Responsibility and Risk of the Concessionaire

2.2 The Concessionaire shall always exclusively assume all costs and risks related to the performance of the Operations and its consequences, and shall receive in return, only and exclusively, the ownership of the Oil and Natural Gas that will be effectively produced and received by it at the Production Metering Point, pursuant to this Agreement, being subject to the taxes and ~~charges~~ as set out in Annex VI ~~and~~ Government and third-party Participations ~~Participation~~), ~~in accordance with this Agreement and according to the~~ applicable Brazilian legislation.

2.2.1 Based on the principle established in paragraph 2.2, and without limiting its applicability, it is expressly understood that the Concessionaire shall bear all losses it may incur, without the right to any payment, reimbursement or indemnification, in the event there is no Commercial Discovery in the Concession Area or in the event the Oil and Natural Gas that is received at the Production Metering Point is insufficient to recover the investments made and reimburse expenses, whether incurred directly or through third parties. In addition to its express obligations under this Agreement, the Concessionaire will be solely liable to the ANP under civil law for its own actions and those of its agents and subcontractors, as well as for the remedy of any and all damages caused as a result of the Operations and the performance thereof, regardless of the existence of fault, and shall duly reimburse the ANP and the Federal Government for any costs that they may have to bear as consequence of possible future claims prompted by acts for which the Concessionaire is responsible.

Ownership of Oil and Natural Gas

2.3 Oil and Natural Gas Deposits which exist in the Brazilian national territory belong to the Federal Government, in accordance with Article 3 of the Petroleum Law. The Concessionaire shall only own the Oil and Natural Gas, which are actually produced and received by it at the Production Metering Point, pursuant to paragraph 2.2.

No Rights Over Other Natural Resources

2.4 This Agreement exclusively refers to the Exploration, Development and Production of Oil and Natural Gas and it shall not extend to any other natural resources, which may exist in the Concession Area. Therefore, the Concessionaire is prohibited from using, enjoying or disposing, in any way and under any title, totally or partially, of such resources, except when duly authorized in accordance with applicable Brazilian legislation, respecting always paragraphs 6.1 and 6.2.

Acquisition of Data on a Non-Exclusive Basis

2.5 The ANP may, at its exclusive discretion and whenever it deems convenient, authorize third parties to perform, within the Concession Area, geological, geochemistry and geophysical services and other exploratory works aiming towards the aimed at gathering ~~of~~ technical data for the purpose of commercialization on a non-exclusive basis under the terms of Article 8, item III, of the Petroleum Law. It is expressly understood that the Concessionaire shall have no responsibility with respect to such services and their performance, which in no way may affect the normal course of the Operations.

3 Clause Three:

Concession Area

Identification

3.1 The Operations shall be performed in the Concession Area, which is described, detailed and delineated in Annex I (Concession Area).

Surface Rental Fees

3.2 The Concessionaire shall make annual payments specified in Annex VI (Government and Third Party Participation) for the occupation or retention of the Concession Area.

Relinquishment

3.3 The Concessionaire shall effect, as defined in paragraphs 3.5 and 3.6, the mandatory relinquishment of the Blocks within the Concession Area established in paragraphs ~~5.35.4~~ and ~~5.3.25.4.2~~, as applicable, and can, at any time during the Exploration Phase, make ~~partial~~ voluntary relinquishment of the Blocks within the Concession Area through written notice to the ANP, without prejudice to any obligation to perform the mandatory activities and investments contemplated in this Agreement. Once the Exploration Phase is completed, and as long as this Agreement is still in force, the Concessionaire may only keep as the Concession Area the Development Area or Areas which had been established pursuant to paragraphs ~~5.3.45.4.1~~, 7.1.2, 7.1.3 and 9.2, respecting always the provisions in paragraphs 7.2, 8.6 and 9.2.2.

Relinquishment at the Termination of Agreement

- 3.4 The termination of this Agreement, for any reason or motive, shall oblige the Concessionaire to immediately relinquish to the ANP all the Concession Areas which it still holds, according to the conditions of paragraphs 3.6 and 3.7.

~~Delineation of Relinquished Areas~~

- ~~3.5 The Concessionaire shall not be able to select, for any partial relinquishment required pursuant to paragraph 5.3(a), or for any partial voluntary relinquishment pursuant to paragraph 3.3, more than 2 (two) non-contiguous parts, each of which shall be circumscribed by one sole line drawn according to minimum units of 3'45" (three minutes and forty five seconds) of longitude by 2'30" (two minutes and thirty seconds) of latitude.~~

Conditions for Relinquishment

~~3.6~~3.5 All and any relinquishment, ~~partial or total, of Blocks within of~~ the Concession Area, as well as the resulting reversion of assets referred to in paragraph 18.8, shall be definitive and done by the Concessionaire without burden of any nature whatsoever on the Federal Government or on the ANP, pursuant to Article 28, paragraphs 1 and 2 of the Petroleum Law. The Concessionaire shall be obligated to rigorously comply with the provisions regarding this matter contained in paragraphs 18.5 through 18.9, in Clause Twenty-One hereof and in accordance with applicable Brazilian legislation.

Disposition of the Relinquished Areas by ANP

~~3.7~~3.6 The Concessionaire shall not have any rights regarding the relinquished ~~areas~~Blocks, pursuant to this Clause Three, and the ANP may, from the date of the relinquishment, dispose of such ~~areas~~Blocks at its sole discretion, including for the purpose of new bidding processes.

4 Clause Four:

Effectiveness and Term

Effective Date

4.1 This Agreement, which shall become effective as of the date of its signature (“Effective Date”), will be divided into two phases, as follows:

4.1.1 Exploration Phase, for the entire Concession Area, whose term is defined in paragraph 5.1; and

4.1.2 Production Phase, for each Field, whose term is defined in paragraph 8.1.

Term

4.2 The total term of this Agreement for each part of the Concession Area which becomes a Field in the terms provided herein, shall be equal to the sum of the period starting at the Effective Date until the relevant Declaration of Commerciality, plus the period of 27 (twenty-seven) years defined in paragraph 8.1. The extension periods authorized pursuant to paragraphs 7.1.2 and 7.1.3, in these two cases exclusively with respect to the Development Area referred thereto, and paragraphs 8.2 and 8.3, in these two cases exclusively with respect to the Field referred thereto, shall automatically be added to that total term.

5 Clause Five:

Exploration Phase

Duration

5.1 The Exploration Phase will begin at the Effective Date of this Agreement and will have the maximum duration specified in Annex II (Work and Investment Program). The Exploration Phase will be divided into ~~the two number of~~ periods (~~each, an~~ "Exploration Period") with duration period indicated in Annex II (Work and Investment Program), ~~each having the duration indicated in Annex II (Work and Investment Program) as may be extended by the ANP pursuant to paragraph 5.4.2 and item 4 of Annex II. Each Exploration Period following the first~~ The second Exploration Period, if applicable, will begin at the conclusion of the ~~immediately preceding~~First Exploration Period. ~~The last Exploration Period (and, hence, the~~ The Exploration Phase) may be extended as provided in paragraphs 5.1.2, 5.1.3, 6.2, 7.1.2 and 7.1.3- ~~and item 4 of Annex II (Work and Investment Program).~~

5.1.1 At the end of ~~each~~the First Exploration Period, the Concessionaire shall relinquish to the ANP the total area of each Block, except for the Area(s) retained for Evaluation or Development, or proceed to the Second Period, assuming the obligations at least the percentage of original Concession Area indicated in Annex II (Work and Investment Program). ~~The Concessionaire may relinquish more than the required minimum surface area at the end of an Exploration Period, but such voluntary relinquishment will not affect or reduce the Minimum Exploration Program for any subsequent Exploration Period. If the Concessionaire relinquishes more than the required minimum percentage surface area at the end of an Exploration Period, the Concessionaire may count the excess toward the required relinquishment at the end of a subsequent Exploration Period or Periods.~~

5.1.2 At the end of the Exploration Phase, the Concessionaire may only keep the Development Area(s) approved by the ANP and shall relinquish all remaining areas, except as follows:

- (a) If the Concessionaire has submitted one or more Development Plans under the terms of paragraph 9.1 which have not yet been approved by the ANP under the terms of paragraph 9.3, the Concessionaire may retain the areas covered by such Development Plans, pending a final decision on such Development Plans, but may not do any work or conduct any Operations in such areas without the prior approval of the ANP.
- (b) If the Concessionaire has submitted a Declaration of Commerciality under the terms of paragraph 7.1 but has not yet submitted a Development Plan with

respect to the Discovery concerned, the Concessionaire may retain the relevant area approved by the ANP, and covered by the Evaluation Plan, for the balance of the time provided by paragraph 9.1 for submission of the Development Plan and for the additional time required under the terms of paragraph 9.3 for review of such Development Plan, but may not do any work or conduct any Operations in the area concerned without the prior approval of the ANP.

- (c) If the Concessionaire has made and notified a Discovery so close to the end of the Exploration Phase that it is not reasonably possible in the exercise of normal diligence and Oil Industry Best Practice to complete Evaluation of the Discovery and to make a reasonable judgment as to the issuance of a Declaration of Commerciality before the end of the Exploration Phase, the Exploration Phase for the area concerned may be extended with the prior approval of the ANP of an Evaluation Plan. The Evaluation Plan shall be completed within the extension approved by the ANP. The extension to which this 5.1.2(c) refers is limited to the area covered by the Evaluation Plan approved by the ANP. If the Evaluation leads to a Declaration of Commerciality, the Concessionaire will be able to retain the approved area, as provided in [paragraph 5.1.2\(b\)-above](#).

5.1.3 ~~(d) If a Concessionaire makes and provides notice of a Discovery near the end of an Exploration Period such that it is not possible to complete, in accordance with Oil Industry Best Practice, an Evaluation of the Discovery prior to the termination of this same Exploration Period, the Exploration Period can be extended with the prior approval of an Evaluation Plan by the ANP which plan, in any event, must be completed within the timeframe approved by the ANP.~~

~~(a) The period of extension provided under paragraph 5.1.3 will be subtracted from the term of the subsequent Exploration Period~~

~~(b) In the case of the final Exploration Period, the provisions of 5.1.2 (c) will apply.~~

~~5.1.4~~ ~~5.1.3~~ As a condition ~~of for~~ continuing ~~the Exploration Phase from one Exploration Period to the next, to~~ the Second Exploration Period of a Block within the Concession Area, the Concessionaire shall be obligated to provide the ANP, prior to the end of the ~~First~~ Exploration Period ~~underway~~, a stand-by letter of credit or a performance bond satisfying the requirements of Clause Fifteen with respect to the Minimum Exploration Program for the ~~next succeeding~~ ~~Second~~ Exploration Period. If the Concessionaire fails to provide a stand-by letter of credit or a performance bond by the end of the ~~First~~ Exploration Period ~~underway~~, the Exploration Phase will be automatically terminated and the Concessionaire will relinquish all ~~the Blocks within~~ the ~~original~~ Concession Area pursuant to paragraph 5.1.2.

~~5.1.5~~ ~~5.1.4~~ 5.1.4 The Concessionaire may voluntarily terminate the Exploration Phase at any time by written notice to the ANP in compliance with the requirements of paragraph 5.4.; provided that such termination will not relieve the Concessionaire from fully completing the Minimum Exploration Program with respect to the Exploration Period underway.

Minimum Exploration Program

5.2 During the ~~Exploration Phase~~ ~~First Exploration Period~~, the Concessionaire shall, ~~in each Exploration Period,~~ complete in its entirety ~~the Work Units corresponding to~~ the Minimum Exploration Program for ~~such the First~~ Exploration Period as ~~contained in~~ ~~per~~

Annex II (Work and Investment Program) and if proceeding to the Second Exploration Period, will drill an exploratory well to the minimum depth shown in Annex II (Work and Investment Program) and for this purpose, pursuant to paragraphs 5.2.4~~3~~, 5.2.4, 5.2.5 and 5.2.6⁴, shall expend the necessary amounts.

~~5.2.1 In the event that the Concessionaire judges, on the basis of exploration work completed in the Concession Area in any Exploration Period, that there are insufficient prospects in the Concession Area to justify completing the Minimum Exploration Program proposed for the subsequent Exploration Period, the Concessionaire should send to the ANP at least 60 (sixty) days in advance of the next Exploration Period a request to modify the Minimum Exploration Program. Whether to accept the proposed reductions or modifications requested, or to place conditions on the acceptance of the request, such as an alternative Minimum Exploration Program or increase in the percentage of the area to be relinquished and contained in Annex II (Work and Investment Program), will remain at the sole discretion of the ANP. Within a period of 45 (forty-five) days from the receipt of such request, the ANP will approve it or establish conditions for its acceptance. In the event the ANP does not respond within this period, the proposed modification to the Minimum Exploration Program will be considered approved.~~

~~5.2.2~~ 5.2.1 Non-compliance with the provisions of paragraph 5.2 shall entitle the ANP to draw on the stand-by letter of credit or performance bond as provided in Clause Fifteen, without prejudice to other legal and contractual remedies.

~~5.2.3~~ 5.2.2 The Concessionaire may at its discretion perform additional exploration work and activities beyond those included in the Minimum Exploration Program for the Exploration Period underway, providing the ANP with the program of additional exploration work and activities prior to initiating such work. ~~The ANP, at its sole discretion, may credit or not, in whole or in part, these additional exploration activities against obligations in the subsequent Exploration Period. Notwithstanding, each Exploration Period will always contain a Minimum Exploration Program to be completed by the Concessionaire.~~

5.2.4 5.2.3 2D seismic acquired onshore or in water depths less than 50 (fifty) meters deep and onshore or offshore 3D seismic, carried out in the Concession Area Block under the terms of paragraph 2.5 and that has been acquired by the Concessionaire, can be utilized in compliance with the Minimum Exploration Program referred to in paragraph 5.2., obeying the provision of paragraph 5.3.

5.2.4 In order to comply with the Minimum Exploration Program subject of paragraphs 5.2.3 and 5.2.6, surveys that have not complied with the requirements to deliver data to the ANP Exploration and Production Database (BDEP) will not be accepted.

~~5.2.5~~ A Concessionaire may substitute the seismic survey required under the Minimum Work Program of the First Exploration Period by the drilling of one or more wells. ~~5.2.5 All wells drilled in substitution of a seismic survey in order to comply with the Minimum Exploration Program must reach the minimum objective defined in Annex II (Work and Investment Program). This substitution must be formally communicated to the ANP before the initiation of drilling of the well(s).~~

~~5.2.6~~ [Paragraph only for onshore blocks, identified by the "BT" prefix] Up to one year after the Effective Date, the Concessionaire may elect to terminate this contract, upon presentation of a detailed evaluation of the block to the ANP. In this event, the Concessionaire will be excused from fulfilling the Minimum Work Program.

5.3 To the exploratory works done under the terms of paragraph 2.5, which are taken into account for compliance with the Work and Investment Program shown in Annex II, a reduction factor will be applied to the number of Work Units to be calculated, in accordance with the time elapsed between the date of the request for withdrawal from the Minimum Exploration Program and the start date of the data acquisition operation. If the data acquisition operation takes place up to a year before the date of the request for withdrawal from the Minimum Exploration program, the exploration work will be considered in its totality, increased by a reduction factor of 10% (ten per cent) to the number of Work Units calculated for each additional year elapsed. Data acquired more than ten years from the date of the request for withdrawal from the Minimum Exploration Program will not be calculated for compliance with the Work and Investment Program.

Options after Completion of Minimum Exploration Program

~~5.3.5.4~~ After having totally complied with the work obligations established by the Minimum Exploration Program for any Exploration Period of any Blocks object of this Contract, according to paragraph 5.2, the Concessionaire may, for the Block(s) where the Minimum Exploration Program had been fulfilled, at its discretion and through written notice to the ANP, up to the date of termination of the Exploration Period:

- (a) At the end of the First Exploration Period, declare that the First Exploration Period is completed and Proceed proceed with the Exploration Phase by commencing with the subsequent Exploration to the Second Exploration —Period, when applicable, in which event the Concessionaire will submit a standby letter of credit or performance bond guaranteeing the Minimum Exploration Program in accordance with paragraph 5.1.4 ~~3~~ and relinquish to the ANP those parts of the Concession Area in accordance with paragraphs 3.5, 5.4 and Annex II (Work and Investment Program); or
- (b) Consider the Exploration Phase finished, only retaining the eventual Development Areas established pursuant to paragraphs 5.1.2, ~~5.1.3, 5.4.1-5.3.1~~, 7.1.2, 7.1.3 and 9.2, in which case all other parts of the Concession Area Block shall be immediately relinquished by the Concessionaire to the ANP, as defined in paragraphs ~~3.6-5~~ and 3.76; or
- (c) Notify the ANP that no Discoveries in the Block(s) have been made which, in the discretion of the Concessionaire, justify investments in Development proceeding with the Operations under this Contract, which will imply the exclusion of the Block(s) within the Concession Area or the cancellation of the Concession Contract, if the Concession area comprises only one Block .—Such notice will cause the termination of this Agreement as of the date of receipt of the relevant notification and the immediate relinquishment of the entire this (these) Block(s) Concession Area, as defined in paragraphs ~~3.6-5~~ and 3.76.

~~5.3.25.4.1~~ If, at the end of the Exploration Phase, the deadline to present the Development Plan as stated in paragraph 9.1 has not been reached, the Concessionaire

will, nevertheless, be obliged, for the purposes of paragraph ~~5.3(a)~~5.4(b) and for the approval of the ANP, to anticipate, in the relevant notice, the delineation of the Development Area to be retained, according to paragraph 9.2.

~~5.3.3~~5.4.2 In the event the Concessionaire fails to present the notice referred to in paragraph 5.34, the corresponding Block will be excluded from the Concession Contract, or this Agreement-Contract will duly terminate, if the Concession Area comprises only one Block, at the end of the Exploration Phase, with the Concessionaire being obligated to immediately relinquish the entire Concession Areaarea of the Block or the entire Concession Area, whichever is the case, in accordance with paragraphs ~~3.6~~5 and ~~3.7~~6.

Relinquishment of the Concession Area in the Exploration Phase

5.5 Within a period of sixty (60) days after the termination of the Exploration Phase, the Concessionaire must send a relinquished areas report to the ANP, in accordance with the applicable Brazilian legislation.

5.5.1 The delivery of the relinquished areas report does not imply any recognition or release on the part of the ANP, nor exempts the Concessionaire from the responsibilities under Clause Twenty-one.

~~5.4~~In each case of the relinquishment of a Concession Area in accordance with the preceding paragraphs ~~5.1.5 and 5.3~~, the Concessionaire must submit an Installations Deactivation Program to the ANP not less than 30 (thirty) days before the relinquishment, describing in detail the proposal for the plugging and abandonment of the wells, the deactivation and removal of plant, equipment and all other relevant assets. The Installations Deactivation Program must comply strictly with applicable Brazilian legislation, be in accordance with Oil Industry Best Practice and be consistent with the provisions in Clause Twenty One of this Agreement.

~~5.4.1~~The ANP will have 30 (thirty) days, counting from the receipt of the Installations Deactivation Program, to approve it or request the Concessionaire to modify it as the ANP may deem appropriate. In the case the ANP does not respond within such period, the Installations Deactivation Program is deemed approved. If the ANP suggests modifications, the Concessionaire shall have 15 (fifteen) days, counting from the date of receipt of the notification, to present them to the ANP whereupon the approval procedure described in this paragraph ~~5.4.1~~ shall be repeated in respect of such modifications. The ANP will not unreasonably reject an Installations Deactivation Program for a Concession Area during the Exploration Phase if it complies with applicable Brazilian laws and is consistent with Oil Industry Best Practice. The ANP may request that the Concessionaire not plug and abandon wells and/or not deactivate or remove certain facilities, making the ANP responsible for such wells and facilities following the Concessionaire's withdrawal.

~~5.4.2~~The termination of this Agreement with regard to a specific Concession Area, during the Exploration Phase shall be effective immediately after the fulfillment of the Installation Deactivation Program approved by the ANP, with the immediate relinquishment of such Concession Area, in accordance with the provisions of paragraphs ~~3.6 and 3.7~~ and the Concessionaire shall not be entitled to any compensation for the investments it may have made.

~~5.4.3 At the end of an Exploration Period, when the Concessionaire has opted to extend the Exploration Phase in accordance with paragraph 5.3, and an extension to the Exploration Period is necessary to comply with paragraph 5.4.2, the period of such extension shall be deducted from the Exploration Period immediately following, if applicable.~~

6 Clause Six:

Discovery and Evaluation

Notice of Discovery

- 6.1 Any Discovery of Oil, Natural Gas, other hydrocarbons, minerals and, in general, any natural resources, within the Concession Area, shall be notified, exclusively and in writing, by the Concessionaire to the ANP within a maximum of 72 (seventy-two) hours. The notice shall be accompanied by all relevant available data and information.

Other Natural Resources

- 6.2 In the case of Discovery of any natural resources other than Oil or Natural Gas, over which the Concessionaire will have no rights according to the terms of paragraph 2.4, the Concessionaire will be obliged to comply with instructions and allow the performance of such relevant measures as may be determined by the ANP or other competent authorities. While waiting for such instructions, the Concessionaire shall refrain from taking any measures that could put at risk or in any way impair the discovered natural resources. The Concessionaire shall not be obliged to interrupt his activities, except in cases in which they put at risk the discovered natural resources. Any interruption of activities, due exclusively to the discovery of other natural resources, will have its term computed and recognized by the ANP for purposes of the extension referred to in paragraph 5.1.

Evaluation

- 6.3 The Concessionaire may, at its discretion, evaluate an Oil or Natural Gas Discovery according to paragraph 6.1, at any time during the Exploration Phase. The Evaluation of the Discovery shall be necessarily and fully done during the Exploration Phase, which, in no case, can be extended, except as provided for in paragraphs 5.1, 7.1.2 or 7.1.3.

- 6.3.1 In the event the Concessionaire decides to evaluate a Discovery, the Concessionaire shall so notify the ANP and deliver, before undertaking

Evaluation activities on the Discovery, an Evaluation Plan prepared in accordance with applicable Brazilian legislation. The Concessionaire is authorized to execute the Evaluation Plan immediately after its presentation to the ANP. Where justifiably requested by the ANP, Evaluation activities already initiated shall be interrupted.

- 6.3.2 In the event the Evaluation Plan contemplates the execution of Long-Term Tests, the Concessionaire may not initiate any such tests without the prior authorization from ANP.

Approval and Modifications to the Evaluation Plan

- 6.4 The ANP will have up to 60 (sixty) days, from the receipt of the Evaluation Plan, to approve of the Plan or to request justifiable modifications from the Concessionaire. ~~In the event the ANP does not request any modification during this period, the Evaluation Plan shall be deemed to have been approved by the ANP.~~ In the event the ANP requests such modifications in the Evaluation Plan, the Concessionaire shall present the additional information within 30 (thirty) days from the relevant request, repeating the procedure described in this paragraph 6.4. Any amendments to the Evaluation Plan, which are suggested by the Concessionaire, are subject to the prior written communication to the ANP, applying to such amendments the procedure contemplated in this paragraph 6.4.

7 Clause Seven:

Declaration of Commerciality

At Option of Concessionaire

- 7.1 Prior to the end of the Exploration Phase, the Concessionaire, by means of sending a notice to the ANP, may or may not issue a Declaration of Commerciality for the Discovery evaluated pursuant to the Evaluation Plan approved by the ANP, in accordance with paragraph 7.1.1, or delay such Declaration of Commerciality in accordance with paragraphs ~~5.1.2 (e)~~, 7.1.2 or 7.1.3, if applicable. In the case where a Final Evaluation Report on Oil and/or Natural Gas Discoveries has not already been submitted to the ANP, the Concessionaire must attach such report to his notice, justifying the proposal for the area that will be retained for the Development, and including justification for seeking the application of paragraphs ~~5.1.2 (e)~~, 7.1.2 or 7.1.3, if applicable.
- 7.1.1 The decision to issue or not a Declaration of Commerciality for the evaluated Discovery shall be decided by the Concessionaire, at its sole discretion, using for this the notification referred to in paragraph 7.1.

- 7.1.2 The Concessionaire may justify, before the ANP and in accordance with paragraph 7.1, that the quantity and the quality of the discovered and evaluated Non-Associated Natural Gas are such that (i) its commercial viability depends on the creation of the market for Natural Gas or the installation of Transportation infrastructure to handle simultaneously the Concessionaire's and other Concessionaires' Production and, also that (ii) the creation of such market or installation of such infrastructure will be possible within a period of as much as 5 (five) years. In this case, the Concessionaire will have the right to request the ANP, and the latter, at its sole discretion, may concede a maximum period of 5 (five) years, from the notice made by the Concessionaire pursuant to paragraph 7.1, to issue or not the relevant Declaration of Commerciality. In the event such Declaration is issued, the Concessionaire is obligated to present, attached to the Declaration of Commerciality, a supported proposal for the use of the Non-Associated Natural Gas, accompanied by the relevant Development Plan. When presenting the request contemplated in this paragraph 7.1.2, the Concessionaire shall simultaneously submit for the ANP's approval the delineation of the Development Area to be retained, in accordance with the provisions of paragraph 9.2. The extension of the Exploration Phase of this Agreement for the period of 5 (five) years contemplated herein will be applicable exclusively to such Development Area, and for all other parts of the Concession Area the terms and conditions applicable in accordance with the other clauses of this Agreement shall prevail. At the ANP's exclusive option, and on the basis of technical justifications for each specific case, such 5 (five) year period may be extended to up to 10 (ten) years.
- 7.1.3 The Concessionaire may justify, before the ANP and in accordance with paragraph 7.1, that the quantity and the quality of the discovered and evaluated Heavy Oil are such that (i) its commercial viability depends on the development of new technologies for the production of Heavy Oil in Ultra-Deep and, also that (ii) the application of such technologies could be viable within a period of up to 5 (five) years. In this case, the Concessionaire will have the right to request the ANP, and the latter, at its sole discretion, may concede a maximum period of 5 (five) years, from the notice made by the Concessionaire pursuant to paragraph 7.1, to issue or not the relevant Declaration of Commerciality. In the event such Declaration is issued, the Concessionaire is obligated to present attached to the Declaration of Commerciality, a supported proposal for the use of the Non-Associated Natural Gas, accompanied by the relevant Development Plan. When presenting the request contemplated in this paragraph 7.1.3, the Concessionaire shall simultaneously submit for the ANP's approval the delineation of the Development Area to be retained, in accordance with the provisions of paragraph 9.2. The extension of the Exploration Phase of this Agreement for the period of 5 (five) years contemplated herein will be applicable exclusively to such Development Area, and for all other parts of the Concession Area the terms and conditions applicable in accordance with the other clauses of this Agreement shall prevail. At the ANP's exclusive option, and on the basis of technical justifications for each specific case, such 5 (five) year period may be extended to up to 10 (ten) years.

Relinquishment of Area of Discovery

- 7.2 In the case the Concessionaire elects not to issue the Declaration of Commerciality for the evaluated Discovery, pursuant to this Clause Seven, or if, having issued the Declaration of Commerciality, fails to deliver to the ANP, within the proper period of time, the Development Plan required pursuant to paragraphs 7.1.2, 7.1.3 and 9.1, then the area concerned shall be subject to relinquishment as provided in this Agreement.

Continuation of Exploration and/or Evaluation

- 7.3 The fact that the Concessionaire has released one or more Declarations of Commerciality, pursuant to this Clause Seven, shall not cause the reduction or amendment of the Concessionaire's rights or obligations regarding Exploration, which will continue in full force and effect in accordance with the term, periods and conditions defined in this Agreement.

8 Clause Eight:

Production Phase

Duration

8.1 The Production Phase, with regard to each Field, will start at the date of delivery, by the Concessionaire to the ANP, of the Declaration of Commerciality related to such Field, pursuant to Clause Seven, and shall last for a 27 (twenty-seven) year term, which can be reduced or extended, according to the provisions of paragraphs 8.2, 8.3 and 8.5.

8.1.1 Considering that the Production Phase applies, separately, to each Field, pursuant to paragraph 8.1, it is expressly understood that all references to extension or termination of this Agreement contained in paragraphs 8.2 through 8.6 mean the extension or termination of this Agreement exclusively with respect to each Field separately.

Extension by Concessionaire

8.2 The Concessionaire may request the extension of the term established in paragraph 8.1. In order to do so, the Concessionaire shall send, at least 12 (twelve) months prior to the end of this term, a written request to the ANP duly accompanied by a Development Plan, prepared in accordance with applicable Brazilian legislation or, in the event additional investments in the Field are not requested by ANP in accordance with paragraph 8.2.1, a Production Program which is in accordance with the Development Plan already in effect.

8.2.1 The ANP, within a maximum period of 3 (three) months from the receipt of the request from the Concessionaire, will inform the latter of its decision, it being understood that the ANP shall not unjustly reject the Concessionaire's proposal, being able to refuse it *in totum* or request amendments, including additional investments in the Field subject to extension. At the same time, the Concessionaire will not unjustifiably refuse requests by the ANP for additional investments in the Field subject to extension.

8.2.2 ~~The lack of response from the ANP, within the 3 (three) month period referred above, will cause the implicit approval of the Concessionaire's proposal, extending this Agreement on the terms contemplated therein.~~

Extension by ANP

8.3 By written notice made at least 8 (eight) months before the end of the term established in paragraph 8.1, the ANP may request the Concessionaire to continue operating in a Field for such additional time that the ANP may consider convenient, with the consequent extension of this Agreement. The ANP's request shall not be refused by the Concessionaire without justification, it being understood that the latter shall not be obliged to continue with the operation under conditions that, by its own criterion, might be un-economic.

8.3.1 The lack of response by the Concessionaire, within a period of 3 (three) months from the date of the ANP's request, shall be considered as an acceptance by the Concessionaire of the ANP's request.

Consequence of Extension

8.4 During the occurrence of the extension of the Production Phase, pursuant to paragraphs 8.2 and 8.3, the Parties will remain bound under the exact terms and conditions of this Agreement, with the exclusive exception of the amendments agreed due to, and for the purposes of, such extension. At the end of such extension, the referred paragraphs 8.2 and 8.3 will be applied, *mutatis mutandis*, for purposes of any new extension.

Early Termination

8.5 At any time during the Production Phase, the Concessionaire can terminate this Agreement with respect to any Field (or all Fields) through written notice to the ANP. The Concessionaire shall not interrupt, suspend or deviate from the Production contemplated in the Production Program at the Field(s) or Development Area(s) concerned for a period of at least one hundred and eighty (180) days from the date of the notice.

Relinquishment of Fields

8.6 Once the Production Phase is finished, as contemplated in paragraph 8.1, the Field shall be relinquished to the ANP. The ANP may, if it deems convenient, adopt the applicable measures to proceed with its operation, including by arranging for the licensing of the area during the last 6 (six) months of Production or after receipt of the notice described in paragraph 8.5. In this case, the Concessionaire shall use all of its efforts and adopt all measures in order to, during the last 6 (six) months of Production, or from the notice described in paragraph 8.5, properly transfer the Operations to the new Operator, in order not to impair the administration and Production of the Field. In any circumstance,

however, the Concessionaire will be obligated to comply with the provisions of paragraphs 3.6-5 and 3.7-6.

- 8.6.1 At least one hundred and eighty (180) days before the end of Production, the Concessionaire must submit an Installations Deactivation Program to the ANP, describing in detail the proposal for the plugging and abandonment of the wells, the deactivation and removal of plant, equipment and all other relevant assets. The Installations Deactivation Program must comply strictly with applicable Brazilian legislation, be in accordance with Oil Industry Best Practice and be consistent with the provisions in Clause Twenty One of this Agreement.
- 8.6.2 The ANP will have 30 (thirty) days, counting from the receipt of the Installations Deactivation Program, to approve it or request the Concessionaire to modify it as the ANP may deem appropriate. ~~In the case the ANP does not respond within such period, the Installations Deactivation Program is deemed approved.~~ If the ANP suggests modifications, the Concessionaire shall have 60 (sixty) days, counting from the date of receipt of the notification, to present them to the ANP whereupon the approval procedure described in this paragraph 8.6.2 shall be repeated in respect of such modifications. The ANP will not unreasonably reject an Installations Deactivation Program for a Development Area if it complies with applicable Brazilian laws and is consistent with Oil Industry Best Practice. The ANP may request that the Concessionaire not plug and abandon wells and/or not deactivate or remove certain facilities, making the ANP responsible for such wells and facilities following the Concessionaire's withdrawal.
- 8.6.3 The implementation of the Installations Deactivation Program approved pursuant to paragraph 8.6.2 shall not commence prior to the date, which is one hundred and eighty (180) days after the notice was given, unless otherwise expressly authorized by the ANP.
- 8.6.4 The termination, whether early or not, of this Agreement with respect to a specific Development Area or Field shall be effective immediately after the fulfillment of the Installations Deactivation Program approved by the ANP, with the immediate relinquishment of such Development Area or Field, respecting the provisions of paragraphs 3.6-5 and 3.7-6 and the Concessionaire shall not be entitled to any compensation for the investments it may have made.

9 Clause Nine:

Development Plan

Contents

- 9.1 Within 180 (one hundred and eighty) days from the date of delivery of the Declaration of Commerciality pursuant to paragraph 7.1 and except as provided for in paragraph 12.1, or on the date of the Declaration of Commerciality, in the case of paragraphs 7.1.2 or 7.1.3, the Concessionaire shall deliver to the ANP the relevant Development Plan,

prepared in accordance with applicable Brazilian legislation and Oil Industry Best Practice.

Development Area

9.2 The Development Area will be circumscribed by a sole line drawn according to applicable legislation, including a “gutter zone” of a maximum of 1 (one) kilometer, around the whole Pool or Pools to be produced, determined based on the data and information obtained during the execution of Exploration and Evaluation activities, and in accordance with Oil Industry Best Practice.

9.2.1 If, during the course of the Development, it is proved that the Pool or Pools contained in the Development Area defined pursuant to paragraph 9.2. extend further this area, the Concessionaire may request its amendment to the ANP, in order to incorporate in such area other portions of the original Concession Area, provided that such portions have not yet been relinquished in compliance with the provisions of this Agreement.

9.2.2 Once the Development is concluded, the Concessionaire will retain from the Development Area only the area of the Field which results from the Development, immediately relinquishing all other parts to the ANP, in accordance with paragraphs 3.6-5 and 3.76.

9.2.3 The Area of each Field referred to in paragraph 9.2.2 shall be circumscribed by a sole closed polygon, drawn in accordance with applicable Brazilian legislation.

Approval and Execution of Development Plan

9.3 The ANP shall have up to ~~18060~~ (one hundred and eightysixty) days from the receipt of the Development Plan to approve it or request the Concessionaire to make any amendments the ANP deems advisable. In the event the ANP does not respond within such period, the Development Plan will be considered approved. If the ANP requests modifications, the Concessionaire shall have 60 (sixty) days, counting from the date of receipt of the notification, to discuss them with the ANP and submit to the ANP appropriate modifications, repeating in its entirety the procedures outlined in this paragraph 9.3

9.3.1 Once the Development Plan is approved, the Concessionaire shall conduct all Operations with respect to the Development Area concerned in accordance with such Development Plan, amendments to which should be in accordance with the provisions outlined in paragraph 9.4.

Revisions and Amendments

9.4 In the event of a change in the technical conditions or economics used in the formulation of the Development Plan, the Concessionaire may submit revisions or amendments to

the ANP, accompanied by supporting reasons, and in accordance with applicable Brazilian legislation and with Oil Industry Best Practice. If the Development Plan at any time ceases to comply with applicable Brazilian laws and regulations or with Oil Industry Best Practice, the Concessionaire shall be obligated to amend it so that it so complies. Amendments shall be subject to the ANP's review and approval applying, *mutatis mutandis*, the provisions in paragraph 9.3. If the ANP believes that a Development Plan has ceased to comply with applicable Brazilian legislation and Oil Industry Best Practice, it may require the Concessionaire to make appropriate amendments.

Construction, Installation and Equipment

9.5 All construction, installation and the supply of equipment for extraction, treatment, lifting, storage, metering and Production Transfer, under the terms of this Agreement, shall be at the sole responsibility, cost and risk of the Concessionaire. Regarding the Treatment or Processing of Natural Gas, Storage of Natural Gas and Transportation, Articles 53, 54, and 56 through 59 of the Petroleum Law shall apply, it being expressly understood that the resolution of such matters by the Concessionaire, including the investment of necessary resources, will be required in order to establish the commercial viability and to develop a Discovery.

10 Clause Ten:

Production Start-Up Date and Production Programs

Production Start-Up Date

10.1 The Concessionaire shall keep the ANP informed about the forecasts regarding the Production Start-Up Date of each Field, and is bound to confirm it to the ANP, in writing, no later than 24 (twenty-four) hours from its occurrence.

Production Program

10.2 No later than October 31 of each calendar year, the Concessionaire shall deliver to the ANP the Production Program for each Field in accordance with the Development Plan for the Field, observing applicable Brazilian legislation, as well as Oil Industry Best Practice. The Production Program shall also have the appropriate explanations whenever the total annual Production indicated therein suffers a variation equal to or greater than 10% (ten percent), when compared to the relevant total annual Production expected in the Development Plan in force and applicable to the Field.

- 10.2.1 The Concessionaire will deliver 10.2.1 The Production Program regarding the calendar year in which the Production has begun to the ANP at least 60 (sixty) days prior to the expected Production Start-Up Date.
- 10.2.2 Once the Production Program is delivered, and notwithstanding the provisions of paragraph 8.5, the Concessionaire shall be obligated to comply with it and any amendments to it shall be subject to paragraphs 10.3 and 10.4, as well as the provisions of paragraph 10.5.

Modifications by ANP

10.3 The ANP shall have 30 (thirty) days from the receipt of the Production Program to request that the Concessionaire make any amendments the ANP deems advisable, whenever the Production Program does not comply with the provisions of paragraph 10.2. In the event the ANP requests such amendments, the Concessionaire shall have 30 (thirty) days, from the date of receipt of the notification to discuss them with the ANP and present ANP with a Production Program with the required modifications. In accordance with paragraph 8.5, the Concessionaire shall be obligated to comply with the Production Program submitted to the ANP, with such modifications determined by the ANP, according to the provisions herein, applying to such amendments the procedure contemplated in this paragraph 10.3, as well as in paragraph 10.5.

10.3.1 If, at the beginning of the period to which the Production Program refers, the Parties are in disagreement due to the application of paragraph 10.3, the lower Production level between the one proposed by the Concessionaire and the ANP shall be used, in any month and until this disagreement is resolved.

Amendments

10.4 The parties may agree, at any time, upon the revision of the Production Program in place, provided that such revision satisfies the standards set forth in paragraph 10.2. When a proposed revision is at the ANP's initiative, duly justified and in accordance with Oil Industry Best Practice, the Concessionaire shall have 30 (thirty) days, from the date of receipt of the notification to discuss it with the ANP and to present a revised Production Program to the ANP. All revisions shall apply, *mutatis mutandis*, to the provisions outlined in paragraph 10.3.

Authorized Variances

10.5 The volume effectively produced in each Field, each month, cannot vary more than 15% (fifteen percent) in relation to the Production level expected for that month in the Production Program in place, except when this variation is for technical reasons, fortuitous reasons or *force majeure*, justification for which is to be presented to the ANP before the fifteenth day of the following month.

Temporary Interruption of Production

10.6 In accordance with Oil Industry Best Practice, the Concessionaire can seek approval from the ANP for the interruption of Production in a Field, for a maximum period of one year. The ANP has a period of 60 (sixty) days to approve the application or seek additional clarification from the Concessionaire, in which case the ANP has a new period of 60 (sixty) days from the date of the first delivery of clarification by the Concessionaire, to respond. Except for prior and express authorization by the ANP, the Concessionaire must not interrupt Production before the definitive declaration on the part of the ANP. In the event of emergency or *force majeure* conditions, the Concessionaire can interrupt Production without the need for prior approval contemplated in this paragraph, advising the ANP immediately upon this interruption occurring.

11 Clause Eleven:

Measurement, Delivery and Disposition of Production

Measurement

11.1 As from the Production Start-Up Date of each Field, the volume and quality of the Oil and Natural Gas produced will be determined periodically and regularly at the Production Metering Point, at the responsibility and cost of the Concessionaire, with the use of the metering methods, equipment and instruments contemplated in the respective Development Plan and conforming to applicable Brazilian legislation.

Transfer of Ownership

11.2 The Concessionaire shall receive and assume, at the Production Metering Point, the ownership of the volumes of Oil and Natural Gas metered in accordance with this Clause Eleven, always observing the provisions of paragraphs 2.2, 2.2.1 and 2.3. The quantification of such volumes will be subject, at any time, to appropriate corrections in accordance with paragraph 11.1.

Monthly Bulletins

11.3 Before the 15th (fifteenth) day of each month, and as from the month following that in which the Production Start-Up Date occurs in each Field, the Concessionaire will deliver

to the ANP a monthly Production bulletin for that Field conforming to applicable Brazilian legislation.

Free Disposal

11.4 Subject to the condition in paragraph 11.5, the Concessionaire will be assured of the free disposition of the volumes of Oil and Natural Gas received by it in accordance with paragraph 11.2.

Supply to National Market

11.5 If, in the event of a national emergency declared by the President of the Republic, it is necessary to limit exports of Oil or Natural Gas, the ANP may, through 30 (thirty) days advance written notice, determine that the Concessionaire meet the necessities of the local market or of the Nation's strategic oil and gas reserves, with Oil and Natural Gas that it has produced and received pursuant to this Agreement. The Concessionaire's participation referred herein will be made, each month, in proportion to its participation in the national Production of Oil and Natural Gas in the preceding month.

Consumed in Operations

11.6 The Concessionaire may use Oil and Natural Gas produced in the Concession Area as fuel in the performance of the Operations, as long as it is in reasonable quantities and consistent with Oil Industry Best Practice. The Concessionaire will inform the ANP about such quantities and its use through detailed and specific notifications, as required, from and after the Production Start-Up Date of each Field, including such information in the monthly Production bulletins contemplated in paragraph 11.3, it being also understood that all these quantities will be computed for the purposes of payment of royalties and Government and Third-Party Participation Fees, as contemplated in Clause Twenty-Three.

Test Production

11.7 The results of any formation or production tests made by the Concessionaire during the execution of Operations under this Agreement, including the produced volumes of oil, natural gas and water, shall be advised to the ANP immediately after their conclusion, or, in the case of tests with a long duration, in accordance with the period laid out in the approved Evaluation Plans. The Oil and Natural Gas volumes obtained during these tests will belong to the Concessionaire and be ~~computed~~ considered for the purposes of payment of Government and Third-Party Participation Fees, as contemplated in Clause Twenty-Three.

Associated Natural Gas

11.8 The volumes of Associated Natural Gas produced under this Agreement may be used by the Concessionaire in accordance with the terms of 11.56, however for flaring such use will be subject to both the prior written approval of the ANP, which shall not be unreasonably refused, and to Article 47, paragraph 3, of the Petroleum Law.

Losses

11.9 Any loss of Oil or Natural Gas that occurs under the responsibility of the Concessionaire will be included in the total Production volume to be ~~computed~~calculated for purposes of payment of royalties and third party participation interests, provided for in Clause Twenty-Three, pursuant to Article 47, paragraph 3 of the Petroleum Law, without prejudice to the application of the provisions of Clauses Twenty-Nine and Thirty.

12 Clause Twelve:

Unitized Production

Agreement for Unitization of Production

12.1 In the case of a Discovery under this Agreement, in which the relevant Pool may extend outside the Concession Area, the Concessionaire will officially inform this fact to the ANP at the time the Concessionaire becomes aware of such extension.

12.1.1 If another Concessionaire has rights to the adjacent area to which the relevant Pool extends, the ANP will notify such Concessionaire with the purpose of having all interested parties get together and execute an agreement which results in common Development and the unitization of Production.

12.1.2 If there is no Concessionaire with rights to such adjacent area, but the ANP in its sole discretion believes that a sufficient Evaluation of the Pool or Pools concerned has been done in order to permit the ANP to form a reasonable judgment regarding unitization, the ANP itself may act as if it were the Concessionaire of such area for purposes of negotiating and executing the agreement for unitization of Production contemplated in paragraph 12.1. However, at any time prior, during or after such negotiation and execution of the agreement, the ANP may offer for bidding the referred Block or Blocks, in which case, once the relevant Concessionaire(s) is selected, these will assume their

responsibilities pursuant to this Clause Twelve and be obligated to fulfill the unitization agreement signed by the ANP.

Rights and Obligations of Interested Concessionaires

12.2 The agreement referred to in paragraphs 12.1.1 or 12.1.2 will equitably contemplate the rights and obligations of the interested Concessionaires, defining the unitized area, its Operator, the participation of each one in the Exploration, Evaluation, Development and Production of the Pool, the relevant Development Plan, the payment of Government and third-parties ~~participations~~ participation, respecting, for each involved Concessionaire, the amounts specified in the relevant Concession Agreement, and, in general, all other aspects usually covered in this kind of agreement according to Oil Industry Best Practice and the terms of the applicable Brazilian legislation and the Concession Agreements related to the Blocks in which the unitized area is located.

12.2.1 Before the approval of an agreement for the unitization of Production, the ANP may, in its sole discretion, allow an Operator from one of the adjacent areas to undertake Evaluation activities in the area to be unitized where this is unanimously agreed by all involved parties.

12.2.2 If so requested, the ANP may act as mediator in the negotiations of the agreements for unitization of Production, seeking to reconcile the interests of the interested Concessionaires in order for them to reach a consensus.

~~12.2.3 If there is no Concessionaire for adjacent areas and/or the Evaluation of the Pool is insufficient to permit meaningful discussions regarding unitization, the Concessionaire may nonetheless proceed with the Declaration of Commerciality, as provided in this Agreement. If the Concessionaire believes that Development of those parts of the Pool lying inside the Concession Area can be done in accordance with applicable Brazilian laws and Oil Industry Best Practice, it may submit a Development Plan, conforming to the provision of Clause Nine.~~

Modifications to Agreement by ANP

12.3 If the Concessionaire enters into an agreement for unitization of Production, the ANP shall have 60 (sixty) days from the receipt of the agreement duly signed by all involved Concessionaires, to request any amendments the ANP deems advisable. ~~In the event the ANP does not respond within such period, the referred agreement will be considered final and definitive.~~ In the event the ANP requests amendments, the Concessionaire and the other interested parties shall have 60 (sixty) days from the date the request was made to discuss them with the ANP and submit to the ANP appropriate modifications to the previously submitted agreement for unitization, repeating in its entirety the procedures outlined in this paragraph 12.3. Once the agreement for unitization of Production becomes final and definitive, the interested Concessionaires will be obligated to fully comply with it and any amendments to it are subject to the prior written approval of the ANP, such amendments being subject to the procedure contemplated in this paragraph 12.3.

Suspension of Operations

12.4 Should the agreement for the unitization of Production contemplated herein not be approved by the ANP, pursuant to this Clause Twelve, the Development and Production of the relevant Pool will be suspended, unless otherwise approved by the ANP, at its sole discretion, until the unanimous and express agreement is obtained from all parties involved for this purpose.

13 Clause Thirteen:

Performance by Concessionaire

Exclusive Rights and Responsibility of Concessionaire

13.1 During the effective period of this Agreement and as long as its terms and conditions are complied with, the Concessionaire shall have, except as contemplated in paragraph 2.5, the exclusive right to perform the Operations in the Concession Area, for this purpose being obligated to, at its own account and risk, make all investments and bear all necessary expenses, supply all necessary equipment, machinery, personnel, service and proper technology and, as and to the extent required by applicable law, assume and respond for losses and damages caused, directly or indirectly, by the Operations and their performance, independently of pre-existing fault, before the ANP, the Federal Government and third-parties, according to paragraphs 2.2, 2.2.1 and other applicable provisions of this Agreement.

Operator

13.2 The Concessionaire hereby designates the Operator to carry out and execute all Operations and activities under this Agreement on behalf of the Concessionaire and to submit all plans, programs, proposals and other communications to the ANP, and to receive all responses, requests, solicitations, proposals and other communications from the ANP, on behalf of the Concessionaire. The Operator shall be responsible for the full and timely performance of all obligations of the Concessionaire under this Agreement with respect to any aspect of Operations for which it is the Operator, except the obligations set forth in Clauses Twenty-Eight and Thirty-Three.

13.2.1 The initial Operator is _____ which has executed this Agreement in its capacity as Operator on the Effective Date. A replacement Operator ~~or additional Operators for specific activities~~ may be designated as provided herein.

13.2.2 The Operator will at all times hold at least a 30% (thirty percent) participation interest in each Exploration area or Field for which it is acting as Operator. Any failure by the Operator to hold such percentage interest will constitute a material breach of this Agreement except in the case where unitization of Production is necessary in which event the Operator must hold a minimum participation of 15% (fifteen percent) in each Field in which it is acting as Operator. If, as a result of a prospective transfer or otherwise, it is anticipated that an Operator would at any

time hold less than such 30% (thirty percent) interest, the Concessionaires will arrange for a new Operator to be designated and to be submitted for approval to the ANP prior to the removal of the former Operator.

- 13.2.3 The Concessionaires may nominate a Person other than the original Operator to act as Operator ~~with respect to any Exploration or Development or Field activity;~~ provided that such Person can demonstrate adequate experience, qualifications and financial capacity. The Person so nominated must hold the minimum percentage interest established in paragraph 13.2.2 and have such nomination approved by the ANP provided above. ~~Such nomination is subject to approval by the ANP.~~
- 13.2.4 The Operator may resign as Operator at any time by so notifying the other Parties at least ninety (90) days prior to the effective date of such resignation.
- 13.2.5 The Operator may be removed by the ANP if the Operator has committed a material breach of this Agreement and has failed to cure such breach within ninety (90) days of receipt of a notice from the ANP detailing the alleged breach.
- 13.2.6 Following the resignation or removal of an Operator as provided above, the Concessionaires shall meet as soon as possible to nominate a replacement Operator that meets the requirements of this paragraph 13.2, and shall present such nomination to the ANP for approval.
- 13.2.7 After the nomination of the successor Operator by the Concessionaire and approval by the ANP, the successor Operator shall succeed to all duties, rights and authority prescribed in this Agreement for the Operator, and the former Operator shall transfer to the replacement Operator custody of all property used in the Operations, books of account, records and other documents maintained by the Operator pertaining to those parts of the Concession Area and to those Operations concerned.
- 13.2.8 Upon delivery of the ~~above-described~~ property and data, referred to in paragraph 13.2.7, by the former Operator, whether in the event of resignation or removal, the former Operator shall be released and discharged from all obligations and liabilities as Operator arising or accruing after such date, but shall not be released from obligations and liabilities arising or accruing prior to such date or for any acts, occurrences or circumstances taking place or existing prior to such date.
- 13.2.9 The Concessionaires acknowledge that the ANP may, as a condition to granting approval of the appointment of a new Operator, require, among other things, that the new Operator and the original Operator agree to take all the necessary measures for the complete transfer of all information and all other administrative matters relating to this Agreement, and that an audit or inventory can be conducted as of approximately the time operations are transferred to the new ~~Operader~~Operator. The Concessionaires shall pay the costs of such audit or inventory.

Diligence in Conduct of Operations

- 13.3 The Concessionaire shall plan, prepare, perform and control the Operations in a diligent, efficient and appropriate manner, in accordance with applicable Brazilian legislation and Oil Industry Best Practice, always respecting all provisions of this Agreement, and not

performing any act which would or could constitute a violation of the economic order. Based upon such principle, and without limiting its application, the Concessionaire shall be obligated to adopt, in all Operations, the necessary measures for the conservation of the producing resources and other natural resources, the safety of people and property, and the protection of the environment, in accordance with Clause Twenty-One, and to obey the relevant technical, scientific and safety rules and procedures, including those related to the recovery of fluids, the prudent management of Production and the control of the depletion of the reserves.

13.3.1 The Concessionaire hereby commits to use its most advanced technical experience and technology, as long as they are appropriate and economically justified, for the performance of the Operations, including those which could better enhance the economic returns and the Production of the discovered Pools.

Licenses, Authorizations and Permits

13.4 It will be the Concessionaire's responsibility to, at its own account and risk, obtain all licenses, authorizations, permits and rights required by law, the competent authorities or by reason of third party rights, whether expressly referred to or not in this Agreement, and which are necessary for the performance of the Operations, including, *inter alia*, the free entry, egress, import, export, customs clearance, moving, construction, installation, possession, use or consumption whether in respect to the Country or the Concession Area, of any persons, services, procedures, technologies, equipment, machinery, materials and goods in general, as well as for the use of natural resources, installation or operation of communication and data transmission media, and the transportation by land, river, lake, sea or air.

13.4.1 In the case the licenses, authorizations, permits and rights referred in paragraph 13.4 depend upon the agreement with third parties, such as land owners, urban, country or native communities, local governments or other entities or persons with legal rights, the negotiation and execution of such agreement will be the exclusive responsibility of the Concessionaire, on its own account and risk; provided that the ANP will be responsible for the assistance described in paragraph 14.3.

13.4.2 The Concessionaire shall be liable for the violation of rights over the use of materials and performance procedures protected by trademark, intellectual property or other rights, bearing the payment of any burdens, fees, indemnifications or other expenses resulting from the referred violation, including judicial ones.

Free Access to Concession Area

13.5 While this Agreement is in full force and effect, and respecting the provisions of paragraphs 13.4 and 13.4.1, the Concessionaire shall have free access to the Concession Area and the installations located therein.

Drilling and Abandonment of Wells

13.6 The Concessionaire shall provide the ANP with prior written notice concerning the commencement of drilling of any well in the Concession Area, attaching in this event, a work program with detailed information about the expected drilling Operations, as well as about the equipment and materials to be used.

13.6.1 The Concessionaire may interrupt the drilling of a well and abandon it before reaching the expected geological goal, in accordance with applicable Brazilian laws and Oil Industry Best Practice. If the well concerned represents part of the Minimum Exploration Program and it does not reach the target horizon, it will not count in satisfaction of the Minimum Exploration Program unless the ANP, in its sole discretion, determines otherwise.

Additional Work Programs

13.7 At any time, the Concessionaire may propose the performance of additional work in the Concession Area, beyond those included in any plans or programs already approved under the terms of this Agreement. The relevant program, specifying the proposed additional works and the necessary investments will be submitted to the ANP, consistent with paragraphs 6.3, 6.4, 9.3, 9.4, 10.3, 10.4, 16.2 and 16.3.

14 Clause Fourteen:

Control of Operations and Assistance by ANP

ANP Oversight

14.1 The ANP, directly or through agreements with entities in the States or the Federal District, will follow-up and oversee the Operations performed in the Concession Area with the purpose of assuring that the Concessionaire is fully and rigorously complying with its obligations under the terms of this Agreement and applicable Brazilian legislation.

14.1.1 The act or omission in the follow-up or supervision referred to in paragraph 14.1 shall, in no way, exclude or reduce the liabilities of the Concessionaire regarding the performance of its obligations assumed herein.

Access and Control

14.2 At any time, the ANP shall have free access to the Concession Area and the Operations, as well as to the equipment and installations referenced in paragraph 18.4, and to all available technical records and data, in order to follow-up and oversee as referred in paragraph 14.1, as well as to inspect the installations and equipment, including, but not limited to, those cases expressly referred to in other paragraphs of this Agreement. The ANP shall provide the Concessionaire with reasonable advance notice of such inspections and shall take care that such inspections shall not interfere with the regular performance of the Operations.

14.2.1 For purposes of the follow-up and supervision referred to in paragraph 14.1, the Concessionaire shall provide transportation, food, housing and other services at the relevant locations to the ANP's representatives under the same conditions it provides to its own personnel.

14.2.2 In addition, whenever provided for in the applicable Brazilian legislation, the Concessionaire shall provide the authorities, which have responsibility for any of its activities with the relevant information and allow their free access.

Assistance to Concessionaire

14.3 Whenever required, and always within strict legal limits of its competence and attributions, the ANP can provide assistance to the Concessionaire in obtaining the licenses, authorizations, permits and rights referred to in paragraph 13.4. In addition, the ANP shall, if requested, instruct the process of expropriation and easement referred to in paragraph 18.3.1.

ANP Not Responsible for Concessionaire Performance

14.4 Under no circumstances shall the ANP assume any responsibility for the performance or not of any activity to which its assistance has been required pursuant to paragraph 14.3. Such responsibility shall remain entirely with the Concessionaire, at its own account and risk.

15 Clause Fifteen:

Guarantee of Minimum Exploration Program

~~Financial Guarantee [paragraph exclusively for onshore blocks, identified with the "BT"~~

prefix]

15.1 ~~One year from the Effective Date of this Agreement, the Concessionaire shall, at its own cost and expense, provide the ANP with one or more irrevocable stand-by letters of credit from financial institutions acceptable to the ANP in the form of Annex III (Letter of Credit for Minimum Exploration Program) hereto, in an aggregate amount equivalent to US\$ _____ ([amount in words]) with respect to the Minimum Exploration Program for the first Exploration Period. In its sole discretion, and notwithstanding the provision of this Clause Fifteen, the ANP may accept as a guarantee for the Minimum Exploration Program one of more performance bonds of a value equal to or greater than that stipulated in paragraph 15.1 which can be drawn upon in the same manner as a stand-by letter of credit in Annex III (Letter of Credit for Minimum Exploration Program).~~

~~15.1.1 If the stand-by letter(s) of credit or performance bond(s) referred in paragraph 15.1 are not delivered by the day provided, this Agreement will immediately terminate without prejudice to recourse to other measures which may be available.~~

Financial Guarantee ~~(paragraph exclusively for offshore blocks, identified with the "BM"~~

prefix]

15.1 ~~Concurrently with the execution of this Agreement, t~~he Concessionaire shall, at its own cost and expense, provide the ANP with one or more irrevocable stand-by letters of credit from financial institutions acceptable to the ANP in the form of Annex III (Letter of Credit for Minimum Exploration Program) hereto, in an aggregate amount equivalent to US\$ _____ ([amount in words]) with respect to the Minimum Exploration Program(s) for the first Exploration Period of Blocks within the Concession Area. ~~In At~~ its sole discretion, and notwithstanding the provision of this Clause Fifteen, the ANP may accept as a guarantee for the Minimum Exploration Program(s) one of more performance bonds of a value equal to or greater than that stipulated in paragraph 15.1 which can be drawn upon in the same manner as a stand-by letter of credit in Annex ~~III~~ IV (Letter of Credit for Minimum Exploration Program).

Estimates for Guaranteed Activities

15.2 ~~15.2~~ At least 90 (ninety) days prior to the beginning of ~~each subsequent~~ the Second Exploration Period, the Concessionaire shall notify the ANP of the estimated fair market cost of ~~the work comprising~~ drilling the exploratory well of the Minimum Exploration Program for ~~such subsequent~~ the Second Exploration Period ~~based on the current market prices for such work, providing the basis for such estimate, and allocating the cost for the different items of the Minimum Exploration Program.~~ The ANP will have 30 (thirty) days to justifiably object to the Concessionaire's cost estimate or allocations and to notify a different estimate or allocation to the Concessionaire. ~~If the ANP fails to object in such 30 (thirty) days, it will be deemed to have accepted the Concessionaire's estimate.~~ Prior to the beginning of the ~~subsequent~~ Second Exploration Period

concerned, the Concessionaire shall, at its own cost and expense, provide the ANP with one or more irrevocable stand-by letters of credit, from financial institutions acceptable to the ANP, in the form of Annex ~~III-IV~~ (Letter of Credit for Minimum Exploration Program) hereto and in the amount of the estimated fair market cost for the activities of the Minimum Exploration Program for ~~such subsequent~~ the Second Exploration Period ~~determined as provided in paragraph 15.3. In At~~ its sole discretion, and notwithstanding the provision of this Clause Fifteen, the ANP may accept as a guarantee for the Minimum Exploration Program one or more performance bonds of a value equal to or greater than that estimated for the Minimum Exploration Program activities for the ~~subsequent Second~~ Exploration Period ~~as determined above~~ and which can be drawn upon in the same manner as a stand-by letter of credit in Annex ~~III-IV~~ (Letter of Credit for Minimum Exploration Program).

Gradual Reduction of Guarantee Amount

15.3~~15.3~~ During ~~each the First~~ Exploration Period, the value of the stand-by letter of credit or performance bond for such Period shall be reduced at the request of the Concessionaire every 3 (three) months, commencing 3 (three) months after the Effective Date of this Agreement, by the amount allocable to the work actually performed by the Concessionaire up to the date of initiating such request (or a *pro rata* share of such amount, based on the participation of the Concessionaire that provided the letter of credit or performance bond in a Consortium, if more than one letter of credit or performance bond is provided by the Concessionaires), upon certification by the ANP that such work has been properly performed. The amount allocable to each ~~item of work~~ Work Unit is indicated in Annex II (Work and Investment Program) with respect to the First Exploration Period and will be determined as provided in paragraph 15.2 with respect to ~~each subsequent~~ the Second Exploration Period. Reductions in respect of amounts allocable to drilling costs will be made only when a well actually reaches the prescribed minimum target horizon and is complete. Reductions for amounts allocable to ~~costs for seismic, geochemistry or potential methods, when applicable, costs~~ will be made progressively as ~~seismic~~ data is acquired, processed and delivered to the ANP in accordance with the applicable Brazilian legislation. This reduction shall be made in proportion ~~s of to~~ the total ~~seismic~~ obligation in the Minimum Exploration Program with ~~minimal increments of 250 (two hundred and fifty) line kilometers for 2D seismic and 20 (twenty) square kilometers for 3D seismic, as the case may be a minimum of 20% (twenty per cent) in relation to the total obligation in Work Units.~~ Any such letter of credit or performance bond shall be returned upon certification by the ANP that all of the required Minimum Exploration Program for the Exploration Period concerned has been performed. Absent disagreement regarding completion of the work, the ANP will issue ~~the aforementioned~~ these certifications within 30 (thirty) days following the presentation by the Concessionaire of documentation reflecting evidence of such completion.

15.4~~15.3.1~~ To comply with the gradual reduction of values dealt with in paragraph 15.3, the maximum value of Work Units to be calculated by Block will be the values of the Work and Investment Program shown in Annex II.

Drawing the Guarantee

~~15.4~~15.5 ~~15.4~~ Failure by the Concessionaire to fulfill the Minimum Exploration Program(s) as specified in Clause Five shall entitle the ANP to demand payment of the amount of such letters of credit or performance bonds as compensation for such failure, without prejudice to the Concessionaire's other obligations to fulfill this and all other duties under this Agreement or to the ANP's right to pursue all other available remedies.

Sanctions

~~15.5~~15.6 ~~15.5~~ The execution of the guarantee referred to in this Clause Fifteen, in the terms defined herein, shall not prejudice the application of the provisions of Clauses Twenty-Nine and Thirty.

16 Clause Sixteen:

Annual Programs and Budgets

Presentation to ANP

16.1 Before October 31st of each year, the Concessionaire shall present to the ANP the Annual Work Program and its relevant Annual Budget, conforming to applicable Brazilian legislation, in compliance with the requirements of paragraph 34.1. The Annual Work Programs and their relevant Annual Budgets shall be in strict conformity with the work and investment plans and programs required and approved under the terms of this Agreement.

16.1.1 The first Annual Work Program and its relevant Annual Budget, covering the rest of the current year, will be presented by the Concessionaire within 60 (sixty) days from the Effective Date of this Agreement. In the case the end of the year is less than 90 (ninety) days ahead, the first Annual Work Program and its relevant Annual Budget shall also separately contemplate the immediate following year.

Revisions and Amendments

16.2 The Concessionaire may periodically amend the Annual Work Program and its relevant Annual Budget in place, through prior justified notice to ANP, with the purpose of adapting them to the eventual start of a subsequent phase or the inclusion of

amendments or Operations contemplated in relevant plans, programs and amendments adopted pursuant to this Agreement.

Without Prejudice to Obligations Undertaken

16.3 The presentation of the Annual Work Programs and their relevant Annual Budgets, as well as their revisions and amendments, in accordance with Clause Sixteen, shall in no way impair, invalidate or diminish the obligations assumed by the Concessionaire pursuant to this Agreement.

17 Clause Seventeen:

Data and Information

Provided by Concessionaire to ANP

17.1 In compliance with the requirements of paragraph 34.1 ~~17~~ The Concessionaire shall keep the ANP constantly informed about the progress and results of the Operations, in accordance with Oil Industry Best Practice including regarding timing and format (disks, cassettes, hard copies, etc.). Based on such principles and without limiting its application, the Concessionaire shall always have ready at the ANP's disposal, in addition to other documents required in other clauses of this Agreement, copies of maps, sections and profiles, geological and geophysical data and information, including interpretations, data, wells records and tests, as well as reports or other documents defined in specific regulations, which contain the necessary information for the characterization of the work process, obtained as a result of the Operations and this Agreement.

17.1.1 The quality of the copies and other reproduction of data and information referred to in paragraph 17.1 shall have total accuracy and be of a standard equivalent to its original, including with regard to color, size, legibility, clarity and consistency with any other relevant characteristics.

Processing or Analysis Abroad

17.2 Subject to the provisions of Clause Thirty-Three, the Concessionaire may send abroad, for the exclusive purpose of analysis or processing work, and later returning them to Brazil, rock samples and fluids, magnetic tapes and other technical data, while being obliged to keep a copy of the equivalent information or data or equivalent sample in the

national territory and to give the ANP the results of the processing or analysis done, immediately after receiving them.

18 Clause Eighteen:

Goods and Services

Provided by Concessionaire Goods, Equipment, Installations and Materials

18.1 The Concessionaire shall provide directly and buy, rent, lease or, by any means, obtain, at its own account and risk, all assets, real estate or not, including but not limited to the installations, constructions, equipment, machinery, materials and supplies, which are necessary for the Operations and their performance, being able to do it in Brazil or abroad, consistent with the provisions of applicable Brazilian legislation and those defined in paragraph 19.2.1.

18.1.1 ¶ In compliance with the requirements of paragraph 34.1, the Concessionaire shall keep the inventory and records of all Assets and Products referred to in paragraph 18.1, in accordance with applicable legislation, and shall submit to the ANP, by the 28th of February of each year, the Report on the Acquisition of Goods and Services, listing the goods and products acquired through the previous year, indicating their respective values and origins.

Licenses, Authorizations and Permits

18.2 Pursuant to paragraphs 13.4 and 13.4.1, all necessary licenses, authorizations, permits and rights regarding the assets referred to in paragraph 18.1, ~~including their import, customs clearance, nationalization and export, observing applicable Brazilian legislation,~~ shall be obtained at the cost, risk and full responsibility of the Concessionaire.

Expropriations and Easements

18.3 In accordance with paragraph 18.2 and without limiting its application, it is expressly understood that the Concessionaire shall be responsible, at its own account and risk, for pursuing the expropriation and creating the easement of the real estate properties necessary for the performance of this Agreement, as well as for performing the payment of all and any resulting indemnification, cost or expense.

18.3.1 Where requested in writing (including the necessary justification) by the Concessionaire, the ANP will instruct the process in order to declare public use

for purposes of expropriation and creation of public easement with respect to the real estate properties referred to in paragraph 18.3.

Installations and Equipment Outside Concession Area

18.4 As long as within the limits of its attributions and competence, the ANP may, upon the receipt of a written request from the Concessionaire, pursuant to paragraph 18.3.1, authorize the location or construction of installations or equipment outside the Concession Area, in order to complement or optimize the logistics or infrastructure related to the Operations.

18.4.1 The request referred to in paragraph 18.3.1 must include the relevant technical and economic justification, as well as the location of the construction or project.

18.4.2 In the event that the ANP authorizes the location or the construction referred to herein, Clause Eighteen and Clause Twenty-One shall apply.

Relinquishment of Areas and Reversion of Assets

18.5 When performing all and any relinquishment ~~whether partial or total~~ of the [Blocks within the](#) Concession Area, the Concessionaire shall rigorously comply, not only with the provisions of paragraphs 3.65, 18.6 through 18.9 and Clause Twenty-One, but also with all other legal provisions and the ANP's instructions, all in accordance with Oil Industry Best Practice, regarding the relinquishment and abandonment of areas and removal and reversion of assets.

18.5.1 18.5.1 In accordance with applicable Brazilian legislation, nothing contained herein shall exempt the Concessionaire, in respect of the fulfillment of all obligations pending at the time of relinquishment, nor for any liabilities, irregularities or infractions occurring during the term of this Agreement, regardless of when such liabilities, irregularities or infractions are discovered.

Deactivation and Abandonment

18.6 The planning and performance of any deactivation and abandonment Operations, including with regard to the areas, wells, structures, Fields, Transfer lines, parts or units of surface and sub-surface installations, in land and in the sea, shall be done in accordance with applicable Brazilian legislation and Oil Industry Best Practice, as well as in observance of the provisions of Clause Twenty-One.

18.6.1 When it refers to a Field, the deactivation and abandonment plan for such Field and the mechanisms to make the necessary funds available will be addressed in the relevant Development Plan, in accordance with paragraph 9.1, and periodically revised, throughout the Production Phase. These revisions will be subject to the provisions of paragraph 9.4.

18.6.2 The cost of deactivation and abandonment operations in a Field will be established in a form to cover the abandonment activities specific to the wells, deactivation and removal of lines and installations and rehabilitation of areas, in conformance with applicable Brazilian legislation;

Deactivation and Abandonment Guarantee

18.7 Upon request of the ANP, the Concessionaire will present a deactivation and abandonment guarantee, secured by a letter of credit, sinking fund, or other form of guarantee acceptable to the ANP, in conformance with applicable Brazilian legislation;

18.7.1 The value of the deactivation and abandonment guarantee for a Field will be revised if there are approved revisions to the Development Plan of this Field that will alter the cost of deactivation and abandonment operations.

18.7.2 When the deactivation and abandonment guarantee is constituted by a sinking fund, any remaining balance after the completion of all the necessary operations to deactivate and abandon the Field will revert exclusively to the Concessionaire.

18.7.3 The presentation of the deactivation and abandonment guarantee does not remove the Concessionaire's obligation to complete, at his cost and risk, all of the Operations necessary to deactivate and abandon the Field.

Assets to be Reverted

18.8 As a consequence of and by applying Article 28, paragraphs 1 and 2, and Article 43, item VI of the Petroleum Law, all and any assets, real estate or not, main or accessory, existing in any ~~part of Block within~~ the Concession Area, whose acquisition costs are deductible in accordance with the applicable rules for calculating the Special Participation and which, at the sole discretion of the ANP, are necessary to allow the continuity of the Operations or are in the public interest, shall revert to the possession and ownership of the Federal Government, and to the administration of the ANP, by the time of the ~~redelivery of such part~~ exclusion of the Block(s) from the Concession Area or by the termination of this Agreement, if the Concession Area comprises of only one Block whichever occurs first. If the Concessionaire is sharing assets for the Operations of two or more Fields in the same Concession Area, it shall have the right to retain such assets until all such Operations are completed. To fulfill the obligations established in this and in paragraph 18.9, the Concessionaire is obligated to observe applicable Brazilian legislation, as well as adopting and executing, on its own account and risk, all legal, operational and administrative measures which may be necessary, also observing that which is defined in paragraphs 3.65, 18.5 and 18.6 and Clause Twenty-One.

Removal of Assets

18.9 The assets which shall not be reverted, under paragraph 18.8, including assets with no remaining use, shall be removed and disposed of by the Concessionaire, at its own cost

and risk, in accordance with the provisions of this Agreement and applicable Brazilian legislation.

19 Clause Nineteen:

Personnel, Services and Subcontractors

Personnel

19.1 The Concessionaire, directly or by any other means, shall recruit and hire, at its own cost and risk, being, for all purposes, the only and exclusive employer responsible for arranging all the labor force necessary for the performance of the Operations, being able to do it in Brazil or abroad, and according to its exclusive recruiting discretion, respecting, however, the provisions of Brazilian legislation in effect, including with regard to maximum and minimum percentages of Brazilian and foreign labor used. In any event, the Concessionaire shall be exclusively and entirely responsible, in Brazil and abroad, for all arrangements regarding the entry, exit and residence of its foreign personnel in the Country.

19.1.1 Regarding the hiring, maintenance and dismissal of personnel, labor accidents and industrial safety, the Concessionaire shall comply with the provisions of Brazilian labor and social security laws, being exclusively and fully responsible for the withholding and payment of social security and labor contributions, as well as other relevant charges and fees by any means due pursuant to the law.

19.1.2 The Concessionaire shall assure proper sustenance and housing conditions to its personnel when in service, specifically with respect to quantity, quality, hygienic conditions, safety and health assistance in the Concession Area, observing applicable Brazilian legislation.

19.1.3 The Concessionaire shall promote, without any burden to the ANP, the removal and replacement of any of its technicians or staff member who, at any time, is required by the ANP due to an improper action, technical deficiency or for reasons of health.

Services

19.2 The Concessionaire shall directly perform and contract, or in another way obtain, at its own cost and risk, all services necessary for the performance of this Agreement, being able to do it in Brazil or abroad, always respecting the provisions of the Brazilian legislation in place.

19.2.1 The Concessionaire will ensure that all of its subcontractors, regardless of the form of contract and whether directly or indirectly contracted, honor the terms of

this Agreement as well as Brazilian laws that are applicable to activities both within the Concession Area and throughout the country, particularly, but not limited to, those referring to personnel, consumer and environmental protection. The Concessionaire will be wholly and directly responsible for damages or losses to the ANP or the State that might result, directly or indirectly, from the activities of its subcontractors.

19.2.2 In the event the Concessionaire contracts with its Affiliates for the supply of goods and services, the prices, periods, quality and other agreed terms must be consistent with those available in the market, notwithstanding paragraph 20.1 hereof.

19.2.3 The Concessionaire shall keep the inventory and the register of all services referred to in paragraph 19.2 updated, in accordance with applicable Brazilian legislation, and shall send to the ANP, by the 28th of February of each year, a Report of Acquisition of Goods and Services in relation to the services performed in the previous year, indicating therein the respective subjects, values and origins as well as those services contracted with respect to 19.2.2.

20 Clause Twenty:

Brazilian Suppliers of Goods and Services and Minimum Local Content

Brazilian Suppliers of Goods and Services and Minimum Local Content

20.1 The Concessionaire, in fulfilling this Contract's objective to guarantee Brazilian Suppliers equal opportunity in relation to other companies invited to present proposals for supplying goods or services, undertakes to:

- (a) Include Brazilian Suppliers in the companies invited to present proposals;
- (b) Make available, in Portuguese or in English, the same technical specifications for all companies invited to tender and accept equivalent specifications where in accordance with Oil Industry Best Practice, in such a way that does not restrict, inhibit or impede the participation of Brazilian Suppliers. All of the non-technical documents and correspondence shall be sent to Brazilian Suppliers in Portuguese.
- (c) Guarantee all the invited companies equal and adequate time consistent with the requirements of the Concessionaire, both in the preparation of proposals and in the delivery of goods and services, in accordance with Oil Industry Best Practice, and so as not to exclude potential Brazilian Suppliers.
- (d) Not require technical qualifications or certifications of Brazilian Suppliers beyond those necessary to provide the good or service being supplied.

- (e) The acquisition of goods and services supplied by Affiliates is equally subject to the others items in this clause, except in case of services that, in accordance with Oil Industry Best Practice, would usually be carried out by Affiliates.
- (f) Maintain information on Brazilian Suppliers capable of proposing services and seeking, where necessary, additional information on the universe of suppliers and related trade associations and entities with established knowledge of the subject.

20.1.1 In addition to the requirements of paragraph 20.1, the Concessionaires shall:

- (a) For each Block or Field within the Concession Area, During the Exploration Phase, purchase from Brazilian Suppliers an amount of goods and services such that the Percentage of Local Investment Percentage in the Exploration Phase is equal to or greater than _____%([amount in words] percent); and
- (b) For each part of the Concession Area that becomes a Field, during the Production Development Stage(s), purchase from Brazilian Suppliers an amount of goods and services, such that the Percentages of Local Investment are equal or superior to _____% ([amount in words] percent); and
- (c) As well as the obligations of paragraphs 20.1.1(a) and 20.1.1(b), for each Block within the Concession Area, purchase an amount of goods and services in specific activities, such that the Percentages of Local Investment are equal or superior to the values established in Annex III (Minimum Percentages of Local Investments for Specific Activities in the Exploration Phase and the Production Development Stage).
- ~~(b) During the Development Stage(s) of the Production Phase, if any, purchase from Brazilian Suppliers an amount of goods and services such that the Percentage of Local Investment Percentage in the Development Stage of the Production Phase is equal to or greater than _____%([amount in words] percent).~~

~~20.1.2(d)~~ For the determination ~~of the Percentage~~ of Local Investment Percentage in the Exploration Phase and in the Production Development Stage of the Production Phase, the values ~~amounts~~ corresponding to the acquisitions of goods and services ~~together~~ that were performed in the various years, will be updated for the last year, by using the General Market Price Index - Índice Geral de Preços de Mercado (IGP-M) da of the "Fundação Getúlio Vargas".

(e) For the sole purpose of calculating the percentage of Local Investment in the Exploration Phase and the Production Development Stage in accordance with paragraphs 20.1.1(a) and 20.1.1(b), the expenses incurred with the acquisition of geophysical data carried out at sea will be excluded.

~~20.1.3~~ For the sole purpose of calculating the Percentage of Local Investment Percentage in the Exploration Phase and in the Development Stage of the Production Phase, expenditures made to Brazilian Suppliers for engineering services related to the projects on the following systems or production units will count for 3 (three) times the actual cost thereof:

~~(a) Offshore Fields:~~

~~i) subsurface lifting systems: reservoir and well engineering;~~

- ~~ii) undersea production systems (wet Christmas trees, subsea manifolds, flexible lines, risers and others);~~
- ~~iii) production units: fixed platforms, semi-submersible units, stationary production units and conversion of ships into FPSOs and FSOs;~~
- ~~iv) support facilities: plans for fluid processing systems for treatment and discharge of effluents, plans for utilities and other facilities; and~~
- ~~v) system for production transfer (oil and natural gas transfer pipelines, buoys and others).~~

~~(b) Onshore Fields:~~

- ~~i) subsurface delivery systems: reservoir and well engineering;~~
- ~~ii) production gathering systems;~~
- ~~iii) production gathering stations;~~
- ~~iv) units for fluid treatment to recover petroleum; and~~
- ~~v) i) systems for transportation of production.~~

~~20.1.4 For the sole purpose of calculating the Percentages of Local Investments in the Exploration Phase and in the Development Stage of the Production Phase, expenditures made for laboratory analytical services on rocks and fluids and in processing services on geological and geophysical data performed in Brazil related to the Operations will count for 2 (two) times the actual costs thereof.~~

~~20.1.5 For the sole purpose of calculating the Percentages of Local Investments in the Development Stage of the Production Phase, expenditures made to Brazilian Suppliers to acquire marine production and storage units will count for 1.3 (one point three) times the actual cost thereof.~~

~~20.1.6 Expenditures incurred in the hiring or leasing of marine petroleum production and storage units, which qualify as Nationally Produced Goods (even if the hiring or leasing thereof is with non-Brazilian companies), can be computed to calculate the Percentages of Local Investments in the Development Stage of the Production Phase which expenditures shall be multiplied by a factor of 1.3 (one point three).~~

~~20.1.7~~ 20.1.2 If, at the conclusion of the Exploration Phase of any Block(s) within a Concession Area or by the end of any Production Development Stage of the Production Phase, the Concessionaire's purchases of goods and services from Brazilian Suppliers during such Phase or Stage fail to achieve the relevant percentages provided established in paragraphs 20.1.1(a) and 20.1.1(b) above and in Annex III (Minimum Percentages of Local Investments for Specific Activities in the Exploration Phase and the Production Development Stage), the Concessionaire shall pay the ANP within 15 (fifteen) days of a request by the ANP, as liquidated damages for such failure, an amount proportional to the value of the purchases from Brazilian Suppliers needed to meet each of the required percentages established in Annex III (Minimum Percentages of Local Investments for Specific Activities in the Exploration Phase and the Production Development Stage) and in paragraphs 20.1.1(a) and 20.1.1(b) as follows:

- (a) For percentages of Local Investments in the Exploration Phase or in the Development Stage below the obligatory minimum values established in paragraphs 20.1.1(a) and 20.1.1(b), the fine shall be fifty per cent (50%) of the value of Brazilian Goods or Services rendered in Brazil, to be charged on the difference in the value of purchases from Brazilian Suppliers corresponding to the Percentages of Local Investments in the Exploration Phase and in the Development Stage, in accordance with paragraphs 20.1.1(a) and 20.1.1(b), the fine applied in accordance with paragraph 20.1.2.b.1 shall be deducted.
- (b) For Percentages of Local Investments in Specific Activities in the Exploration Phase and in the Development Stage forecast in Annex III (Minimum Percentages of Local Investments for Specific Activities in the Exploration Phase and the Production Development Stage), under the minimum obligatory values established in paragraphs 20.1.1(a) and 20.1.1(b), the fine will be composed of two(2) payments:
- 20.1.2.b.1 The first payment will be fifty per cent (50%) to be charged on the difference between the value of the purchases from Brazilian Suppliers corresponding to the values forecast in paragraphs 20.1.1(a) and 20.1.1(b), and those effectively made in the Exploration Phase or in the Development Stage.
- 20.1.2.b.2 The second payment will be twenty per cent (20%), to be charged on the difference between the value of the purchases from Brazilian Suppliers corresponding to the percentages forecast in Annex III (Minimum Percentages of Local Investments for Specific Activities in the Exploration Phase and the Production Development Stage) and those corresponding to the percentages forecast in paragraphs 20.1.1(a) and 20.1.1(b).
- (c) For Percentages of Local Investments in Specific Activities in the Exploration Phase and in the Development Stage forecast in Annex III (Minimum Percentages of Local Investments for Specific Activities in the Exploration Phase and the Production Development Stage), above the minimum values established in paragraphs 20.1.1(a) and 20.1.1(b), and below the Minimum Percentage of Specific Local Investments in the Exploration Phase and in the Production Development Stage forecast in Annex III, the fine shall be twenty per cent (20%) to be charged on the difference between the value of the purchases from Brazilian Suppliers corresponding to the percentages of the Specific Local Investments in the Exploration Phase and in the Development Stage forecast in Annex III, and those effectively carried out in the Exploration Phase and in the Production Development Stage.
- ~~(a) Where the Local Investment Percentage in the Exploration Phase or in the Development Stage provided in paragraph 20.1.1(a) and (b) is less than 30% (thirty percent): 2 (two) times the value of the Nationally Produced Goods and Services Supplied in Brazil needed to meet the Local Investment Percentage in the Exploration Phase or in the Development Stage stipulated in paragraph 20.1.1(a) and (b)~~
- ~~(b) Where the Local Investment Percentage in the Exploration Phase or in the Development Stage provided in paragraph 20.1.1(a) and (b) is less than 40% (forty percent): the multiple provided in 20.1.7(a) when the Local Investment Percentage in the Exploration Phase or in the Development Stage actually~~

~~achieved is less than 30% (thirty percent), or a multiple of 1.6 (one point six) times the value of the Nationally Produced Goods and Services Supplied in Brazil needed to meet the Local Investment Percentage in the Exploration Phase or in the Development Stage stipulated in paragraph 20.1.1(a) and (b), when the Local Investment Percentage in the Exploration Phase or in the Development Stage actually achieved is less than 40% (forty percent) but equal to or greater than 30% (thirty percent).~~

~~(c) Where the Local Investment Percentage in the Exploration Phase or in the Development Stage provided in paragraph 20.1.1(a) and (b) is less than 50% (fifty percent): the multiple provided in 20.1.7(b) when the Local Investment Percentage in the Exploration Phase or in the Development Stage actually achieved is less than 40% (forty percent), or a multiple of 1.2 (one point two) times the value of the Nationally Produced Goods and Services Supplied in Brazil needed to meet the Local Investment Percentage in the Exploration Phase or in the Development Stage stipulated in paragraph 20.1.1(a) and (b), when the Local Investment Percentage in the Exploration Phase or in the Development Stage actually achieved is less than 50% (fifty percent) but equal to or greater than 40% (forty percent).~~

~~(d) Where the Local Investment Percentage in the Exploration Phase or in the Development Stage provided in paragraph 20.1.1(a) and (b) is less than 60% (sixty percent): the multiple provided in 20.1.7(c) when the Local Investment Percentage in the Exploration Phase or in the Development Stage actually achieved is less than 50% (fifty percent), or a multiple of 0.8 (zero point eight) times the value of the Nationally Produced Goods and Services Supplied in Brazil needed to meet the Local Investment Percentage in the Exploration Phase or in the Development Stage stipulated in paragraph 20.1.1(a) and (b), when the Local Investment Percentage in the Exploration Phase or in the Development Stage actually achieved is less than 60% (sixty percent) but equal to or greater than 50% (fifty percent).~~

~~(e) Where the Local Investment Percentage in the Exploration Phase or in the Development Stage provided in paragraph 20.1.1(a) and (b) is equal to or greater than 60% (sixty percent): the multiple provided in 20.1.7(d) when the Local Investment Percentage in the Exploration Phase or in the Development Stage actually achieved is less than 60% (sixty percent), or a multiple of 0.5 (zero point five) times the value of the Nationally Produced Goods and Services Supplied in Brazil needed to meet the Local Investment Percentage in the Exploration Phase or in the Development Stage stipulated in paragraph 20.1.1(a) and (b), when the Local Investment Percentage in the Exploration Phase or in the Development Stage actually achieved is equal to or greater than 60% (sixty percent).~~

~~20.1.8~~ 20.1.3 The Concessionaire will ensure preference in the contracting of Brazilian Suppliers where competitive on price, delivery time and quality when compared to all the other invited suppliers.

~~20.1.9~~ 20.1.4 The ANP may accept, for certain periods, that goods and services whose foreign component exceeds that established in paragraphs 1.2.5 and 1.2.40 can

be considered as Nationally Produced Goods and Services Supplied in Brazil, respectively.

21 Clause Twenty-One:

Environment

Environmental Control

21.1 The Concessionaire shall adopt, at its own cost and risk, all the necessary measures for the conservation of reservoirs and other natural resources and for the protection of the air, soil and water in the surface or in the subsurface, subject to Brazilian legislation and rules about environment and, in their absence or lack, adopting Oil Industry Best Practice in this regard. Within this principle, and without limiting its application, the Concessionaire is obligated to, as a general rule, and with respect to the execution of the Operations, as well as the relinquishment and abandonment of areas and removal and reversion of assets, to preserve the environment and protect the harmony of the ecosystem in the Concession Area, to avoid the occurrence of damages to the fauna, flora and the natural resources, to attend to the safety of persons and animals, to respect the historic and cultural heritage, and to repair or indemnify the damages resulting from the Concessionaire's activities and to perform the environmental remediation acts determined by the competent agencies, all as required by applicable law and Oil Industry Best Practice.

21.1.1 The Concessionaire shall also take care that the Operations do not cause any damages or losses which affect other economic or cultural activities in the Concession Area, such as agriculture, cattle breeding, forest industry, exploration of renewable natural resources, mining, archeological, biological and oceanographic research, and tourism, or which disturb the well-being of native communities and rural and urban settlements.

21.1.2 The Concessionaire will send, whenever requested by ANP, copies of studies completed for the purpose obtaining environmental licenses.

21.1.3 The Concessionaire shall immediately inform the ANP and the competent state and municipal authorities about the occurrence of any Oil or Natural Gas spill or loss, as well as the measures taken to address the problem.

Liability for Damages and Losses

21.2 Without prejudice to and applying the provision of paragraph 21.1, the Concessionaire shall assume full liability, as and to the extent provided by applicable law, for all

damages and losses to the environment and third parties which result, directly or indirectly, from the Operations and their execution, as well as from their relinquishment and the removal and reversion of assets pursuant to paragraphs 18.5 through 18.9, being obliged to repair them and to indemnify the Federal Government and the ANP, pursuant to paragraphs 2.2 and 2.2.1., for all and any action, appeal, lawsuits or court injunctions, arbitration, auditing, inspection, investigation or controversy of any kind whatsoever, as well as any indemnifications, compensations, punishments, fines or penalties of any nature whatsoever, related to or resulting from such damages or losses.

22 Clause Twenty-Two:

Insurance

Insurance

22.1 The Concessionaire shall provide and maintain in effect, during the whole term of this Agreement, and without causing a limitation to the Concessionaire's liability, insurance coverage executed with a competent company, for all cases requested by the applicable legislation, as well as to comply with the determination by any competent authority or the ANP regarding assets and personnel relating to the Operations and its performance, protection of the environment, relinquishment, deactivation and abandonment of areas, removal and reversion of assets.

22.1.1 The Concessionaire shall obtain from its insurance companies the inclusion, in all of its policies, of a clause by which they expressly waive the exercise of any rights, implicit or explicit, of subrogation in eventual rights against the ANP or the Federal Government. In addition, the Concessionaire shall include the ANP as beneficiary, it being, however, expressly understood that the receipt by the ANP of any indemnification as a result of the coverage previewed herein shall not prejudice, in any way, the ANP's right to full recoupment-recovery of losses and damages which exceed the value of the received indemnification.

22.1.2 When requested, the Concessionaire shall deliver to the ANP copies of the policies and agreement regarding the insurances referred to in paragraph 22.1, as well as all and any of their amendments, endorsements or extensions, and of all and any related occurrence, claims or notices of damages.

22.1.3 Self-Insurance or insurance through controlled companies, Affiliates or wholly owned subsidiaries shall only be admitted when previously approved in writing by the ANP, at its sole discretion. However, the Concessionaire will be able to use, for the purposes of this Clause Twenty-Two, its policies and global insurance programs, with previous written approval from the ANP.

23 Clause Twenty-Three:

Government and Third-Party Participation

Government and Third-Party Participation

23.1 Each Concessionaire shall pay to the Federal Government and to Third-Parties: (i) Royalties, (ii) Special Participation, (iii) Surface Rentals, and (iv) Landowner Use, as indicated in Annex ~~V~~-VI (Government and Third Party Participation). All such ~~participations~~ participation shall be calculated in accordance with applicable Brazilian legislation.

24 Clause Twenty-Four:

Investment in Research and Development

Investment in Expenses Classified as Research and Development

24.1 In the event the Special Participation is actually payable with respect to a Field in any given calendar quarter ~~as provided above~~, the Concessionaire shall be obligated to spend on Qualified Research and Development Expenditures an amount equal to 1% (one percent) of the Production Gross Revenue for such Field for such quarter.

24.1.1 Such Qualified Research and Development Expenditures shall be made no later than June 30 of the year following the calendar year in which the quarter or quarters concerned fall. No later than September 30 of such following year, the Concessionaire shall provide the ANP with a full report regarding the Qualified Research and Development Expenditures made, including a description of the technical aspects and supporting documentation, in accordance with applicable Brazilian legislation.

24.1.2 Qualified Research and Development Expenditures that are made by the Concessionaire after the Effective Date either when it has no obligation to make such Expenditures as provided in paragraph 24.1 or in excess of such obligation

may be carried forward and applied as a credit against such obligation in respect of a future quarter; provided that such carry-forwards may not be used to satisfy more than 25% (twenty-five percent) of the total obligation (i.e., 0.25% of the Production Gross Revenue) for any given Field for any given quarter.

- 24.1.3 Up to 50% (fifty percent) of the Qualified Research and Development Expenditures can be made in connection with development activities in the Concessionaire's own installations or its Affiliates, located in Brazil, or contracted with local employees, regardless of whether those activities involve or relate to the Operations under this Agreement. The remainder must be used for contracting these activities with universities or research institutions and to develop national technology that has been certified for this purpose by the ANP, regardless of whether such activities involve or relate to the Operations under this Agreement.
- 24.1.4 When expenditures are made on the Concessionaire's own or Affiliates' installations, as specified in paragraph 24.1.3, only those expenditures related to the acquisition of equipment, instruments, materials used in experimentation and construction of prototypes or pilot installations shall be considered, as well as the gross salary of personnel that take part in the activities outlined in this paragraph, but specifically excluding shared costs in administration, infrastructure, and costs related to routine tests, technical assistance and services and solutions of operational problems, services and taxes of licenses and patents or any others not directly linked to those activities.
- 24.1.5 For purposes of granting the certification referred to in paragraph 24.1.3 above, the ANP will take into account the areas of interest and relevant subjects for the sectors of Petroleum, petroleum products, Natural Gas, the environment and energy.

25 Clause Twenty-Five:

Taxes

Tax Regime

25.1 The Concessionaire shall be subject to the tax regime ~~in force in at~~ the federal, state and municipal levels, being obligated to comply with their terms, timing and conditions defined ~~thereby by the applicable Brazilian legislation.~~

Certificates and Proof of Compliance

25.2 When requested by the ANP, the Concessionaire shall show the originals or provide the ANP with copies of all certificates, registries, authorization, proofs of enrollment in the

taxpayers' list, tax regularity, regular compliance with social taxes created by law, enrollment with professional entities or associations, and any other similar documents or certificates.

26 Clause Twenty-Six:

Currency and Exchange

Currency

26.1 For all the purposes and effects of this Agreement, the currency shall be the Real.

Funds Flow

26.2 The flow of funds (investments and dividends) shall comply with Brazilian laws, including with the rules issued by the Country's monetary authorities.

27 Clause Twenty-Seven:

Accounting and Audit

Accounting

27.1 The Concessionaire shall keep all documents, books, papers, registers and other elements which support its accounting, make all relevant charges and present the financial statements in accordance with applicable Brazilian legislation and, ~~complementarily,~~ in accordance with the fundamental principles of accounting.

27.1.1 The financial statements referred to in paragraph 27.1. shall indicate, on a segregated basis, the expenses for Exploration, Development and Production, discriminating, for each of these activities, the expenses related to the respective work plans and programs contemplated in this Agreement, ~~as well as the Investments with Brazilian Suppliers dealt with in Clause Twenty.~~

Audit

27.2 In addition to the provisions of paragraphs 14.1 and 14.2, the ANP may, whenever it deems necessary, conduct an accounting and financial audit of the Agreement, pursuant to Article 43, item VII, of the Petroleum Law, acting directly or through any third-party it may freely appoint. For this purpose, the ANP shall notify the Concessionaire at least 30 (thirty) days in advance, it being understood that the audit shall not interfere with the efficient conduct of the Operations in progress.

27.2.1 In order to perform the audit provided herein, the ANP will have full access to the documents, books, papers, registers and other elements referred to in paragraph 27.1, including agreements and contracts signed by the Concessionaire and related to the acquisition of goods and services for the Operations, pertaining to the last 5 (five) complete calendar years.

27.2.2 The act or omission of the audit referred to in paragraph 27.2, shall in no way eliminate or reduce the Concessionaire's responsibility for the compliance with the obligations assumed herein.

28 Clause Twenty-Eight:

Assignment

Pursuant to this Clause Assignment

28.1 ~~This~~ The Blocks within the Concession Area Agreement may be assigned, in whole or in part, according to the provisions of this Clause Twenty-Eight, which defines the conditions to be observed by the assignor and its assignees.

~~28.2~~ 28.1.1 All and every transfer of title under this contract shall be considered an Assignment, under the terms of Article 29 of the Petroleum Law.

Indivisible Participation

~~28.2~~ 28.3 The Assignment allowed hereby will always be of an indivisible participation of any of the Concessionaire's members in rights and obligations for one or more Blocks of the Concession Area, under this Agreement, strictly respecting the principle of joint liability required by law.

Minimum Participation

~~28.3~~ 28.4 Without prejudice to paragraph 13.2.2, each participant in a concession must at all times hold no less than 5% (five percent) of the participation in each Field or Exploration area under this Agreement ~~Block~~ and it shall be a breach of this Agreement for any participant to hold a lesser percentage, except that in the event of the unitization of production, such minimum percentage shall be no less than 2.5% (two and one-half percent) in each Field.

Necessary Documents

~~28.4~~ 28.5 The assignor shall request the prior and express authorization of the ANP for the Assignment, attaching to the request:

- (a) Documents which prove the compliance, by each of the assignees, with the technical, legal and economic requirements established by the ANP, in order to comply with the provisions of Articles 5, 25 and 29 of the Petroleum Law;
- (b) The Assignment agreement between assignor and assignees, which shall contain, expressly, the Agreement by all assignees to rigorously respect and comply with the terms and conditions of this Agreement, as well as be responsible for all obligations and liabilities resulting herefrom, including those incurred after the date of the Assignment;
- (c) The Consortium Agreement signed between assignor and assignees, or between all assignees (in the case of the total Assignment). This Consortium Agreement shall mandatory contain the appointment of the Operator and the joint liability of its participants before the ANP and the State or, if a Consortium Agreement already exists as a result of a prior Assignment, the agreement for amendment to such Consortium Agreement, in order to include the new assignees;
- (d) In its sole discretion, the ANP may require as a condition of the Assignment the execution and delivery of a guarantee, by an appropriate Affiliate, in the form of Annex IV (Performance Guarantee), which shall be kept in force throughout the term of this Agreement or until the effective date of an Assignment of all interests acquired hereby, if this occurs first, and may not be replaced in the case of any amendments to the composition of referred assignee's control, except if the ANP expressly agrees with such replacement;
- (d) In its sole discretion, the ANP may require as a condition of the Assignment the execution and delivery of a guarantee, by an appropriate Affiliate, in the form of Annex IV (Performance Guarantee), which shall be kept in force throughout the term of this Agreement or until the effective date of an Assignment of all interests acquired hereby, if this occurs first, and may not be replaced in the case of any amendments to the composition of referred assignee's control, except if the ANP expressly agrees with such replacement;
- (e) Notwithstanding the [foregoing provision of paragraph 28.4\(d\)](#), (i) any Concessionaire whose obligations are guaranteed in accordance with Annex IV (Performance Guarantee) may effect an Assignment to any Affiliate of the guarantor, upon confirmation by such existing guarantor in form and substance satisfactory to the ANP that the guarantee remains in effect as to the obligations of the assignee, and (ii) any Concessionaire whose obligations are not guaranteed in accordance with Annex IV (Performance Guarantee) may effect an Assignment to any Affiliate of such Concessionaire, upon execution by the Concessionaire of a guarantee substantially in the form of Annex IV (Performance Guarantee) hereto with respect to the obligations of such Affiliate;
- (f) For purposes of Clause Twenty-Eight, if any Concessionaire's obligations are guaranteed in accordance with Annex IV (Performance Guarantee), any alteration to the entity that, if consummated, would result in the guarantor ceasing to be an Affiliate of such Concessionaire, such alteration shall be considered an Assignment, subject to the ANP's right of consent pursuant to Clause Twenty-Eight.
- (g) In the event of an Assignment of an entire interest, and where a deactivation and abandonment guarantee and related fund has been required pursuant to paragraph 18.7, the ANP may require that the fund be transferred to the new Concessionaire.

- (h) In event of an Assignment where paragraph 28.4 (g) is not applicable, the ANP may require, as a condition for the approval of the Assignment, that a deactivation and abandonment guarantee be provided that is, in the ANP's sole discretion, in conformance with paragraph 18.6.2.

~~28.4.1~~28.5.1 The documents referred to in paragraph 28.4 (a) shall not be necessary when the assignee is already party to the Consortium Agreement, or when it is an Affiliate of the assignor.

Nullification of Assignment

~~28.5~~28.6 Any Assignment by a Concessionaire that does not comply with this Clause Twenty-Eight shall be null and void and shall vest no rights in the purported assignee.

Effective Date of Assignment Approval

~~28.6~~28.7 The ANP has ninety (90) days from the date of receipt of the request and documents referred to in paragraph 28.4(a), to approve or not the Assignment pursuant to the terms of Article 29 of the Petroleum Law or to request additional documents, which the ANP deems necessary, considering the provisions of this Agreement and applicable Brazilian legislation. In the case the ANP requests modifications or additional documents, such requirements shall be complied with and the Assignment request re-submitted within, at most, 30 (thirty) days from the referred request, repeating in its entirety the procedure contemplated in this paragraph 28.6. Within 30 (thirty) days from the approval of the Assignment, the Concessionaire shall deliver to the ANP copies of the duly executed Assignment agreement, and the Consortium Agreement or the amended Consortium Agreement, all duly signed, as well as a copy of the publication of the revised Consortium registration certificate with the competent Board of Trade.

Effective Date of Assignment

~~28.8~~ Any Assignment executed pursuant to this Clause Twenty-Eight shall become effective on the date of its formal approval by the Board of Directors of the ANP.

Amendment to Concession Agreement

~~28.7~~28.9 Any Assignment executed pursuant to this Clause Twenty-Eight shall become effective on the date of its formal approval by the Board of Directors of the ANP or as provided in paragraph 28.6 above. For the cases in which the assignment will imply in a similar composition of the Concessionaire in the Blocks within the Concession Area, Within ~~within~~ 30 (thirty) days of the approval of the Assignment, the Parties must sign

the respective amendment in order to constitute the new composition of the Concessionaire and indicate the Operator.

New Concession Contract

28.10 If the assignment implies modification in the composition of the Concessionaire or the Operator, in such a way that this composition or the Operator are not identical for all the Blocks within the Concession Area, within thirty (30) days from the date of approval of the assignment, the Parties must sign a new Concession Contract with the ANP, maintaining the same terms, obligations, Programs, and deadlines of this Contract, and formalizing, in this new Concession Contract, the Blocks object of the Concession, the composition of the Concessionaire, and the nomination of the Operator.

29 Clause Twenty-Nine:

Breach and Penalties

Administrative Sanctions, Civil and Criminal Penalties

29.1 In the event that any Concessionaire breaches its obligations under this Agreement, the ANP may, at its own discretion, on the terms outlined in paragraph 30.3 and based on Article 8, item VII, of the Petroleum Law, apply administrative sanctions and capital fines, all in accordance with applicable Brazilian legislation, where they are defined, including among other things, in cases of warning and fines, the procedure for its application through legal proceedings related to contract breach, the period for correcting the faults and paying the fines, moral interest and other consequences of non-payment of sums and requests for appeal assuring a hearing and opportunity to defend.

30 Clause Thirty:

Breach, Rescission and Termination of the Agreement

Cure

30.1 Notwithstanding paragraph 30.3, this Agreement can be terminated in the event that any Concessionaire breaches its obligations under this Agreement, and such breach is not corrected within a period determined and advised by the ANP which will not be less than ninety (90) days except in cases of extreme urgency. This termination will not apply where the Concessionaire has cured the breach within the period stipulated or where the ANP, in its sole discretion, determines that the Concessionaire is diligently pursuing a remedy for the breach. In the event that any, but not all, of the Concessionaires, gives rise to a termination right in the part of the ANP in accordance with this Clause, such termination right will only apply to the defaulting Concessionaire(s). Upon a termination with respect to a defaulting Concessionaire, such Concessionaire's rights and obligations under this Agreement can be transferred to the non-defaulting Concessionaires, in accordance with the relevant Consortium Agreement.

30.1.1 Termination of this contract will also occur in the event the Concessionaire or any of its members are declared bankrupt, insolvent or in receivership. In these cases, the Concessionaire or the individual members of the Concessionaire, will have 90 (ninety) days as of the date of such an event, to transfer its indivisible participation in the rights and obligations of this Agreement, pursuant to Clause Twenty-Eight. In the event that such Concessionaire does not affect such a transfer or provide such a guarantee within such time period, the ANP may terminate such Concessionaire's rights and interests under this Agreement without prejudice, in this case, to the rights and demands of the Concessionaire.

Consequences of Rescission

30.2 Once this Agreement is rescinded by the ANP, pursuant to paragraph 30.1, the Concessionaire shall be liable for losses and damages resulting from its default and the rescission, bearing all applicable indemnifications and compensations, in the form of the law and this Agreement, also respecting the provisions of paragraphs 3.4 and 3.6 with regard to the return of the Concession Area.

Sanctions at Option of ANP

30.3 Notwithstanding that which is defined in paragraph 30.1, the ANP may, in its sole discretion, choose to apply the sanctions contemplated in Clause Twenty-Nine, when failure by the Concessionaire to comply with this Agreement is not of serious character or if such non-compliance by the Concessionaire does not constitute a repeated breach thereof by the Concessionaire or demonstrate ineptitude, imprudence or negligence, regardless of the seriousness.

31 Clause Thirty-One:

Legal Regime

Applicable Law

31.1 This Agreement will be executed, governed and construed in accordance with Brazilian law, which shall rigorously be complied with by the Concessionaire in the exercise of its rights and performance of its obligations contemplated herein.

Conciliation

31.2 The Parties shall use their best efforts to amicably resolve, between themselves, all and any dispute or controversy arising from this Agreement or related hereto. The Parties may also, as long as there is a unanimously signed written agreement, resort to an international expert in order to obtain an established opinion to resolve the dispute or controversy.

31.2.1 Having signed an agreement for intervention by an international expert, under the terms of paragraph 31.2, recourse to arbitration, as provided in paragraph 31.3, shall only be performed after this expert has presented its basic opinion.

Arbitration

31.3 If at any moment any Party considers that conditions do not exist for the amicable resolution of a dispute or controversy as referred to in paragraph 31.2, then these parties shall be able to submit this dispute or controversy to arbitration, initiating the relevant process, according to ICC Rules and in accordance with the following principles:

- (a) There shall be three arbitrators, one chosen by each Party (with all Concessionaires acting as a single Party) and the third, who shall act as president;
- (b) The place of the arbitration and the place of the delivery of the arbitral opinion shall be the City of Rio de Janeiro, State of Rio de Janeiro, Brazil;
- (c) The language to be used in the arbitration procedure shall be Portuguese, provided that parties will be allowed to submit testimonies or documents in English (or another language if the arbitrators so decide), with no need for an official translation;
- (d) Regarding the merits, the arbitrators shall decide based on substantive Brazilian laws;
- (e) The arbitration award shall be final and binding on the Parties.

Forum

31.4 Notwithstanding Law 9307/96, the Parties agree that the City of Rio de Janeiro, State of Rio de Janeiro, Brazil is the only forum to resolve any issues arising from this Agreement and expressly forsake all others, regardless of jurisdiction.

Justification

31.5 The ANP shall be committed, whenever it exercises its discretionary power, to act justifiably, while observing applicable Brazilian legislation, as well as Oil Industry Best Practices.

Suspension of Activities

31.6 Once there is a dispute or controversy, the ANP shall decide about the suspension or not of the activities for which the dispute or controversy refers to, until its solution, using as criterion for this decision the need to avoid risk to personnel or property of any nature whatsoever, especially regarding the Operations.

Continuing Application

31.7 The provisions of this Clause Thirty-One shall remain in full force and effect and shall survive the termination or rescission of this Agreement, for any reason whatsoever.

32 Clause Thirty-Two:

Force Majeure

Total or Partial Exoneration

32.1 The Parties shall only stop responding to the compliance with the obligations assumed in this Agreement in the case of fortuity or *force majeure*, in the form of Article ~~1058-393~~ of the Brazilian Civil Code. The obligor's exoneration described herein shall exclusively apply to the affected portion of the obligation, and cannot be invoked for total exoneration.

Notice of Occurrence

32.2 Once circumstances that justify the invocation of the existence of fortuity or *force majeure* occur, the affected Party shall immediately notify, in writing, the other Party, specifying such circumstances, its causes and consequences. The affected Party shall also immediately notify the end of the fortuity or *force majeure* situation.

Amendment or Termination of the Agreement

32.3 Once the fortuity or *force majeure* is overcome, the debtor shall comply with the affected obligations, considering, for such compliance, that the term period of this Agreement is extended, for the duration of the fortuity or *force majeure* condition. However, depending on the extension and seriousness of the effects of the fortuity or *force majeure*, the Parties may agree to amend this Agreement or terminate it, resulting in the termination of the Concession Agreement and the full relinquishment of the Concession Area.

Losses

32.4 The Concessionaire shall individually and exclusively assume all of its losses resulting from the *force majeure* situation.

33 Clause Thirty-Three:

Confidentiality

Obligation of Concessionaire

~~33.1 All and any data and information produced, developed or obtained, by any means whatsoever, as a result of the Operations and this Agreement, shall be considered strictly confidential, and, therefore, shall never be disclosed by the Concessionaire without the prior written content from the ANP, except when the data and information are already in the public domain or have become public through third parties authorized to disclose them, or when such disclosure is imposed by law or court order, or is made in accordance with the rules and limits determined by stock exchanges in which the Concessionaire's or its Affiliate's securities are traded, or made in good faith to companies controlled by its Affiliates or consultants, agents, possible assignees (and their consultants and agents), or to Concessionaires in an adjacent area (and their Affiliates, consultants and agents) only in the case where there exists an agreement pursuant to paragraphs 12.1 and 12.2, or to financial institutions (and their consultants and agents), which the Concessionaire has turned to, always and in all these cases through previous written confidentiality agreement in which such third parties are expressly obligated to comply with the provisions of this paragraph 33.1, without, however, the benefit of the exceptions contemplated herein regarding disclosure without prior consent.~~

33.1 All and any data and information produced, developed or obtained, by any means whatsoever, as a result of the Operations and this Agreement, shall be considered strictly confidential.

33.1.1 Whenever data and information mentioned in this paragraph 33.1 is to be disclosed, the Concessionaire must send a communication to the ANP, with a minimum of fifteen (15) days prior notice. The provisions of paragraph 33.1 shall remain in full force and effect and shall survive the termination or rescission of this Agreement, for any reason whatsoever.

33.1.2 The communication refer to in paragraph 33.1.1 must mention the data and/or information to be disclosed, the reasons for disclosure and the third parties who shall have access to this data.

33.1.3 The Concessionaire shall provide, attached to the communication, a written confidentiality Agreement in accordance with paragraph 33.1.1, by which those who will have access to the data and information will be expressly obligated to comply with the provision of Clause Thirty-Three.

Undertaking of ANP

33.2 The ANP undertakes not to disclose any data and information obtained as a result of the Operations and which regards the part(s) of the Concession Area retained by the Concessionaire, except when such disclosure is necessary for the compliance with legal provisions, which are applicable to the ANP, or with the purposes for which the ANP was created.

34 Clause Thirty-Four:

Notices and Reports

Plans, Programs and Reports

34.1 During the Exploration Phase, all Plans, Programs, Reports and other communications required by this Contract shall be forwarded to the ANP and shall contain the Blocks under the denomination established in Annex I (Concession Area), with an adequate explanation of the Operations related to each of the Blocks.

Validity and Effectiveness

~~34.1~~ 34.2 All notices described in this Agreement shall always be made in written form and personally delivered or sent by mail or courier, with proof of receipt, being considered valid and effective on the date on which they were effectively received.

Constituent Party Changes

~~34.2~~ 34.3 The Concessionaire will send to the ANP copies of all and each alteration to its constituent parties, statutes or articles of association, election documents of its administrators or proof of its active board.

Communications to the ANP

~~34.3~~34.4 All actions and communications related to this contract must be in the Portuguese language and signed by a legal representative of the Concessionaire or by a person with power of attorney, except in the cases of notification of the commencement of drilling or notification of an accident.

Addresses

~~34.4~~34.5 For the purposes of this Clause Thirty-Four, the addresses of the Parties' representatives are the following:

Agência Nacional do Petróleo - ANP
Rua Senador Dantas, Nº 105 - 11º andar Centro
Rio de Janeiro, RJ

~~34.4.1~~34.5.1 Any of the Parties may modify its above mentioned address ~~specifying~~ ~~throughby~~ a written notice to the other party, made at least 30 (thirty) days before the move occurs.

35 Clause Thirty-Five:

Final Provisions

Renewal

35.1 The omission or allowances by any of the Parties regarding the rigorous compliance requirements with respect to the provisions of this Agreement, as well as the acceptance of a performance different from the one required by these provisions, shall not implicate in renewal or limit the rights of such Party to, in future occasions, impose the rigorous compliance of such provisions or request a compliance in strict accordance with them. Therefore, it shall not be considered that a Party has waived, surrendered or modified any of its rights under this Agreement, unless such Party has, expressly, manifested

such waiver, surrender or modification, in a written document executed and signed by such Party, observing, if applicable, the relevant legal provisions.

Amendments and Supplements

35.2 Any amendments or supplements to this Agreement shall be done in strict compliance with the relevant legislation and shall only be valid if done in written form and executed by the Parties' representatives.

Headings

35.3 The headings for paragraphs, clauses and chapters used in this Agreement are for purposes of identification and reference only, being, therefore, disregarded for purposes of interpretation of the rights and obligations of the Parties.

Public Notice

35.4 The ANP shall publish the full text or summary of the terms of this Agreement in the *Diario Oficial* of the Federal Government for purposes of its validity *erga omnes*.

IN WITNESS WHEREOF, the parties have executed this Agreement in _____2 counterparts of equal content and form and for one sole purpose, before the witnesses indicated below.

Rio de Janeiro, _____, [2003](#)

AGÊNCIA NACIONAL DO PETRÓLEO

SEBASTIÃO DO REGO BARROS

Director General

[CONCESSIONAIRE]

WITNESSES:

Name:

Taxpayer's List (CPF):

Name:

Taxpayer's List (CPF):

² Number of Concessionaires plus 1 (one).

ANNEX I - CONCESSION AREA

ADMINISTRATIVE NAME: BM-FZA-6

CARTOGRAPHIC PARAMETERS

*-----
* -Projection : POLICONIC -Datum: SAD-69 -M.C.: -54.00
* -False North : 10000000.00 -False East: 5000000.00
*-----

Block Coordinates

FZA-M-251 191.769

Point = 5430114.113	10484883.078	4:22:30	-50:07:30
Point = 5416239.581	10484812.65	4:22:30	-50:15:00
Point = 5416169.484	10498664.762	4:30:00	-50:15:00
Point = 5430041.672	10498737.185	4:30:00	-50:07:30
Point = 5430114.113	10484883.078	4:22:30	-50:07:30

FZA-M-252 191.769

Point = 5443988.633	10484955.815	4:22:30	-50:00:00
Point = 5430114.113	10484883.078	4:22:30	-50:07:30
Point = 5430041.672	10498737.185	4:30:00	-50:07:30
Point = 5443913.848	10498811.983	4:30:00	-50:00:00

COORDINATES FOR BLOCK B - ___ - ___

+ B_ - ___ - ___

*

* Name/Pto Latitude Longitude North Coord. East Coord.

*

1	___ ___ .___ S	___ ___ .___ W	_____ .__	_____ .__
2	___ ___ .___ S	___ ___ .___ W	_____ .__	_____ .__
3	___ ___ .___ S	___ ___ .___ W	_____ .__	_____ .__
4	___ ___ .___ S	___ ___ .___ W	_____ .__	_____ .__
5	___ ___ .___ S	___ ___ .___ W	_____ .__	_____ .__

*

* Perimeter : ___ . ___ (Km)

* Plane Area : ___ . ___ (Km2)

* Corrected Area: ___ . ___ (Km2)

*

*-----

ANNEX II - WORK AND INVESTMENT PROGRAM

Insert information ~~for the relevant Block from Annex III of the~~from the Final Tender Protocol ~~for~~for ~~Brasil Round 4 (Minimum Exploration Program)~~and from the offer for the Minimum Exploration program for the Blocks object of this Contract

Minimum Exploration Program and Financial Guarantees

Block: B _____	
First Period (km 2D seismic) ⁴	
Second Period (number of wells)	
Third Period (number of wells)	
Minimum Depth (age) ²	
Amount of Financial Guarantee ³ (US\$MM)	

	First Period	Second Period	Third Period
Duration (years)			
Relinquishment Obligation (% of original area)			

	First Exploration Period (Work Units) ¹	Second Exploration Period (exploration well)	Value of Financial Guarantee of First Period (US\$) ²
Block BM- x -xxx1		1	

Equivalence of Work Units (Wus)

Exploration Well ³ (WU/well)	2D Seismic (WU/km)	3D Seismic (WU/km ²)	Potential Methods (WU/Block)	Geochemistry (UT/Block)	Minimum Depth (age) ³
1.000	0,16	0,8			Fm. Amapá

Exploration Phase	First Period	Second Period
Duration (years) ⁴		

~~1.a.~~ For the fulfillment of the Minimum Exploration Program, Concessionaires may substitute 1 km² of 3D seismic for 5 line km of 2D seismic and in transition zones (water depth less than 50 meters), the line kilometer of 2 D seismic will count double. An exploratory well drilled to the minimum horizon specified in the table may also substitute for the seismic surveys. Non-exclusive surveys authorized by the ANP for 2D seismic onshore or in the transition zone (that is to say, water depths of less than 50 meters) or for 3D seismic in any location as well as data which has been acquired prior to the Effective Date may be counted-determined for the purposes of compliance with the Minimum Exploration Program, applying the reduction factor shown in paragraph 5.3

~~2.b.~~ The values shown represent the Financial Guarantee values for the Minimum Exploration Program of the First Exploration Period in each Block. The values of the guarantees for the Second Exploration Period will be defined at a time close to the start of that Period, based on prevailing costs at that time.

~~2.c.~~ To qualify for compliance with the Minimum Exploration Program, the wells must be drilled at least to the minimum target specified in the above table. Notwithstanding, the ANP may, at its sole discretion, accept other objectives with proven prospects.

~~3.~~ The amount indicated represents the value of the Financial Guarantees for the Minimum Exploration Program for the first Exploration Period in each Block. The guarantee amounts for the second and third exploration periods will be established closer to the beginning of these periods based on then-prevailing costs.

~~4.d.~~ If the Concessionaire has begun to drill a well and it has not reached its stratigraphic target by the end of the time period described in Annex II, the ANP may extend the Exploration Phase for the period needed for the well to reach such stratigraphic target. The Concessionaire must send the properly supported extension request to the ANP at least 72 hours in advance.

ANNEX III - MINIMUM PERCENTAGES OF LOCAL INVESTMENTS FOR SPECIFIC ACTIVITIES IN THE EXPLORATION PHASE AND THE PRODUCTION DEVELOPMENT STAGE LETTER OF CREDIT TO GUARANTEE MINIMUM EXPLORATION PROGRAM (PORTUGUESE LANGUAGE VERSION)

TABLE FOR OFFSHORE BLOCKS

<u>Block</u>	<u>Minimum Percentage of Local Investment in the Exploration Phase</u>		<u>Minimum Percentage of Local Investment in the Development Stage</u>	
	<u>Geophysical data processing operations, studies and interpretation of geological and geophysical data (%)</u>	<u>Drilling, completion and evaluation of wells (%)</u>	<u>Detailed engineering services(%)</u>	<u>Drilling, completion and evaluation of wells, construction and assembly of the platform (production unit), processing plants and utilities, production collection system (lines, risers and underwater equipment) and production offloading system (%)</u>
<u>S-M-xxx1</u>				
<u>S-M-xxx2</u>				
<u>S-M-xxx3</u>				
<u>S-M-xxx4</u>				
<u>S-M-xxxn</u>				

Table for Onshore Blocks

<u>Block</u>	<u>Minimum Percentage of Local Investment in the Exploration Phase</u>			<u>Minimum Percentage of Local Investment in the Development Stage</u>	
	<u>Geological and geophysical data acquisition operation (%)</u>	<u>Geophysical data processing operations, studies and interpretation of geological and geophysical data (%)</u>	<u>Drilling, completion and evaluation of wells (%)</u>	<u>Detailed engineering services(%)</u>	<u>Drilling of wells, completion and evaluation, fluid collection stations and treatment units and production offloading system (%)</u>
<u>POT-T-xxx1</u>					
<u>POT-T-xxx2</u>					
<u>POT-T-xxx3</u>					
<u>POT-T-xxx4</u>					
<u>POT-T-xxxn</u>					

ANNEX IV – CREDIT LETTER TO GUARANTEE THE MINIMUM EXPLORATION PROGRAM

The Models of Credit Letters to Guarantee the Minimum Exploration Program in accordance with Annexes XI and XII of the Final Tender Protocol will be used. At its sole discretion, the ANP may accept as a guarantee for the Minimum Exploration Program one or more Certificates of Contractual Obligation Performance which may be used in the same manner as the models of Credit Letters to Guarantee the Minimum Exploration Program in accordance with Annexes XI and XII of the Final Tender Protocol.

ANNEX V- PERFORMANCE GUARANTEE

If the Concessionaire is not the qualified company, according to the Final Tender Protocol, the Performance Guarantee Model shall be used in accordance with Annex XIII (Performance Guarantee Model) of the Final Tender Protocol.

ANNEX VI - GOVERNMENT AND THIRD PARTY PARTICIPATION UNDER THE
CONCESSION AGREEMENT

Under the terms of Clause 23 of this Agreement, the Concessionaire will pay the following Government and Third Party Participation:

- a. Royalties in the amount of 10% (ten percent) of Oil and Natural Gas produced in each Field in the Concession Area from the respective Production Start-up Date; and
- b. Special Participation in the amount defined in the Decree No.2.705, of August 3rd, 1998;
- c. Surface Rental Fees for the Concession Area¹: i) During the Exploration Phase in the amount of R\$ _____ (_____ *Reais*) for each square kilometer or fraction thereof in the Concession Area, with increases as contemplated in the Decree 2705 of August 3, 1998 in the event of extension; ii) during the Development Phase in the amount R\$ _____ (___ *Reais*); and iii) during the Production Phase in the amount of R\$ _____ (___ *Reais*); and
- d. Payment to the landowners in an amount equivalent to 1% (one percent) of the Oil and Natural gas Production, in accordance with applicable Brazilian legislation.

¹ Insert the amounts in Table 3 of Annex I (Detail of Blocks being Licensed) from the Final Tender Protocol for this Agreement.