FEDERATIVE REPUBLIC OF BRAZIL

MINISTRY OF MINES AND ENERGY



Draft Concession Agreement FOR EXPLORATION AND PRODUCTION OF oil and gas

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No. «numBER\_AGREEMENT»

ENTERED INTO BY AND BETWEEN

NATIONAL AGENCY OF PETROLEUM, NATURAL GAS AND BIOFUELS – ANP

and

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«signatORY\_02»

BRAZIL

2017

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

entered into by and between

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

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

and

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

**WHEREAS**

pursuant to items V and IX of article 20 and the main section of article 176 of the Constitution of the Federative Republic of Brazil and article 3 of Law No. 9,478/97, the Oil and Gas Deposits existing in the national territory, the continental shelf, and the exclusive economic zone belong to the Federal Government;

pursuant to item I of article 177 of the Constitution of the Federative Republic of Brazil and article 4 of Law No. 9,478/97, the Research and Exploration of the Oil and Gas Deposits existing in the national territory, the continental shelf, and the exclusive economic zone are the monopoly of the Federal Government;

pursuant to paragraph one of article 177 of the Federal Constitution and article 5 of Law No. 9,478 /97, the Federal Government may allow state-owned or private companies incorporated under the Brazilian laws, with principal place of business and management in the Country, to develop activities of Exploration and Production of Oil and Gas, upon concession, as established in the prevailing laws and regulations;

pursuant to article 21 of Law No. 9,478/97, all rights of Exploration and Production of Oil and Gas in the national territory, the continental shelf, and the exclusive economic zone are held by the Federal Government, and ANP shall be responsible for their management, except for the jurisdiction of other bodies and entities expressly provided by law;

pursuant to article 8 of Law No. 9,478/97, the purpose of ANP is to procure the regulation, engagement, and inspection of the economic activities forming part of the Oil, Gas, and Biofuel Industry;

ANP, on behalf of the Federal Government, is responsible for entering into Concession Agreements for Exploration and Production of Oil and Gas with the Concessionaire, in compliance with the provisions of articles 23 and 24 of Law No. 9,478/97;

pursuant to articles 25 and 26 of Law No. 9,478/97 and upon meeting of the requirements provided for in Section I of the aforementioned Law, ANP and the Concessionaire are authorized to enter into this Concession Agreement, which shall be governed, as appropriate, by the general standards of Section I and the provisions of Section VI, both from Chapter V of such Law;

pursuant to articles 36 to 42 of Law No. 9,478/97, the Concessionaire participated in the bidding process for award of this Concession Agreement, and the bidding process in which it was declared the winner was awarded and approved for the Block defined in Annex I;

pursuant to article 46 of Law No. 9,478/97, the Concessionaire paid the signature bonus to ANP in the amount indicated in Annex VI;

pursuant to the Call for Bids of the 14th Bidding Round and item V of art. 43 of Law No. 9,478/1997, the Concessionaire has provided ANP with the financial guarantee(s) required to support compliance with the Minimum Exploration Program offered;

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

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1. BASIC PROVISIONS

1. SECTION ONE – DEFINITIONS

Legal Definitions

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

Contractual Definitions

* 1. Also for the purposes and effects of this Agreement, the definitions contained in this paragraph shall also be valid whenever the following words and phrases are used herein, in the singular or plural, in the masculine or feminine gender:
     1. **Affiliate**: any controlling or controlled legal entity of private law, under articles 1,098 to 1,100 of the Brazilian Civil Code, as well as the entities directly or indirectly controlled by the same company.
     2. **Field Area**: is the area enclosed by the polygon defining the Field, upon approval of the Development Plan.
     3. **Concession Area**: Block which superficial projection is bounded by the polygon defined in [Annex I](#_ANEXO_I_-) or the plots of the Block remaining subject to the Agreement after the partial returns provided for herein are made.
     4. **Development Area**: any plot of the Concession Area retained for the Development Stage.
     5. **Assessment**: set of Operations intended to check the commercial feasibility of a Discovery or set of Discoveries of Oil and Gas in the Concession Area.
     6. **Well Assessment**: logging and formation tests performed between the End of Drilling and Well Completion that, combined with other activities previously developed at the well, will enable verification of the occurrence of areas of interest for presentation of a possible Discovery Assessment Plan.
     7. **Assignment**: transfer, in whole or in part, of the ownership of rights and obligations arising from the Agreement; consolidation, spin-off, and merger, when corporate reorganization results in change of Contractor; change of Operator, as well as exemption and replacement of the performance guarantee.
     8. **Concessionaire**: individually or collectively, the legal entities developing business activities that are members of the consortium, including the Operator.
     9. **Well Completion**: moment of completion of the activities directly related to drilling of a well (including, when applicable, logging, lining, and cementing) when its final depth is reached, after which all Operations exclusively refer to disassembly, decommissioning, or operation of the unit. For the cases in which the assessment and/or completion is initiated within sixty (60) days after the end of the activities directly related to drilling of the well or its temporary abandonment, the moment in which disassembly, decommissioning, or operation of the unit used for the assessment and/or completion is initiated shall be taken into account.
     10. **Agreement**: this Concession Agreement and its Annexes.
     11. **Consortium Agreement**: agreement regulating the rights and obligations of the Concessionaires regarding this Agreement.
     12. **Declaration of Commercial Feasibility**: formal and written notification of the Concessionaire to ANP declaring one or more Deposits as a Commercial Discovery in the Concession Area.
     13. **Discovery**:any occurrence of Oil or Gas in the Concession Area, regardless of the quantity, quality, or commercial feasibility, verified by at least two detection or assessment methods.
     14. **Development Stage**: contractual stage initiated with the approval of ANP for the Development Plan proposed by the Concessionaire and which is extended during the Production Phase while investments in wells, equipment, and facilities for the Production of Oil and Gas according to the Best Practices of the Oil Industry are required.
     15. **Flow of First Oil**: date of the first measurement of volumes of Oil and Gas at one of the Production Measurement Points in each Module of the Development Stage.
     16. **Exploration Phase**: contract period in which the Exploration and Assessment are to be performed.
     17. **Production Phase**: contract period in which the Development and the Production are to be carried out.
     18. **Brazilian Supplier**: any manufacturer or supplier of goods manufactured or services provided in Brazil through limited liability companies incorporated under the Brazilian laws or companies that use goods manufactured in the Country under special customs regimes and tax incentives applicable to the Oil and Gas industry.
     19. **Associated Gas**: Natural Gas produced in a Deposit where it is found dissolved in the Oil or in contact with underlying saturated Oil.
     20. **Individualization of Production**: procedure aimed at sharing of the Production result and the reasonable use of the Country’s natural resources through unification of the Development and Production of the Deposits extending beyond the Concession Area;
     21. **Applicable Laws and Regulations**: the set of all laws, decrees, regulations, resolutions, ordinances, normative instructions, or any other regulatory acts that are or may be applicable to the Parties or to the activities of Exploration, Assessment, Development, and Production of Oil and Gas, as well as to decommissioning of the facilities.
     22. **Macro-Group**: set of properties, services, and equipment purchased or contracted by the Concessionaires to develop the activities in the segments defined under this Agreement with specific Local Content commitments.
     23. **Best Practices of the Oil Industry**: The best and safest procedures and technologies available in the oil and gas industry worldwide intended to: (a) ensure the operational safety of the facilities, preserving life, physical integrity, and human health; (b) preserve the environment and protect adjacent communities; (c) prevent or reduce as much as possible the risk of spill of oil, natural gas, by-products, and other chemicals that may be hazardous to the environment; (d) preserve oil and gas resources, which implies the use of adequate methods and processes to maximize the recovery of hydrocarbons in a technical, economic, and environmentally sustainable way, with the corresponding control of the reserve decline, and to mitigate surface losses; (e) minimize consumption of natural resources in the Operations. In order to perform the Best Practices of the Oil Industry, the Concessionaires shall rely on the standards issued by ANP and other Brazilian public bodies, incorporating technical standards and recommendations of internationally recognized bodies and associations of the oil industry, whenever such measures increase the chances to achieve the objectives listed above.
     24. **Development Module**: individual module composed of facilities and infrastructure for the Production of Oil and Gas of one or more Deposits of a certain Field, pursuant to the Development Plan approved by ANP.
     25. **New Reservoir**: accumulation of Oil and/or Gas in areas other than those already in Production or under Assessment.
     26. **Operation**: all activities of Exploration, Assessment, Development, Production, decommissioning, or abandonment developed sequentially, collectively, or separately by the Concessionaire for the purposes of this Agreement.
     27. **Operator**: the Concessionaire designated, pursuant to Annex VII, to conduct and develop all Operations provided for in this Agreement on behalf of the Concessionaires.
     28. **Party**: ANP or the Concessionaire.
     29. **Parties**: ANP and the Concessionaire.
     30. **Discovery Assessment Plan**: document specifying the work schedule and the relevant investments required for the Assessment of a Discovery or set of Discoveries of Oil and Gas in the Concession Area.
     31. **Development Plan**: document specifying the work program, schedule, and relevant investments required for the Development and the Production of a Discovery or set of Discoveries of Oil and Gas in the Concession Area, including its abandonment.
     32. **Dates of Decision**: dates by which the holders of the exploration and production rights must communicate ANP about the decision to undertake one or more Contingent Commitments or not.
     33. **Production**: set of coordinated Operations of extraction of Oil or Gas from a Deposit and preparation for their transportation or a volume of Oil and/or Gas produced, in each case, as it can be inferred from the text.
     34. **Annual Production Program**: document describing the forecasts for Production and transportation of Oil, Gas, water, special fluids, and waste arising from the Production process of each Development Area or Field.
     35. **Annual Work and Budget Program**: document specifying the set of activities to be developed by the Concessionaire, including details on the investments required to develop such activities.
     36. **Facility Decommissioning Program**: document specifying the set of activities aiming at the definitive abandonment of wells, including their eventual plugging and decommissioning and the proper final disposal of the facilities, and the recovery of the areas affected thereby.
     37. **Minimum Exploration Program**: work schedule provided for in [Annex II](#_ANEXO_II_–)**,** to be met by the Concessionaire during the course of the Exploration Phase.
     38. **Safety Instruction**:administrative act that acknowledges any conduct as irregular or exposes an administrative understanding on the application of the regulatory standard, determining, in a comprehensive manner, that the operator shall refrain from performing it or shall observe it, under penalty of application of the penalties provided for in the Applicable Laws and Regulations.
     39. **Local Content Report**: document to be submitted by the Concessionaire to ANP detailing the amounts disbursed for purposes of Local Content assessment.
     40. **Local Content Inspection Report**: expert report issued by the Local Content Coordination Office that assesses fulfillment of the contractual commitments declared by the Operator in the Local Content Report before beginning of any sanctioning process.
     41. **Expense Report**: document to be submitted by the Concessionaire to ANP detailing the amounts disbursed in Exploration, Development, and Production Operations.
     42. **Final Discovery Assessment Report**: document submitted by the Concessionaire describing the Oil or Gas Discovery Assessment Operations, according to the Discovery Assessment Plan approved by ANP, showing its results and, if approved by ANP, making the Declaration of Commercial Feasibility effective.
     43. **Seismic Reprocessing**: process to submit seismic data to new processing, aiming at gaining quality in the results achieved.
     44. **Social Responsibility**:the Concessionaire is responsible for the impacts of its decisions and previous and current activities on society and the environment through an ethical and transparent behavior that (a) contributes to sustainable development, including the health and well-being of society; takes into account the stakeholders’ expectations; (b) complies with the applicable laws and regulations and is consistent with the international rules of behavior; and (c) is integrated into the Concessionaire and shown in its relationships related to the Concessionaire’s activities within its sphere of influence.
     45. **Early Production System**: temporary facility with limited capacity, implemented before the approval of the Development Plan, aiming at the early Production and obtaining of data and information for better characterization of the Reservoir, for purposes of adequacy of the Development Plan.
     46. **End of Drilling**: moment in which the final depth of the well is reached, with no expectations of further progress.
     47. **Extended Well Test**: test in a lined well with total expected free flow duration of more than seventy-two (72) hours and with specific purposes aiming at assessing a discovery in order to obtain, from interpretation of its data, information indicating the behavior of Reservoirs under dynamic long-term effects and supporting studies aimed at the design of the final production systems.
     48. **Unit of Work**: conversion unit for different exploratory works used for the purpose of assessing implementation of the Minimum Exploration Program provided for in [Annex II](#_ANEXO_II_–).

1. SECTION TWO – SUBJECT MATTER

Exploration and Production of Oil and Gas

* 1. The subject matter of this Agreement is:

1. to conduct Exploration Operations in the Concession Area undertaken in the Minimum Exploration Program or in addition thereto;
2. in case of a Discovery, at the Concessionaire’s discretion, to perform a Discovery Assessment under a Discovery Assessment Plan approved by ANP;
3. if the commercial feasibility of the Discovery is verified by the Concessionaire, to Produce Oil and Gas in the Concession Area according to a Development Plan approved by ANP.

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

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

Ownership of Oil and/or Gas

* 1. The Oil and Gas Deposits existing in the national territory, the continental shelf, and the exclusive economic zone belong to the Federal Government pursuant to items V and IX of article 20 of the Federal Constitution and article 3 of Law No. 9,478/97.
     1. The Concessionaire shall have the ownership only of the Oil and Gas that are effectively produced and granted thereto at the Production Measurement Point, through original acquisition and according to this Agreement.
     2. The Concessionaire shall be subject to charges related to the government taxes and shares, as well as those provided for in the Applicable Laws and Regulations.

Other Natural Resources

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

1. SECTION THREE – CONCESSION AREA

Identification

* 1. The Operations shall be conducted exclusively in the Concession Area described and delimited in [Annex I](#_ANEXO_I_-).

Voluntary Relinquishment

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

Relinquishment by termination of the Agreement

* 1. Termination of this Agreement for any reason shall bind the Concessionaire to immediately relinquish the entire Concession Area to ANP.

Conditions for Relinquishment

* 1. Any and all relinquishment of areas or Fields forming part of the Concession Area, as well as the consequent reversal of properties, shall be final and made by the Concessionaire with no liens whatsoever for the Federal Government or ANP, under article 28, paragraphs 1 and 2, of Law No. 9,478/97, and the Concessionaire shall not be entitled to reimbursement.
  2. The relinquishment of areas or fields forming part of the concession area does not exempt the Concessionaire from the responsibility provided for in paragraph 21.8 of Section Twenty-One.

Use of the Relinquished Areas by ANP

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

Non-Exclusive Data Survey

* 1. ANP may, at its sole discretion, authorize third parties to perform in the Concession Area services of geology, geochemistry, geophysics, and other works of the same nature aiming at the survey of technical data intended for non-exclusive commercialization, pursuant to article 8, item III, of Law No. 9,478/97, and the Applicable Laws and Regulations.
     1. The performance of such services, unless in exceptional situations approved by ANP, shall not affect the ordinary course of the Operations.
     2. The Concessionaire shall have no responsibility regarding the third-party performance of the services subject matter of this Section or the damages arising therefrom.

1. SECTION FOUR – EFFECTIVENESS

Effectiveness and Division into Phases

* 1. This Agreement shall become effective on its execution date and is divided into two phases:
     1. Exploration Phase, for the entire Concession Area, with maximum duration provided for in Annex II – Minimum Exploration Program, and
     2. Production Phase, for each Field, with the duration defined in Section Nine (Production Phase).
  2. The effectiveness of this Agreement shall correspond to the period elapsed since the execution date until the end of the Exploration Phase, except if a Declaration of Commercial Feasibility of one or more Discoveries is issued, case in which there shall be an addition of twenty-seven (27) years as of submission of the Declaration of Commercial Feasibility to ANP.
  3. Any extensions that may be authorized by ANP under this Agreement shall be added to such total effectiveness.
  4. The lapse of the effectiveness, according to the provisions of the preceding paragraph related to the extensions authorized by ANP, shall entail the lawful termination of the Agreement.

1. exploration and assessment
2. SECTION FIVE – EXPLORATION PHASE

Duration

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

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

Minimum Exploration Program

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

1. if the Concessionaire technically demonstrates that this change is consistent with the Best Practices of the Oil Industry; and
2. if the Concessionaire indicates the Prospecting that motivated the change request.
   1. Seismic Reprocessing may be converted into Units of Work for purposes of compliance with the Minimum Exploration Program.
      1. The conversion of Seismic Reprocessing into Units of Work is limited to a single version for each survey on seismic data.
      2. For purposes of conversion into Units of Work:
3. the reprocessed seismic data shall be exclusively contained within the Concession Area; and
4. the Seismic Reprocessing must include pre-stack time migration (PSTM) or pre-stack depth migration (PSDM).
   1. The Concessionaire may contract, at its sole discretion, data acquisition companies (EAD) for the collection of exclusive data, as long as the requirements contained in the regulatory standards issued by ANP are previously met and as long as these companies are duly registered and in good standing with ANP.
   2. ANP shall issue a quality control report for return or acceptance of data received within one hundred and eighty (180) days of the date of the most recent delivery of data by the Concessionaire.
   3. For purposes of compliance with the Minimum Exploration Program, only data which acquisition, processing, reprocessing, and interpretation have met all requirements defined in the regulatory rules and technical standards established by the Agency shall be converted into Units of Work.

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

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

In consideration of the exemption addressed in this paragraph, the Concessionaire shall pay an amount in cash corresponding to twice the total amount of the non-converted Units of Work, subject to inflation adjustment by the General Market Price Index (IGP-M) or another index that may replace it, from the date of the public session for submission of bids until the date of effective payment.

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

Extension of the Exploration Phase and Suspension of the Agreement

During the Exploration Phase, the agreement shall be automatically suspended if ANP does not resolve, before the end of the Exploration Phase, upon the request for: (i) suspension or extension of the Exploration Phase; or (ii) changes in the Minimum Exploration Program, pursuant to section 5.5.

The agreement shall be suspended as of the end of the Exploration Phase up to ANP’s resolution.

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

During the suspension of the agreement as provided for in paragraph 5.12, the Concessionaire may not develop exploration activities in the area, except upon the prior and express authorization of ANP, case in which the suspension shall be converted into a provisional extension of the agreement.

During implementation of the Discovery Assessment Plan approved by ANP, the agreement shall be automatically suspended in case of: (i) request for change of the Date of Decision; or (ii) request for change of the deadline of the Discovery Assessment Plan.

The suspension provided for in paragraph 5.13 shall take place until ANP resolves upon the request, if it does not do so by the date originally established as the Date of Decision or the deadline of the Discovery Assessment Plan.

The suspension provided for in paragraph 5.13 shall be in line with paragraphs 5.12.1, 5.12.2, and 5.12.3.

If the Concessionaire makes a Discovery during the Exploration Phase when it is not possible to perform the Discovery Assessment before the end of this stage, the Exploration Phase may, at ANP’s discretion, be extended for the term required to perform the Assessment and issue any Declaration of Commercial Feasibility according to a Discovery Assessment Plan approved by ANP.

The extension referred to in paragraph 5.14 is restricted to the area retained for Discovery Assessment, according to the Discovery Assessment Plan approved by ANP.

In the event of paragraph 5.15, the Exploration Phase shall be automatically suspended until ANP resolves upon the Discovery Assessment Plan and, consequently, upon the request for extension to perform the Discovery Assessment.

During the suspension of the Exploration Phase, the Concessionaire may only develop the Assessment activity included in the Discovery Assessment Plan submitted upon the prior and express authorization of ANP.

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

The substantiated request for extension due to the drilling in progress shall be sent by the Concessionaire to ANP at least seventy-two (72) hours before the end of the Exploration Phase.

At ANP’s discretion, the term referred to in this paragraph may be reduced, provided that technically supported by the Concessionaire.

Options to End the Exploration Phase

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

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

Failure to execute, in full or in part, the Minimum Exploration Program at the End of the Exploration Phase entails the lawful termination of the Agreement, without prejudice to the execution of the financial guarantees for exploration activities and application of appropriate sanctions.

The values of the activities of the Minimum Exploration Program not developed are defined in Units of Work and are net, and they may be required from the Concessionaire or guarantor, always subject to inflation adjustment by the IGP-M between the date of the public session for submission of bids and the date of the ultimate payment.

Development Areas eventually retained by the Concessionaire and the event provided for in paragraph 5.11 are exceptions to the abovementioned provision.

Concessionaire’s Options after Completion of the Minimum Exploration Program

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

1. assess any Discovery regarding the remaining Concession Area;
2. inform the Commercial Feasibility of the Discovery, initiating the Production Phase;
3. retain the areas in which postponement of the Declaration of Commercial Feasibility is applicable, under paragraphs 8.4 and 8.5; or
4. fully relinquish the Concession Area.

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

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

The submission of the plan for relinquishment of areas does not entail any kind of acknowledgement or release by ANP or exempt the Concessionaire from compliance with the Minimum Exploration Program and the responsibilities indicated in Section Twenty-One.

1. SECTION SIX – financial GUARANTEES of the Minimum Exploration Program

Provision of Financial Guarantee

* 1. The Concessionaire shall provide to ANP one or more financial guarantees for the Minimum Exploration Program.

Types of Financial Guarantees

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

1. irrevocable letter of credit;
2. performance bond;
3. Oil pledge agreement;
4. posting of bond;
   1. The financial guarantees may be combined in order to total the amount guaranteed.
   2. The financial guarantees shall comply with the form indicated in the call for bids.
   3. The financial guarantees may only be replaced or changed after approval by ANP.

Effectiveness of Financial Guarantees

* 1. The effectiveness of the financial guarantee shall exceed the date expected for completion of the Exploration Phase by at least one hundred and eighty (180) days.
     1. Whenever necessary, including in case of extension or suspension in the schedule expected for the Minimum Exploration Program, the financial guarantee shall be renewed in order to comply with the provisions in paragraph 6.6.
     2. In case of suspension of the Exploration Phase, the renewal of the financial guarantee shall cover a term of no less than 1 (one) year.
  2. In the event of expiration of the financial guarantee, at ANP’s discretion, the Concessionaire shall replace it or provide an additional guarantee.
     1. If the guarantee has been provided as an “Oil pledge agreement”, ANP may, pursuant to the Call for Bids and the Pledge Agreement entered into by and between the parties, call for margin or, alternatively, request provision to ANP of a new guarantee in order to cover any difference between the required guarantee and the effective guarantee.

Reduction in the Secured Amount

* 1. As the Concessionaire develops the activities related to the Minimum Exploration Program, it may request ANP to reduce the amount of the financial guarantee deposited.
     1. Reduction in the amount of the financial guarantee for the Minimum Exploration Program may not occur less often than at every three (3) months.
     2. Reduction in the amount of the financial guarantee for the Minimum Exploration Program may not be lower than an amount that, when converted, corresponds to twenty percent (20%) of the total Units of Work or the investment committed.
     3. The drilling Operations may only imply reduction in the amount of the financial guarantees for the Minimum Exploration Program when, cumulatively:

1. the well has reached the stratigraphic targets;
2. the well has been completed; and
3. data and information related to the well have been attested according to technical standards established by ANP.
   * 1. The Operations for acquisition and reprocessing of seismic and geochemical data, or by potential and electromagnetic methods, may only imply reduction in the amount of financial guarantees of the Exploration Program to the extent that data and its results are submitted to ANP and its compliance with the Agency’s standards is duly attested.

Return of the Financial Guarantees

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

Adjustment and Update of the Financial Guarantees

The monetary value provided for in the Minimum Exploration Program object of the guarantee instruments submitted by the Concessionaire to ANP shall be adjusted by the IGP-M from the date of the public session for submission of bids until the date of the actual receipt of the secured amounts.

The guarantees submitted shall include an automatic adjustment clause according to the preceding paragraph.

In case of pledge agreements and posting of a bond, if the secured amount is below the amount of the guarantee updated under the terms above, the Concessionaire shall have up to sixty (60) days of receipt of the notice referred to in the preceding paragraph to update the financial guarantee.

Execution of the Financial Guarantees

If the Concessionaire does not comply with the Minimum Exploration Program, ANP shall summon the Concessionaire to pay the amount corresponding to the non-executed portion, calculated under this Agreement, within thirty (30) days, and, in case of default, it shall execute the relevant financial guarantees.

Receipt of the amount corresponding to the financial guarantees represents a compensatory penalty clause for failure to implement the Minimum Exploration Program and:

1. does not exempt the Concessionaire from performing the other obligations derived from the Agreement.
2. does not affect ANP’s right to seek other remedies and apply any applicable sanctions for acts other than the mere failure to implement the Minimum Exploration Program.

For posting of a bond, the guarantee of the Minimum Exploration Program shall be executed upon withdrawal of the amount corresponding to the non-executed portion of the Minimum Exploration Program through correspondence between ANP and the depositary, regardless of prior authorization from the depositor.

1. Section Seven – discovery and assessment

Notification of Discovery

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

Assessment, Discovery Assessment Plan and Final Discovery Assessment Report

* 1. The Concessionaire may, at its discretion, proceed with the Assessment of a Discovery of Oil and/or Gas at any time during the Exploration Phase.
  2. If the Concessionaire decides to proceed with the Discovery Assessment, it must submit a proposed Discovery Assessment Plan for ANP’s approval.
  3. ANP shall have a term of up to sixty (60) days after receipt of the Discovery Assessment Plan to approve it or reasonably notify the Concessionaire for it to make modifications.
     1. The Concessionaire shall have a term of up to thirty (30) days of notification to submit the modifications to ANP, thus repeating the procedure provided for in paragraph 7.4.
     2. Any changes suggested by the Concessionaire shall be communicated to ANP, and the procedure provided for in paragraph 7.4 shall apply to these changes.
  4. Once the Discovery Assessment is completed, the Concessionaire shall submit to ANP a Final Discovery Assessment Report, which shall indicate and justify any proposal for withholding of the Development Area of the Commercial Discovery.
  5. The Concessionaire shall be authorized to initiate implementation of the Discovery Assessment Plan after its approval or upon authorization of ANP.

Assessment of New Reservoir

* 1. The Concessionaire may assess a Discovery of Oil and Gas in a New Reservoir at any time during the effectiveness of the Agreement, according to the procedure provided for in Section Seven, as appropriate.

Discovery Assessment through Extended Well Test

* 1. If the Discovery Assessment Plan contemplates the performance of a Extended Well Test, the Concessionaire shall request to ANP a specific authorization to do so.
  2. The performance of the Extended Well Test without the use or reinjection of the Natural Gas shall be limited to a term of up to one hundred and eighty (180) days, unless in exceptional cases, at ANP’s sole discretion.

1. Section Eight – Declaration of Commercial Feasibility

Declaration of Commercial Feasibility

* 1. Upon compliance with the Discovery Assessment Plan approved by ANP, the Concessionaire, through notice to ANP, may, at its sole discretion, submit the Declaration of Commercial Feasibility for the Discovery.
     1. If it has not been submitted to ANP yet, the Final Discovery Assessment Report shall accompany the Declaration of Commercial Feasibility.
     2. For purposes of the provisions in paragraph 10.2, the Declaration of Commercial Feasibility shall only be effective after ANP’s approval for the Final Discovery Assessment Report.
  2. Failure by the Concessionaire to submit the Declaration of Commercial Feasibility in a timely manner entails the lawful termination of the Agreement regarding the relevant area retained for the Discovery Assessment.
  3. The fact that the Concessionaire submits one or more Declarations of Commercial Feasibility does not exempt it from compliance with the Minimum Exploration Program.

Postponement of the Declaration of Commercial Feasibility

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

1. lack of market for the Natural Gas to be produced, expected to be created in less than five (5) years;
2. lack or inadequacy of infrastructure for transportation of the Natural Gas to be produced by the Concessionaire, expected to be implemented in less than 5 (five) years.
   1. If the main accumulation of hydrocarbons discovered and assessed in a Concession Area is Oil, the Concessionaire may request to ANP an authorization to postpone the Declaration of Commercial Feasibility in up to five (5) years, in the following cases:
3. lack of technology for the Production, outflow, or refining, expected to be created in less than 5 (five) years.
4. the volume of the Discovery is such that its commercial feasibility depends on additional Discoveries to be made in the same Block or in adjacent Blocks, aiming at the joint Development of all Operations.
   1. The Concessionaire may request ANP that the period for postponement of the delivery of the Declaration of Commercial Feasibility is extended for five (5) additional years.
   2. If ANP, at its sole discretion, considers that the reason that caused the postponement provided for in paragraphs 8.4 and 8.5 has been overcome, it shall notify the Concessionaire, which shall have a term of up to thirty (30) days to, at its sole discretion, submit the Declaration of Commercial Feasibility.
      1. If it decides to submit the Declaration of Commercial Feasibility, the Concessionaire shall, within one hundred and eighty (180) days of the notice provided for in this paragraph, submit a Development Plan for approval of ANP, and paragraph 10.2 shall not apply.
   3. During extension of the term for submission of the Declaration of Commercial Feasibility, the Agreement shall be suspended with respect to the area previously retained for Discovery Assessment.
   4. Extension of the term for submission of the Declaration of Commercial Feasibility shall apply exclusively to the area previously retained for Discovery Assessment.

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

Start and Duration

* 1. The Production Phase of each Development Area shall begin on the date of submission of the Declaration of Commercial Feasibility and shall last for twenty-seven (27) years.
  2. References to the extension or termination of this Agreement in this Section are made to each Development Area or Field on an individual basis, which may correspond to different Production Phases .

Extension at the Concessionaire’s request

* 1. The Concessionaire may apply for extension of the term provided for in paragraph 9.1 upon submission of a request to ANP, together of a reviewed Development Plan, at least twenty-four (24) months before the end of such term.
     1. ANP shall answer the request for review of the Development Plan and extension of the Production Phase within no more than one hundred and eighty (180) days, and it may refuse the Concessionaire’s proposal or subject it to changes in the reviewed Development Plan, as long as justified.

Extension by determination of ANP

* 1. ANP may, upon formal written notice at least two hundred and seventy (270) days after the end of the period established in paragraph 9.1, request that the Concessionaire continues with the Field Operation. 
     1. The Concessionaire may only refuse ANP’s request with cause.
     2. After ninety (90) days of ANP’s proposal, failure by the Concessionaire to reply shall be deemed implied acceptance.
     3. The Agreement shall be extended for the additional time indicated by ANP.

Consequence of the Extension

* 1. If case of extension of the Production Phase, under paragraphs 9.3 or 9.4, the Parties shall remain bound by the exact terms and conditions of this Agreement, except for, exclusively, any amendments agreed due to and for the purposes of such extension.
     1. At the end of the Production Phase , paragraphs 9.3 or 9.4 shall apply for the purposes of a possible new extension, *as appropriate.*

Termination

* 1. At any time during the Production Phase , the Concessionaire may terminate this Agreement, in whole or in part, upon notice to ANP at least one hundred and eighty (180) days before the date intended to terminate the Agreement.
     1. The Concessionaire may not interrupt or suspend the Production undertaken in the Production Programs of the Field(s) or Development Area(s) at stake, unless duly authorized by ANP.
     2. Termination of the Agreement does not exempt the Concessionaire from the responsibility provided for in paragraph 21.8 of Section Twenty-One.

Relinquishment of the Field

* 1. Once the Production Phase is completed, pursuant to paragraph 9.1, the Field shall be relinquished to ANP.
  2. At its discretion, ANP may adopt the measures necessary to continue the Field Operation and may also contract a new party over the last one hundred and eighty (180) days of Production or upon refusal of the Concessionaire to proceed with the Field Operation, pursuant to paragraph 9.4.
     1. The Concessionaire shall use all efforts and take all applicable measures in order to, over the last one hundred and eighty (180) days of Production or as of the notice described in paragraph 9.6, properly transfer the Operations to the new Concessionaire, in order not to impair the Field management and Production.
  3. The Concessionaire must submit to ANP a Facility Decommissioning Program, detailing all actions required for the decommissioning of the facilities, within no less than three hundred and sixty-five (365) days before the end of Production.
     1. The Facility Decommissioning Program shall strictly comply with the Applicable Laws and Regulations and the Best Practices of the Oil Industry, also pursuant to the provisions in Section Twenty-One and the other relevant provisions applicable to the reversal of properties provided for in paragraphs 18.6 and 18.7.

ANP shall have one hundred and eighty (180) days of the date of receipt of the Facility Decommissioning Program to approve it or request the Concessionaire to make the modifications it deems applicable.

If ANP requests modifications, the Concessionaire shall have a term of up to sixty (60) days of receipt of notification to submit them, thus repeating the procedure provided for in paragraph 9.10.

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

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

ANP may determine that the Concessionaire does not plug certain wells or decommission or remove certain facilities and equipment.

Termination of this Agreement for a certain Development Area or Field shall only occur after full compliance with the Facility Decommissioning Program approved by ANP, with immediate relinquishment of the relevant area, pursuant to the provisions in paragraphs 3.3 and 3.4.

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

1. SECTION teN – Development Plan

Content

The Development Plan shall observe:

1. rationalization of the Production;
2. the control of the decline in reservoirs;
3. reduction in the burning of Natural Gas and greenhouse gas emissions to the atmosphere;
4. system for reuse or reinjection of the Associated Gas; provided that only the burning of Natural Gas in flares shall be allowed for reasons of safety, emergency, and commissioning, pursuant to the Applicable Laws and Regulations;
5. the proper treatment of contaminants and natural resources resulting from the Production activities, avoiding disposal into the environment; and
6. incorporation of criteria related to the decommissioning of the facilities in the definitions of the field development project.

Terms

The Concessionaire shall submit the Development Plan to ANP within one hundred and eighty (180) days of receipt by the operator of a communication of approval of the Final Discovery Assessment Report.

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

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

Upon evidence of failure to deliver the Development Plan within the term provided for in this paragraph, ANP shall notify the Concessionaire so that it submits the Plan within no more than ten (10) days, after which the Agreement shall be lawfully terminated with respect to the relevant Development Area.

Development Area

The Development Area shall encompass all Deposits to be produced.

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

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

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

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

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

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

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

Approval and Implementation of the Development Plan

ANP shall have one hundred and eighty (180) days of the date of receipt of the Development Plan to approve it or request the Concessionaire to make the modifications it deems applicable.

If ANP does not reply within this term, the Development Plan shall be deemed approved, and ANP’s power/duty to demand reviews whenever necessary is not waived.

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

Disapproval of the Development Plan by ANP, taking into account the provisions of this Section, implies the lawful termination of the Agreement with respect to the relevant Development Area.

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

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

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

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

Incorporation of the New Reservoir into the Field shall be preceded by a Discovery Assessment Plan approved by ANP, except when its immediate incorporation is expressly authorized by ANP.

The Commercial Discovery shall only be incorporated into the Field Production system after ANP’s approval for the Final Discovery Assessment Report and review of the Field Development Plan, except when expressly authorized by ANP.

Reviews and Amendments

The Development Plan shall be reviewed or amended in the following cases:

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

The provisions included in paragraphs 10.7 and 10.8 shall apply to the reviews of the Development Plan as appropriate, including regarding the disapproval of the reviews by ANP.

Buildings, Facilities and Equipment

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

The Concessionaire shall comply with the provisions included in the Applicable Laws and Regulations in Treatment or Processing of Natural Gas, as well as in Storage of Natural Gas and in Transportation of Gas, Oil, and its by-products.

The Concessionaire’s definition of the actions listed in paragraph 10.13, including with respect to the contribution of the required resources, shall be mandatory in order to characterize the commercial feasibility and develop the Discovery.

1. SECTION ELEVEN – PRODUCTION start date and annual production programs

Start of Production

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

The Concessionaire shall keep ANP informed about the forecasts as to the start date of the Field Production.

The Concessionaire shall inform ANP about the Production Start Date, upon notice to the Agency within twenty-four (24) hours after its occurrence.

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

Annual Production Program

The Annual Production Program shall not provide for a variation equal to or higher than ten percent (10%) of the amount provided for in the Development Plan.

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

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

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

Once the Annual Production Program is submitted, the Concessionaire shall be required to comply with it, without prejudice to the provisions in paragraph 9.6, and any amendments thereto are subject to ANP’s approval.

Approval of the Annual Production Program

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

If ANP requests modifications, the Concessionaire shall resubmit the Annual Production Program including such changes within thirty (30) days of the date of request.

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

The Concessionaire will be required to comply with the Annual Production Program submitted to ANP with the modifications that may have been determined by the Agency, applying to these modifications the procedure provided for in paragraph 11.6.

If, at the beginning of the period referred to in certain Annual Production Program, the Parties are discussing any modifications proposed by ANP due to the application of the provisions in paragraph 11.6, the lowest Production level among those proposed by the Concessionaire and ANP shall be used in any month and until final definition of the Annual Production Program.

Review

The Parties may adjust, at any time, the review of an Annual Production Program in progress, provided that such review complies with the provisions of paragraphs 11.2 to 11.5.

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

The provisions of paragraph 11.6 shall apply to any reviews, as appropriate.

Production Volume Variance

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

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

In case variance is greater than fifteen percent (15%) when compared to the volume expected for the corresponding month in the Annual Production Program, the Concessionaire shall present a justification to ANP by the fifteenth (15th) day of the subsequent month, pursuant to the Applicable Laws and Regulations.

Temporary Interruption of Production

The Concessionaire may request ANP to approve, upon a prior notice, interruption of the Production of a Field for no more than one (1) year, except for events of emergency, acts of God, force majeure, or similar causes, in which interruption shall be promptly informed to ANP.

ANP shall assess the request within sixty (60) days and may request clarification from the Concessionaire.

After submission of the clarification requested, the same term applies for assessment by ANP.

Interruption of the Production shall not entail suspension of the term of the Agreement, except for the cases provided for herein.

1. section twelve – measurement, monthly reportS AND production availability

Measurement

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

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

Monthly Production Reports

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

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

Production Availability

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

Quantification of the volumes shall be subject, at any time, to the supervision and corrections provided for in the Applicable Laws and Regulations.

Free Use

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

Supply to the Domestic Market

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

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

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

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

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

Consumption in the Operations

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

The Concessionaire shall inform ANP, upon substantiated notice, the quantity of Oil and Gas consumed in the Operations and the purpose of its use.

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

The volumes of Oil and Gas consumed in the Operations shall be calculated for purposes of calculation of the due Government and Third-Party Shares, provided for in Section Twenty-Three.

Performance of Tests

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

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

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

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

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

Natural Gas

The volumes of Natural Gas produced under this Agreement may be used by the Concessionaire pursuant to paragraph 12.6.

Burning in flaresshall be restricted to volumes previously and formally approved by ANP pursuant to the Best Practices of the Oil Industry and the Applicable Laws and Regulations, except, in any case, for the provisions in article 47, paragraph 3, of Law No. 9,478/97.

Losses

The losses of Oil or Gas occurred under the responsibility of the Concessionaire, as well as burning of Gas in flares, shall be included in the Total Production Volume to be calculated for purposes of payment of the Government and Third-Party Shares, without prejudice to the provisions in Section Twenty-Nine and Section Thirty.

Burning of Natural Gas in flaresshall only be allowed for reasons of safety, emergency, and commissioning, and the maximum volume is specified in the Applicable Laws and Regulations.

1. SECTION THIRTEEN – Individualization of Production

Production Individualization Agreement

The procedure of Individualization of Production of Oil and Gas shall be initiated under the Applicable Laws and Regulations if it is identified that a Deposit extends beyond the Concession Area.

The agreement and the commitment for individualization of production shall be prepared under the Applicable Laws and Regulations.

1. EXECUTION OF OPERATIONS
2. section fourteen – execution by the concessionaire

Concessionaire’s Exclusivity

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

Appointment of the Operator by the Concessionaire

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

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

The Operator shall be responsible for full compliance with all the Concessionaire’s obligations set forth in this Agreement related to any aspect of the Operations and the payment of the Government Shares, without prejudice to the joint liability of the other Concessionaires.

The Concessionaire that is a member of a consortium shall bear with investments related to its interest in the Consortium, without prejudice to the joint liability.

The provisions related to Assignment set forth in Section Twenty-Eight are exceptions to this paragraph.

The Operator may resign from its function, at any time, upon submission of a request to ANP pursuant to Section Twenty-Eight and the Applicable Laws and Regulations.

The Operator may be removed by ANP in case of failure to comply with any of the sections of this Agreement, if it does not cure its default within ninety (90) days of receipt of the notice from this Agency indicating the alleged default.

In the cases provided for in paragraphs 14.6 and 14.7, the Concessionaire shall appoint a new Operator, pursuant to the provisions in the Applicable Laws and Regulations.

The new Operator appointed by the Concessionaire may only develop its activities after the appointment is approved by ANP, assuming all rights and obligations provided for in this Agreement.

The resigning or removed Operator shall transfer to the new Operator the custody of all properties used in the Operations, accounting records, files, and other documents related to the Concession Area and the Operations at stake.

After transfer, the resigning or removed Operator shall be released and exonerated from all obligations and responsibilities arising from its position of Operator after the date of such transfer.

The resigning or removed Operator shall remain liable for any acts, incidents, or circumstances incurred during its management related to its position of Operator.

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

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

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

In case of individual concessionaire, this shall be deemed, for purposes of this Agreement, the designated Operator of the Concession Area.

Diligence to Conduct Operations

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

The Concessionaire shall, in all Operations:

1. adopt the measures required for preservation of oil resources and other natural resources and for the protection of human life, heritage, and environment, pursuant to Section Twenty-One;
2. respect the applicable technical, scientific, and safety rules and procedures, including as to the recovery of fluids, aiming at the rationalization of production and the control of the decline in the reservoirs; and
3. employ, whenever appropriate and economically justified, at ANP’s discretion, technical experiences and more advanced technologies, including the ones that can increase the economic yield and the Production of the Deposits.

It is the Operator’s duty to:

1. maintain minimum personnel, domiciled in Brazil, fluent in Portuguese, able to manage the daily Operations in an efficient and effective manner, as well as to respond to incidents in an appropriate and immediate way;
2. continuously monitor all activities involving operational, environmental, or human health risks, through a monitoring center, necessarily located in Brazil.
3. participate in the preparation and formally approve the emergency response procedures and the studies of risk analysis of the activities performed within the scope of this Agreement, pursuant to the Best Practices of the Oil Industry;
4. establish an organizational structure and resources in Brazil with persons responsible for the operational safety in order to equalize strengths between the decisions related to the operating activities and the operational safety risk management and ensure that operational risks are taken into account with priority in the Consortium’s decision-making process.

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

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

Licenses, Authorizations and Permits

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

If the licenses, authorizations, and permits depend on a third-party agreement, the negotiation and execution of such agreements shall be the sole responsibility of the Concessionaire, and ANP may provide the assistance described in paragraph 15.4.

The Concessionaire shall be held liable for infringement of the right to use materials and execution processes protected by trademarks, patents, or other rights, and it shall pay any obligations, liens, commissions, indemnifications, or other expenses arising from the infringement, including legal expenses.

**Free Access to the Concession Area**

* 1. During the effectiveness of this Agreement, pursuant to the provisions in paragraph **Erro! Fonte de referência não encontrada.**, the Concessionaire shall have free access to the Concession Area and its facilities.

Drilling and Abandonment of Wells

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

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

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

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

Additional Work Programs

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

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

Data Acquisition outside the Concession Area

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

The request shall include the technical justification to data acquisition.

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

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

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

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

Monitoring and Inspection by ANP

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

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

Access and Control

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

The Concessionaire shall provide to the representatives of ANP transportation, meals, personal protective equipment, and accommodations in the locations, under the same conditions as the ones provided to its own personnel.

For the purposes of survey on data, information, or assessment of responsibilities about operational incidents, the access shall be provided by the Concessionaire through the unrestricted and immediate provision of transportation, food, personal protective equipment, and accommodation to the representatives of ANP.

The Concessionaire shall provide information requested by ANP and allow free access for the authorities with jurisdiction over any of its activities within the term and in the manner established.

Assistance to the Concessionaire

Upon request, ANP may provide assistance to the Concessionaire in obtaining the licenses, authorizations, permits, and rights referred to in paragraph 14.15.

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

Release from ANP’s responsibility

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

1. Section Sixteen – Annual Work and Budget Program

Correspondence between the Content and Other Plans and Programs

The Annual Work and Budget Programs shall strictly correspond to the other approved plans and programs.

Deadlines

The Concessionaire shall submit to ANP by October 31st of each year, the Annual Work and Budget Program for the following year, pursuant to the Applicable Laws and Regulations.

The first Annual Work and Budget Program shall cover the remainder of the current year and shall be submitted by the Concessionaire within sixty (60) days of the date of execution of this Agreement.

If there is less than ninety (90) days to the end of the current year, the first Annual Work and Budget Program shall also contemplate the immediately subsequent year separately.

Reviews and Amendments

ANP shall have thirty (30) days of receipt of the Annual Work and Budget Program to approve it or request the Concessionaire to make any modifications.

If ANP requests modifications, the Concessionaire shall have thirty (30) days of the date of such request to resubmit the Annual Work and Budget Program with the modifications requested, thus repeating the procedure provided for in paragraph 16.3.

The Concessionaire shall comply with the Annual Work and Budget Program submitted to ANP with the modifications that may have been determined by the Agency.

Submission of the Annual Work and Budget Programs, as well as their reviews and changes, shall not impair, render invalid, or reduce, in any event, the obligations undertaken by the Concessionaire under this Agreement.

1. Section Seventeen – data AND information

Supply by the Concessionaire

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

The Concessionaire shall send to ANP, as determined by ANP, copies of maps, sections, profiles, studies, interpretations, other geological, geochemical, and geophysical data and information, including data on wells, models of static and dynamic Reservoir, and flow regimes obtained from tests, in addition to reports or any other documents defined in a specific regulation and obtained as a result of the Operations and of this Agreement, containing information necessary to characterize the progress of the works and the geological knowledge of the Concession Area.

Under article 22 of Law No. 9,478/1997, the technical inventory formed by data and information on the Brazilian sedimentary basins are an integral part of the national oil resources, and the Concessionaire shall submit such data and information, including those regarding the geological, geophysical, and geochemical modelling of the Concession Area, to ANP.

ANP shall ensure compliance with the confidentiality periods, pursuant to the Applicable Laws and Regulations.

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

Processing or Analysis Abroad

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

The dispatch shall be allowed only in case it aims at data analysis, test, or processing.

The Concessionaire shall send to ANP a request related to samples or data containing:

1. justification about the need to dispatch them abroad;
2. detailed information, as well as indication of their equivalents kept in the Country;
3. detailed information about the analyses, tests, and processing to which the samples shall be submitted, with emphasis on the destructive tests, if they are performed;
4. information about the receiving institution;
5. expected date of conclusion of the analyses, tests, and processing; and
6. expected date of return to the Country.

The Concessionaire shall:

1. keep a copy of the piece of information or data or equivalent of the sample in the national territory;
2. return the samples, data, or information to the Country, after performance of the analysis, test, or processing; and
3. provide ANP with the results obtained from the analyses, tests, and processing performed, provided that the terms of the Applicable Laws and Regulations are met.
4. SECTION EIGHTEEN – PROPERTIES

Properties, Equipment, Facilities and Materials

The Concessionaire is exclusively responsible for directly supplying, purchasing, renting, leasing, chartering, or otherwise obtaining, at its own account and risk, all properties, furniture, and real properties, including, without limitation, the facilities, buildings, systems, equipment, machines, materials, and supplies required to execute the Operations.

The purchase, rent, lease, or acquisition may be made in Brazil or abroad, pursuant to the Applicable Laws and Regulations and observing the provisions in paragraph 19.7 and in the other provisions of this Agreement.

Licenses, Authorizations and Permits

The Concessionaire shall be fully responsible, pursuant to paragraph 14.14, for obtaining all licenses, authorizations, and permits required for acquisition or use of the properties referred to in paragraph 18.

Expropriations and Easements

The Concessionaire shall, at its own account and risk, pursuant to the provisions in paragraph 18.2, promote the expropriations and create the easements of real properties required to perform this Agreement, as well as to pay any and all resulting indemnification, cost, or expense.

ANP shall initiate a process aiming at the declaration of public use, for purposes of expropriation and establishment of administrative easement of the real properties referred to in paragraph 18.3, upon substantiated request of the Concessionaire.

Facilities or Equipment outside the Concession Area

ANP may authorize the positioning or the construction of facilities or equipment in a place outside the Concession Area, aiming at complementing or optimizing the logistic structure related to the Operations.

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

The justification shall contemplate technical and economic aspects, as well as the positioning or construction project.

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

Relinquishment of Areas and Reversal of Properties

In case of use of pre-existing wells or infrastructure, the Concessionaire shall undertake, with respect to them, the responsibilities provided for in the Agreement and in the Applicable Laws and Regulations.

In case of a Field, the plan for decommissioning and abandonment and the mechanisms to make the necessary funds available shall be provided for in the respective Development Plan and reviewed from time to time throughout the Production Phase through the Annual Work and Budget Programs.

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

Decommissioning and Abandonment Guarantees

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

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

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

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

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

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

The provision of a decommissioning and abandonment guarantee does not exempt the Concessionaire from the obligation to execute all Operations required for decommissioning and abandonment of the Field at its own account and risk.

Properties to be Reversed

Pursuant to item VI of arts. 28 and 43 of Law No. 9,478/1997 and the Applicable Laws and Regulations, any and all personal and real properties, principal and ancillary, forming part of the Concession Area and that, at ANP’s sole discretion, are necessary to enable continuity of the Operations or which use is considered of public interest shall become owned by the Federal Government and be managed by ANP in case of termination of this Agreement or relinquishment of plots of the Concession Area.

In case properties are shared for Operations in two or more Fields, such properties may be withheld until completion of all Operations.

Removal of Non-Reversed Properties

Properties not reversed pursuant to paragraph 18.9, including useless material, shall be removed and/or disposed of by the Concessionaire, at its own account and risk, pursuant to provisions of this Agreement and the Applicable Laws and Regulations.

1. SECTION NINETEEN – personnel, Services and SUBCONTRACTS

Personnel

The Concessionaire shall, directly or in any other way, recruit and hire all personnel required to execute the Operations at its own account and risk, being, for all purposes of this Agreement, the sole and exclusive employer.

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

The Concessionaire shall be exclusively and fully responsible, in Brazil and abroad, for measures regarding the entry, exit, and stay of its foreign personnel in the Country.

The Concessionaire shall observe what is provided for in the Applicable Laws and Regulations regarding personnel engagement, retainment, and dismissal, occupational accidents, and industrial safety, undertaking sole and exclusive responsibility for collection and payment of social-security and labor contributions and other applicable charges and allowances due for any reason, as provided by the Brazilian law.

The Concessionaire shall provide meals, personal protective equipment, and accommodations consistent with its personnel while on duty or commuting, specifically regarding the amount, quality, hygiene conditions, safety, and healthcare, pursuant to the Applicable Laws and Regulations.

The Concessionaire shall remove or replace, at any time, any of its technicians or team members due to misconduct, technical deficiency, or poor health conditions.

Services

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

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

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

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

The Concessionaire shall be strictly held liable for the activities of its subcontractors resulting, directly or indirectly, in damages or losses to ANP or the Federal Government.

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

Any inventory balances authorized by ANP and not used in other Concession Areas shall be treated as cost rebates in the Operations.

1. SECTION Twenty – LOCAL CONTENT

Concessionaire’s Commitment with the Local Content

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

In the Onshore Exploration Phase: Global Local Content of 50%.

In the Offshore Exploration Phase, with water depth over 100 meters: Global Local Content of 18%.

In the Development Stage or for each Development module, in case of module development, of Onshore Fields: Global Local Content of 50%.

In the Development Stage or for each Development module, in case of module development, of Offshore Fields with water depth over 100 meters, for the following Macro-Groups:

1. Well Construction: 25%.
2. Production Collection and Outflow System: 40%.
3. Stationary Production Unit: 25%.

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

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

1. include Brazilian Suppliers among the suppliers invited to submit bids;
2. provide the main non-technical documents and specifications of the contract also in Portuguese to the Brazilian companies invited;
3. accept equivalent specifications of Brazilian Suppliers, as long as the Best Practices of the Oil Industry are complied with.

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

The Concessionaire shall submit to ANP Reports for monitoring the Local Content under Exploration and Development under the applicable laws and regulations.

Determination of the Local Content

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

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

In order to determine the Local Content, the monetary value corresponding to the goods and services contracted shall be adjusted for the month and year in which compliance with the provisions in this Section is verified using the General Market Price Index (IGP-M) of Fundação Getúlio Vargas or other index that may replace it.

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

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

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

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

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

Excess Local Content

If the Concessionaire exceeds the Local Content committed, whether in the Exploration Phase or in a Module of the Development Stage , the excess amount, in national currency, may be transferred to the Module(s) of the Development Stage to be implemented thereafter.

In case of Offshore Fields with water depth over 100 meters, the operator shall indicate the Macro-Group to which the excess of the Exploration Phase will be directed.

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

Request for transfer of the excess shall be submitted to ANP within ten (10) days of the first business day after receipt by the Operator of the Local Content Inspection Report of the Production Development Stage or subsequent Modules, in case of modular Development.

The excess monetary value shall be adjusted by the General Market Price Index (IGP-M) of Fundação Getúlio Vargas or any other index that may replace it.

Penalty for Failure to Respect the Local Content

Failure to respect the Local Content shall subject the Concessionaire to a penalty, which shall be calculated on the monetary amount not observed, in the following percentage, as the case may be:

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

M (%) = NR (%) - 25%.

Where NR (%) is the percentage of Unused Local Content.

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

The amount of the penalty shall be adjusted by the General Market Price Index (IGP-M) up to the date of the effective payment.

1. Section Twenty-One – operational safety and environment

Environmental Control

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

The Concessionaire shall, in the performance of the Agreement:

1. ensure preservation of an ecologically balanced environment;
2. mitigate the occurrence of impacts and/or damages to the environment;
3. ensure safety of the Operations for purposes of protecting human life, the environment, and the Federal Government’s heritage;
4. ensure protection of the Brazilian historical and cultural heritage;
5. repair the degraded environment pursuant to the technical solution required by the applicable environmental authority;
6. meet the Safety Recommendations issued by ANP pursuant to the Applicable Laws and Regulations.

ANP may, at any time, request a copy of the studies submitted for approval of the applicable environmental authority if awareness of its content becomes required for the instruction/management of the agreement entered into herein.

In case of an environmental permitting process in which the applicable authority deems that a Public Hearing is required, the Concessionaire shall submit to ANP a copy of the studies prepared aiming at obtaining the permits at least ten (10) business days before the Hearing.

The Concessionaire shall submit to ANP a copy of the environmental permits and their relevant renewals, according to the deadlines defined in the specific regulations issued by the Agency or before that, if awareness of the content becomes required for the instruction or management of the agreement entered into herein.

The Concessionaire shall immediately inform ANP and the competent authorities of any occurrence arising from an intentional or accidental fact or act involving risk or damage to the environment or to human health, property damages to its own or third-party assets and properties, fatalities or severe injuries to the personnel or to third parties, or unscheduled interruptions of the operations, pursuant to the Applicable Laws and Regulations and the instructions provided for in manuals issued by ANP, when applicable.

Social Responsibility

The Concessionaire shall provide a Social Responsibility and sustainability management system that meets the Social Responsibility guidelines and the Applicable Laws and Regulations.

Liability for Damages and Losses

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

The Concessionaire shall indemnify the damages resulting from the Operations.

The Concessionaire shall indemnify the Federal Government and ANP, pursuant to paragraphs 2.2 to 2.6, for any and all lawsuit, appeal, claim or legal oppositions, arbitration court, audit, inspection, investigation, or dispute of any kind, as well as for any damages, compensations, punishments, fines, or penalties of any kind, related to or resulting from such damages and losses.

1. Section Twenty-two – insurance

Insurance

The Concessionaire shall obtain and keep in force, during the effectiveness of the Agreement, without entailing limitation of its liability under this Agreement, insurance coverage for all cases required by the Applicable Laws and Regulations.

These insurance policies must cover:

1. properties;
2. personnel;
3. extraordinary expenses for the operation of wells;
4. cleaning, in the event of accidents;
5. decontamination, in the event of accidents; and
6. civil liability for damages to the environment and the Federal Government’s heritage.

The Concessionaire shall include ANP as coinsured in the policies, when applicable, and it shall not impair ANP’s right to be fully reimbursed for losses and damages exceeding the indemnification received by virtue of the coverage provided for in the policy.

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

The Concessionaire shall obtain, from its insurance companies, the inclusion of a clause in all policies through which they expressly waive any implied or explicit rights of subrogation of any rights against ANP or the Federal Government.

Insurance through Affiliates is accepted as long as provided by a company authorized by the Private Insurance Superintendence – SUSEP to perform this activity and previously authorized by ANP.

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

The Concessionaire shall deliver to ANP, upon request, within five (5) business days, a copy of all policies and agreements regarding the insurance policies referred to in paragraph 22.1, as well as a copy of any and all amendment, change, endorsement, postponement, or extension thereof, and a copy of any and all related loss occurrence, complaint, or report.

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

Government and Third-Party Shares

In addition to the signature bonus, paid before the date of execution of the Agreement, the Concessionaire shall pay to the Federal Government and third parties the following shares, pursuant to the Applicable Laws and Regulations:

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

For the fields that may pay special share, regardless of the amounts indicated in Table 2 of the call for bids of the Fourteenth Bidding Round and in Annex V to this Agreement, the royalty rate shall be ten percent (10%).

ANP may, in the scope of the extensions of the effectiveness of this agreement and considering the expected production and other relevant factors pursuant to the Applicable Laws and Regulations, grant a royalty reduction to up to five percent (5%) over the incremental production generated by a potential new investment plan to be executed in field.

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

1. production earned during the Extended Well Test period;
2. suspension of the term of this Agreement;
3. act of God and force majeure.
4. Section twenty-four – RESOURCES FOR RESEARCH, DEVELOPMENT AND INNOVATION

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

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

The Concessionaire shall have up to June 30th of the year following the calendar year of the calculation of the Gross Revenue of the Production to use these resources.

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

Thirty percent (30%) to forty percent (40%) of the resources provided for in paragraph 24.1 shall be invested in national universities or research and development institutes accredited by ANP.

Thirty percent (30%) to forty percent (40%) of the resources provided for in paragraph 24.1 shall be directed to technological programs for development and qualification of domestic suppliers.

The remaining balance of the Expenses Identified as Research, Development, and Innovation, upon compliance with paragraphs 24.2 and 24.3, may be invested in activities of research, development, and innovation developed at facilities of the very Concessionaire or its Affiliates located in Brazil or of national suppliers of the Industry of Oil, Natural Gas, and Biofuels, or at universities or research and development institutes accredited by ANP.

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

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

1. SECTION TWENTY-FIVE – taxes

Tax Regime

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

Certificates and Evidence of Regularity

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

1. Section Twenty-SIX – currency and FOREIGN currency

Currency

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

Foreign Currency

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

1. Section twenty-seven – accounting and audit

Accounting

According to the Applicable Laws and Regulations, the Concessionaire shall:

1. keep all documents, books, papers, records, and other procedural documents;
2. keep all supporting documents required for determination of the Local Content and of the Government and Third-Party Shares supporting the accounting bookkeeping;
3. make the applicable entries;
4. submit the accounting and financial statements;
5. submit to ANP, on a quarterly basis, the Quarterly Expense Report under the Applicable Laws and Regulations; and
6. submit to ANP the Local Content Report under the Applicable Laws and Regulations.

Audit

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

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

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

ANP shall have comprehensive access to the documents, books, records, and other documents referred to in paragraph 27.1, including the contracts and agreements entered into by the Concessionaire and related to the acquisition of goods and services for the Operations, for the last ten years.

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

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

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

Any absence of audit or omission of its conclusions shall neither exclude nor reduce the Concessionaire’s liability to fully perform the obligations of this Agreement, nor shall represent implied agreement with methods and procedures contrary to this Agreement or to the Applicable Laws and Regulations.

1. GENERAL PROVISIONS

1. section twenty-EIGHT– assignment OF THE AGREEMENT

Assignment

The Concessionaire’s rights and obligations under this Agreement may be subject to Assignment, in whole or in part, subject to ANP’s prior authorization.

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

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

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

The Operator and the other members of the Consortium shall have, respectively, at least a thirty-percent (30%) and a five-percent (5%) share in the Agreement throughout its effectiveness.

The Concessionaires shall notify ANP about changes in their corporate control within thirty (30) days of registration of the charter with the effective registration agency, under the Applicable Laws and Regulations.

The notice shall include the required documentation, pursuant to the Applicable Laws and Regulations.

Undivided Share in Rights and Obligations

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

Partial Assignment of an Area during the Exploration Phase

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

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

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

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

Assignment of an Area in the Production Phase

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

Assignment Nullity and Need for Prior Express Approval

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

Approval of Assignment

ANP shall have a ninety (90)-day period as of submission of the full documentation and as required, under the Applicable Laws and Regulations, to resolve upon the Assignment.

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

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

Effectiveness and Efficacy of the Assignment

Upon approval of the Assignment by ANP, the Agreement shall be amended so that the act is performed, except in the events of exemption or replacement of a performance guarantee and in the event provided for in paragraph 28.17, pursuant to the Applicable Laws and Regulations.

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

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

As of the execution of the addendum, the former concessionaire shall have a ninety (90)-day period to transfer all exclusive data related to the agreement assigned, whether public or confidential, to the new concessionaire.

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

New Concession Agreement

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

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

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

1. SECTION TWENTY-NINE – relative default and penalties

Sanctions

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

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

1. section THIRTY – termination of the Agreement

Lawful Termination

This Agreement shall be lawfully terminated:

1. upon lapse of the effective period provided for in Section Four;
2. upon completion of the Exploration Phase without performing the Minimum Exploration Program;
3. at the end of the Exploration Phase, in case there has been no Commercial Discovery;
4. in case the Contractor fully relinquishes the Concession Area;
5. upon failure to deliver the Development Plan within the term established by ANP;
6. upon ANP’s disapproval of the Development Plan;
7. upon refusal of the Consortium Members to execute, in whole or in part, the production individualization agreement after ANP’s decision; or
8. upon adjudication of bankruptcy or non-approval of any Concessionaire’s request for judicial reorganization by the competent court;

Termination upon mutual agreement between the Parties

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

Unilateral Termination

At any time during the Production Phase, the Concessionaire may terminate this Agreement only upon notice to ANP at least one hundred and eighty (180) days before the date intended to terminate the Agreement.

The Concessionaire may not interrupt or suspend the Production undertaken in the Annual Production Programs during the minimum period of one hundred and eighty (180) days of the date of the notice of the intention to terminate.

Termination for Absolute Default

This Agreement shall be terminated upon the following events:

1. failure by the Concessionaire to perform the contractual obligations within the term established by ANP, except if they are lawfully waived; or
2. judicial or extrajudicial reorganization, with no submission of an approved reorganization plan able to demonstrate to ANP its economic and financial capacity to fully perform all contractual and regulatory obligations.

To entail termination of the Agreement, the term referred to in item “a” may not be shorter than ninety (90) days, except when extremely urgent.

After confirming the absolute default, the Concessionaire shall be granted a ninety (90)-day period, or shorter, when extremely urgent, to formalize before ANP the request for Assignment of its undivided share in the rights and obligations of this Agreement, under penalty of imposition of the penalties provided for in this Agreement, in addition to contract termination.

In case of a Consortium, termination shall be effective only with respect to the defaulting party, when there is no joint obligation between the consortium members, which defaulting party is allowed to transfer its undivided share in the rights and obligations of this Agreement to the other consortium members or to third parties, upon prior and express approval of ANP.

Consequences of Termination

In any of the cases of termination provided for in this Agreement or in the Applicable Laws and Regulations, the Concessionaire shall not be entitled to any reimbursement.

Once this Agreement is terminated, the Concessionaire shall be liable for losses and damages arising from its default and termination, paying all applicable indemnifications and compensations, as provided by law and herein.

1. section THIRTY-one – Act of God, Force Majeure and similar causes

Full or Partial Exemption

The obligations undertaken in this Agreement shall only be released in the events of acts of God, force majeure, and similar causes that justify non-performance, such as administrative action or omission, *factum principis*, and unexpected disruptions.

Exemption of the defaulting Concessionaire from its obligations shall be exclusively related to the obligations in this Agreement which performance becomes impossible due to acts of God, force majeure, or similar causes, acknowledged by ANP.

ANP’s decision acknowledging the occurrence of acts of God, force majeure, or similar causes shall indicate the portion of this Agreement which performance shall be dismissed or postponed.

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

Notification of events that may be considered an act of God, force majeure, or similar cause shall be immediate and shall specify such circumstances, its causes and consequences.

Cessation of the events shall be equally notified.

Amendment and Termination of the Agreement

After the act of God, force majeure, or similar causes are overcome, the Concessionaire shall perform the affected obligations, and the term for performance of these obligations shall be extended for the period corresponding to the duration of the event.

Depending on the extent and severity of the effects of the act of God, force majeure, or similar causes, the Parties may agree on the amendment or termination of the Agreement.

Once the deadline is reset, the Concessionaire shall be responsible for performing the affected obligations.

Depending on the extent and severity of the effects of the act of God, force majeure, or similar causes, the Parties may agree on the amendment or termination of the Agreement.

Environmental Permitting

ANP may extend or suspend the lapse of the contract term in case of evidenced delay in the permitting procedure due to exclusive fault of the applicable environmental authorities.

As long as requested by the concessionaire, the suspension of the lapse of the contract term for more than five (5) years may entail contract termination, and the Concessionaire shall have no right to any type of indemnification.

The Concessionaire shall be responsible for evidencing that, in the period between suspension of the lapse of the contract term and request for termination of the concession agreement, it has not contributed to the extension of the environmental permitting process, which shall characterize the fact as an act of God, force majeure, and similar causes.

As long as requested by the concessionaire, the final denial by the competent environmental authority of the permit essential to the development of the activities may entail contract termination, and the Concessionaire shall not be entitled to any type of indemnification.

The Concessionaire shall be responsible for evidencing that it did not contribute to the denial of the environmental permitting process for such denial to be considered an act of God, force majeure, and similar cause.

Losses

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

1. Section thirtY-Two – confidentiality

Obligation of the Concessionaire

Any and all data and information acquired, processed, produced, developed, or, in any way, obtained as a result of the Operations and the Agreement are strictly confidential and, therefore, shall not be disclosed by the Concessionaire without the prior consent of ANP, except when:

1. data and information are already public or become public through a third party authorized to disclose them;
2. there is a requirement for disclosure arising from legal obligation or court order;
3. the disclosure is made according to the rules and limits imposed by the stock exchange in which the Concessionaire’s shares are traded;
4. the disclosure is directed to the Affiliate, consultant, or agent of the Concessionaire;
5. the disclosure is directed to the financial institution and insurance company to which the Concessionaire resorts or to a consultant thereof;
6. the disclosure is directed to a potential assignee in good faith, its Affiliate, or a consultant; and
7. the disclosure is directed to a Concessionaire or contractor under another regime of Exploration and Production of Oil and Gas in an adjacent area, to its Affiliate, or to a consultant, aiming at the execution of the Production Individualization Agreement.

In the events provided for in sub-items “d”, “e”, “f”, and “g”, disclosure of data and information shall be conditioned to a prior formal confidentiality agreement in writing.

The agreement shall provide that the third party mentioned in such sub-items shall be required to comply with paragraph 32.1 and in case of failure to perform, the party shall be subject to the provisions in Section Twenty-Nine, without the benefit of the exceptions set forth in sub-items (a) to (f) of paragraph 32.1 for disclosure of data and information without ANP’s prior consent.

The third party shall not count on the benefit of the exceptions provided for in sub-items “a” to “g” for disclosure of data and information without ANP’s prior consent.

In the events provided for in sub-items “a” to “g”, the Concessionaire shall send ANP a notice within thirty (30) days of the disclosure.

The notice shall be followed by the data and/or information disclosed, the reasons for the disclosure, and the list of third parties who had access to such data and/or information.

In the events provided for in sub-items “d” to “g”, the notice shall be also followed by a copy of the confidentiality agreement referred to in paragraph 32.1.1.

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

ANP’s Commitment

ANP undertakes not to disclose any data and information obtained as a result of the Operations and related to the areas withheld by the Concessionaire, pursuant to article 5, paragraph 2, of Decree No. 7,724/2012.

Such provision shall not apply in case the disclosure is necessary for compliance with the applicable legal provisions, including the laws and regulations on Access to Information, or for proceeding with the purposes to which it was created.

1. section thirty-three – notices, requests, communications and reports

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

Notices, requests, submission of plans, programs, reports, as well as any other communications provided for in this Agreement shall be formal and made in writing, pursuant to the Applicable Laws and Regulations, which may waive submission of such documents in writing, indicating, for each situation, other manners of submission, preferably through ANP’s computerized system for receipt of data and information.

If there is no specific provision in the Applicable Laws and Regulations, the communications set forth herein shall be delivered in person, upon receipt, or sent by mail, with proof of receipt.

Acts and communications related to this Agreement shall be written in Portuguese and signed by a legal representative of the Concessionaire or an attorney-in-fact with specific powers.

Addresses

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

In case of change of address, the Parties undertake to notify the other Party about the new address upon at least thirty (30)-day notice of the change.

Validity and Efficacy

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

Amendments to the Acts of Incorporation

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

1. Section thirty- four – legal regime

Governing Law

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

* + 1. The parties shall observe the Applicable Laws and Regulations upon execution of this agreement.
    2. ANP may issue general instructions, with no regulatory nature, on the performance of the agreement through its website.

Reconciliation

The Parties undertake to use all efforts as to amicably resolve upon any and all dispute or controversy arising from this Agreement or related thereto.

Such efforts shall include at least the request for a specific reconciliation meeting by the unsatisfied party, followed by its request and factual and lawful reasons.

The request shall be met, and the meeting shall be scheduled by the other party within thirty (30) days of the request, in ANP’s offices. The representatives of the parties shall have powers to compromise on the matter.

After the meeting, if no agreement is immediately reached, the parties shall have at least thirty (30) additional days to negotiate an amicable solution.

The Parties may, upon agreement, resort to an independent expert in order to obtain a well-grounded opinion that may lead to the settlement of the dispute or controversy.

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

Suspension of Activities

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

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

Arbitration

After the procedure set forth in paragraph 34.2, if one of the Parties considers there are conditions for an amicable solution to the dispute or controversy referred to in such paragraph, it may submit such issue to arbitration *ad hoc*, using the Arbitration Rules of the United Nations Commission on International Trade Law – UNCITRAL as a parameter, according to the following precepts:

1. the arbitrators shall be appointed as determined by the Arbitration Rules of UNCITRAL;
2. three arbitrators shall be appointed. Each Party shall choose an arbitrator. The two arbitrators so appointed shall designate the third arbitrator, who shall preside over the panel;
3. upon agreement of the Parties, a sole arbitrator may be appointed in the events the amounts involved are not high;
4. the city of Rio de Janeiro, Brazil, shall be the seat of the arbitration and the place where the arbitration award is rendered;
5. the language of the arbitration proceeding shall be the Portuguese. However, the Parties may support the proceeding with testimonies or documents in any other language, as decided by the arbitrators, with no need for a sworn translation;
6. any and all expenses required for installation and development of the arbitration, such as costs and advance payment of arbitrator’s and expert’s fees, shall be exclusively borne by the Concessionaire. ANP shall reimburse such amounts only upon a final conviction, as decided by the arbitrators;
7. on the merits, the arbitrators shall decide based on the Brazilian laws;
8. the arbitration award shall be final and its content shall bind the Parties. Any amounts possibly payable by ANP shall be paid off by a special judicial order, except in the event of administrative acknowledgement of the request; and
9. if preliminary injunctions or urgent protective measures are required before arbitration, the interested Party may request them directly from the Judiciary Branch, based on the Applicable Laws and Regulations, and they shall be cancelled if arbitration is not filed within thirty (30) days of the date of effectiveness of the decision.

The Parties may, by mutual agreement, choose to file the arbitration with the International Court of Arbitration of the International Chamber of Commerce or with another notoriously recognized, reputable arbitration panel, according to the rules of the chamber chosen, provided that the provisions of sub-items “b” to “i” of paragraph 34.5 are observed.

The parties shall have thirty (30) days to choose the arbitration panel. Upon disagreement, the arbitration panel shall be defined by ANP.

If the dispute or controversy involves only entities forming part of the Federal Public Administration, the issue may be submitted to the Chamber of Conciliation and Arbitration of the Federal Administration – CCAF of the Office of the Attorney General of the Union.

The Parties hereby represent to be aware that the arbitration addressed by this Section refers exclusively to disputes arising from the Agreement or related thereto and is intended to settle only litigations related to the equity rights available, under Law No. 9,307/1996.

Jurisdiction

For the provisions in item “i” of paragraph 34.5 and matters not related to the equity rights available, as provided by Law No. 9,307/96, the Parties elect the jurisdiction of the Federal Courts – Judiciary Section of Rio de Janeiro, Brazil, as the sole competent court, to the exclusion of any other court, however privileged it may be.

Justifications

ANP undertakes to, whenever it is supposed to exercise its discretionary power, justify the act pursuant to the Applicable Laws and Regulations and the Best Practices of the Oil Industry.

Continuous Application

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

1. Section Thirty-five – Final provisions

Execution of the Agreement

The Concessionaire shall, during the entire execution of the Agreement, keep all eligibility and qualification conditions required by ANP compatible with the obligations undertaken thereby.

Amendments and Addenda

Omission or forbearance by any of the Parties to require compliance with the provisions of this Agreement, as well as acceptance of a performance other than the required in the agreement, shall not imply novation or limit such Party’s right to, subsequently, impose compliance with these provisions or require a performance consistent with what is required in the agreement.

Any amendments or addenda to this Agreement shall observe the Applicable Laws and Regulations and shall only be valid if formally made in writing and signed by the representatives of the Parties.

Disclosure

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

IN WITNESS WHEREOF, the Parties sign this Agreement in «counterparts» counterparts of equal form and content for a single effect, in the presence of the witnesses below.

Rio de Janeiro, January <execution\_date>, 2018.

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| --- |
|  |
| **National Agency of Petroleum, Natural Gas and Biofuels – ANP**  Décio Odone  Director-General of ANP |
|  |
| **«signatory\_01\_operator»**  «signatory\_01\_representative\_01»  «signatory\_01\_title\_01» |
|  |
| **«signatory\_01\_operator»**  «signatory\_01\_representative\_02»  «signatory\_01\_title\_02» |
|  |
| **«signatory\_02»**  «signatory\_02\_representative\_01»  «signatory\_02\_title\_01» |
|  |
| **«signatory\_02»**  «signatory\_02\_representative\_02»  «signatory\_02\_title\_02» |

Witnesses:

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Name: Waldyr Martins Barroso  CPF: 821.988.967-53 |  | Name: Marcelo Paiva de Castilho Carneiro  CPF: 072.773.717-12 |

Annex i – concession area

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

**CARTOGRAPHIC PARAMETERS USED FOR THE COORDINATES**

ANNEX II – Minimum Exploration Program

Information from the Call for Bids and from the offering of Units of Work for purposes of performance of the Minimum Exploration Program for the Block referred to in Annex I shall be entered into the tables below.

The activities below, to be performed by the Concessionaire, are included in the subject matter of this Agreement.

**Minimum Exploration Program and Financial Guarantees**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Block | Area of the Block (km²) | (Units of Work)¹ | Amount of the Financial Guarantee for the Exploration Phase (R$) | Amount of the Guarantee (in words) |
| «block» | «block\_area» | «pem\_uw» | «pem\_currency» | «pem\_currency\_words» |

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

|  |  |
| --- | --- |
| Sector | R$/UW |
| «sector» | «value\_uw\_for\_calculation\_guarantee\_\_» |

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

|  |  |  |  |
| --- | --- | --- | --- |
| Seismic 2D (UW/km) | Seismic 3D (UW/km²) | Reprocessing 2D (UW/km) | Reprocessing 3D (UW/km²) |
| «seismic\_2d\_uw\_km» | «seismic\_3d\_uw\_km2» | «seismic\_reprocessing\_2d\_uw\_km» | «seismic\_reprocessing\_3d\_uw\_km2» |

|  |  |  |  |
| --- | --- | --- | --- |
| Gravimetry (UW/km) | Gradiometry (UW/km) | Magnetometry (MAG) (UW/km) | Gamma-ray spectroscopy (UW/km) |
| «potential\_methods\_grav\_uw\_km» | «potential\_methods\_grav\_grad\_uw\_km» | «potential\_methods\_mag\_uw\_km» | «gamma-ray\_spectroscopy» |

|  |  |  |  |
| --- | --- | --- | --- |
| Electromagnetic (UW/receiver) | Electromagnetic (UW/km) | Electromagnetic (UW/km²) | Geochemical (UW/sample) |
| «electromagnetic\_uwreceiver» | «electromagnetic\_uwkm» | «electromagnetic\_uwkm2» | «geochemical\_uwsample» |

|  |  |
| --- | --- |
| Exploratory Well | Exploratory Objective |
| «exploratory\_well\_uw\_well» | «minimum\_exploratory\_objective» |

**Duration of the Exploration Phase**

|  |
| --- |
| Exploration Phase  Duration (years) |
| «total\_phase\_years» |

1. For purposes of performance of the Minimum Exploration Program, the non-exclusive surveys and reprocessing provided for in the Call for Bids shall be taken into account, upon application of the rules and the reduction factor indicated in the Table below.
2. For purposes of performance of the Minimum Exploration Program, the drilled wells shall achieve the exploratory objective. ANP may, at its sole discretion, accept other objectives proposed by the Concessionaire with the relevant technical justification.

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

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

**Note:\*** Only non-exclusive surveys authorized by ANP shall be accepted, provided that the data acquisition companies have met all requirements of data submission to the Exploration and Production Database (BDEP).

For calculation of the amount to be taken into account as performance of the Minimum Exploration Program, the time elapsed between the request for reduction and completion of the operation of acquisition or reprocessing of non-exclusive data shall be considered, using a reduction factor to make the reduction, according to the Table.

annex iii – financial guarantee OF the Minimum Exploration Program

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

annex iv – performance GUARANTEE

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

annex v – government and third-party shares

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

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

(The amount of the industry royalty rate shall be included according to Table 2 of the draft call for bids of the 14th Bidding Round.)

1. Special Share in the amount defined in Decree No. 2,705 of August 3, 1998;
2. Payment for Occupancy or Withholding of Area: i) during the Exploration Phase,[[1]](#footnote-1) in the amount of \_\_\_\_\_\_ Reais (R$\_\_\_\_\_\_) per square kilometer or fraction of the Concession Area, with the increase provided for in Decree No. 2,705 of August 3, 1998 in case of extension; ii) during the period of the Development Stage of the Production Phase, in the amount of \_\_\_\_\_\_ Reais (R$\_\_\_\_\_\_); and iii) during the Production Phase, in the amount of \_\_\_\_\_\_ Reais (R$\_\_\_\_\_\_); and
3. Payment to the landowners of a share equivalent to one percent (1%) of the Production of Oil and Gas, according to the Applicable Laws and Regulations.

ANNEX VI – PAYMENT OF THE signature bonus

|  |  |  |
| --- | --- | --- |
| Signature Bonus paid by the Concessionaire | | |
| Block | Amount Offered (in words) | Signature Bonus Paid (in words) |
| «block» | «bonus» («bonus\_words») | «bonus» («bonus\_words») |

ANNEX VII – APPOINTMENT OF OPERATOR

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

ANNEX VIII – address

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

Avenida Rio Branco n.º 65, térreo/protocolo, Centro, Rio de Janeiro – RJ

CEP: 20090-004

**«signatory\_01\_operator»**

«address\_01»

CEP: «cep\_01»

**«signatory\_02»**

«address\_02»

CEP: «cep\_02»

annex IX – local content COMMITMENT

Attach a copy of the commitment for local acquisition of goods and services.

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