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. «contraCt\_number»

ENTERED INTO BY AND BETWEEN

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

and

«signatary\_01\_operator»

«signatary\_02»

BRAZIL

2019

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

Entered into by and between

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

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

And

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

**WHEREAS,**

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

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

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

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

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

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

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

pursuant to articles 36 to 42 of Law No. 9,478/1997, the Concessionaire has 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 art. 46 of Law No. 9,478/1997, the Concessionaire has paid the Signature Bonus to ANP in the amount indicated in Annex VI;

pursuant to the tender protocol of the 17th Bidding Round and art. 43, item V, of Law No. 9,478/1997, the Concessionaire has provided ANP with the financial guarantee required to support performance of the Minimum Exploration Program offered;

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

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1. BaSIC provisions

1. SECTION ONE – DEFINITIONS

Legal Definitions

* 1. The definitions in art. 6 of Law No. 9,478/1997, art. 2 of Law No. 12,351/2010, art. 3 of Decree No. 2,705/1998, and Decree No. 1,530/1995 are incorporated to this Agreement and, as a result, shall be valid for all purposes and effects, whether in the singular or plural form, in the masculine or feminine gender.

Contractual Definitions

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

Exploration and Production of Oil and Gas

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

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

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

Ownership of Oil and/or Gas

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

Other Natural Resources

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

Identification

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

Voluntary Relinquishments

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

Relinquishment by termination of the Agreement

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

Conditions for Relinquishment

* 1. Any and all relinquishment of areas or Fields forming part of the Concession Area, as well as the consequent return 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. 9,478/1997, and the Concessionaire shall not be entitled to reimbursement.
	2. The relinquishment of areas or Fields forming part of the Concession Area does not exempt the Concessionaire from the responsibility provided for in paragraph 21.8.

Use of the Relinquished Areas by ANP

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

Non-Exclusive Data Survey

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

Effectiveness and Division into Phases

* 1. This Agreement becomes effective on its execution date and is divided into two phases:
1. Exploration Phase, for the whole Concession Area, with duration set forth in Annex II; and
2. Production Phase, for each Field, with duration defined in Section Nine.
	1. The effectiveness of this Agreement shall correspond to the period elapsed since the date of its execution until the end of the Exploration Phase, except if a Declaration of Commercial Feasibility for one or more Discoveries is issued, case in which additional time shall be granted pursuant to Section Nine.
	2. Any extensions that may be authorized by ANP under this Agreement shall be added to such total effectiveness.
	3. The end of the term, according to the provisions of the preceding paragraph related to the extensions authorized by ANP, shall entail the lawful termination of the Agreement.
3. EXPLORATION AND ASSESSMENT
4. SECTION FIVE – EXPLORATION PHASE

Start and Duration

* 1. The Exploration Phase shall have the duration set forth in Annex II and shall consist of a single period.
	2. The Exploration Phase shall start on the date of execution of this Agreement and shall end:
1. upon the lapse of time provided for in Annex II;
2. upon total relinquishment of the Concession Area; or
3. in case of area previously retained for Discovery Assessment:
4. upon submission of the Declaration of Commercial Feasibility; or
5. upon relinquishment of the area.

Minimum Exploration Program

* 1. The Concessionaire shall perform the obligations related to the Minimum Exploration Program within the terms and under the conditions described in Annex II.
	2. The Concessionaire may develop exploratory activities in addition to those of the Minimum Exploration Program by submitting the additional work schedule to ANP before beginning its implementation.
	3. ANP may approve changes in the Minimum Exploration Program upon the Concessionaire’s request 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 Prospect that motivated the request for change.
	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 contained within the Concession Area exclusively; and
4. the Seismic Reprocessing shall include pre-stack time migration or pre-stack depth migration.
	1. The Concessionaire may contract, at its own account and risk, data collection companies (EAD) for collection of exclusive data, as long as the requirements contained in the regulatory standards issued by ANP are previously met and as long as these companies are duly registered and in good standing with ANP.
	2. ANP shall issue a quality control report for return or acceptance of data received within one hundred and eighty (180) days of the date of the most recent delivery of accurate data by the Concessionaire.
	3. For purposes of compliance with the Minimum Exploration Program, only data which acquisition, processing, or reprocessing have been submitted to ANP for assessment shall be converted into Units of Work.

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

In case of total or partial failure to comply with the Minimum Exploration Program, the Concessionaire may not proceed with the Production Phase.

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

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

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

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

Annual Work and Budget Program of the Exploration Phase

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

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

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

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

Extension of the Exploration Phase and Suspension of the Agreement

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

The Agreement shall be suspended as of the end of the Exploration Phase until ANP’s final 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 suspension of the Agreement as provided for in paragraph 5.14, the Concessionaire may not develop Exploration activities in the area, except upon the prior and express authorization of ANP, case in which the suspension shall be converted into a provisional extension of the Agreement.

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

The suspension provided for in paragraph 5.15 shall take place in case the request is not resolved by ANP by the date originally established as the Date of Decision or the deadline of the Discovery Assessment Plan, and this suspension shall continue until ANP finally resolves upon such request.

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

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

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

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

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

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

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

Options to End the Exploration Phase

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

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

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

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

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

Concessionaire’s Options after Completion of the Minimum Exploration Program

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

1. propose the execution of a Discovery Assessment Plan, relinquishing the remaining Concession Area;
2. declare the Commercial Feasibility of the Discovery, pursuant to the provisions of Section Seven of this Agreement, initiating the Production Phase;
3. retain the areas related to which is possible to postpone the Declaration of Commercial Feasibility 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 that were not retained, prepared pursuant to the Applicable Laws and Regulations.

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

1. SECTION SIX – COMPENSATORY PENALTY FOR NON-PERFORMANCE OF THE MINIMUM EXPLORATION PROGRAM

Compensatory Penalty for Non-Performance of the Minimum Exploration Program and Provision of Financial Guarantee

* 1. As compensatory penalty for non-performance of the Minimum Exploration Program, the Concessionaire shall be required to pay to ANP the amount set forth in Annex II per non-developed activity.
	2. The Concessionaire shall provide ANP with one or more financial guarantees for the Minimum Exploration Program according to the amount set forth in Annex II, within the term established in the tender protocol, in an amount sufficient to cover the amount of the compensatory penalty corresponding to the Units of Work initially committed.
	3. The financial guarantees provided shall be accompanied by a letter signed by all Concessionaires expressing full acknowledgement of paragraph 15.4 and of the fact that the obligations of the Minimum Exploration Program are not fractional, and each Concessionaire shall be jointly liable for any reimbursement in case of failure to perform.
	4. In case the Concessionaire does not provide proper financial guarantees, the Agreement shall be terminated regarding the areas that are not under Development.

Types of Financial Guarantees

* 1. The Concessionaire may provide ANP with the following types of financial guarantee of the compensatory penalty for non-performance of the Minimum Exploration Program:
1. letter of credit;
2. performance bond;
3. Oil and Gas pledge agreement; and
4. escrow deposit, exclusively for Blocks onshore.
	1. The financial guarantees may be combined to total the amount guaranteed.
	2. The financial guarantees shall comply with the form indicated in the tender protocol.
	3. The financial guarantees may only be replaced or changed after approval of ANP.

Adjustment of the Financial Guarantees

* 1. The value of the financial guarantee of the Minimum Exploration Program shall be automatically adjusted on January 1st of each calendar year by the IGP-DI variation of the immediately preceding year, except on the January 1st immediately following the publication of the tender protocol, in which case there shall be no adjustment.

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

The annual update of the guarantee is hereby waived if the type of guarantee provided already contains a clause for automatic inflation adjustment by the IGP-DI.

Effectiveness of Financial Guarantees

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

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

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

If the guarantee has been provided as an Oil and Gas pledge agreement, ANP may notify the Concessionaire in order to, pursuant to the tender protocol and the pledge agreement entered into by and between the parties, call for margin or, alternatively, request provision to ANP of a new guarantee in order to cover any difference between the required guarantee and the actual guarantee, in up to sixty (60) days of receipt of the notification.

Reduction of the Amount Secured

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.

The amount of the financial guarantee for the Minimum Exploration Program may not be reduced less often than at every three (3) months.

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.

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 achieved the main purpose approved in the Notice of Well Drilling;
2. the well has been completed; and
3. data and information related to the well have been submitted to and assessed by ANP.

The operations for acquisition and/or reprocessing of technical data referred to in Annex II may only imply reduction in the amount of the financial guarantees to the extent that data and information have been submitted to and assessed by ANP.

Return of the Financial Guarantees

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

Enforcement of the Compensatory Penalty

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

In the absence of voluntary payment, ANP shall include the debt in the overdue tax system and execute the amount due, plus applicable statutory charges, minus the amount already executed from the corresponding financial guarantees.

The amount of the penalty set forth in the penalty clause shall be adjusted by the IGP-DI until the date on which the effective payment is made.

ANP’s manifestation on contract default has immediate effect and characterizes cause sufficient to execute the guarantee offered, including any performance bond.

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

After suspension is terminated with no reversal of the administrative decision referred to in paragraph 6.15.3, the financial guarantee shall be effectively executed upon termination of the suspension, even if the original effective period of the guarantee is expired.

Receipt of the amount corresponding to the compensatory penalty for failure to perform the Minimum Exploration Program:

1. does not exempt the Concessionaire from performing the other obligations arising from the Agreement;
2. does not affect ANP’s right to seek other remedies and impose any applicable sanctions for acts other than the mere failure to perform the Minimum Exploration Program; and
3. does not allow the Concessionaire to advance to the Production Phase.

For escrow deposit, the guarantee shall be executed upon withdrawal of the updated amount of the penalty clause corresponding to the non-performed portion of the Minimum Exploration Program through correspondence from ANP to the depositary, regardless of prior authorization from the depositor.

1. SECTION SEVEN – DISCOVERY AND ASSESSMENT

Notification of Discovery

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

Assessment, Discovery Assessment Plan, and Final Discovery Assessment Report

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

Discovery Assessment through Extended Well Test

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

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

1. SECTION EIGHT – DECLARATION OF COMMERCIAL FEASIBILITY

Declaration of Commercial Feasibility

* 1. In compliance with the Discovery Assessment Plan approved by ANP, the Concessionaire may, at its sole discretion, submit the Declaration of Commercial Feasibility of the Discovery.
		1. In case the Final Discovery Assessment Report has not been submitted to ANP yet, it shall be submitted along with the Declaration of Commercial Feasibility.
		2. The Declaration of Commercial Feasibility shall only be effective after approval of the Final Discovery Assessment Report by ANP.
	2. Failure by the Concessionaire to submit the Declaration of Commercial Feasibility in a timely manner shall entail lawful termination of the Agreement regarding the relevant area retained for Discovery Assessment.
	3. Submission of one or more Declarations of Commercial Feasibility shall not exempt the Concessionaire 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 from ANP an authorization to postpone the Declaration of Commercial Feasibility by up to five (5) years, in the following cases:
1. lack of markets for the Natural Gas to be produced, expected to be created in less than five (5) years;
2. lack or inadequacy of infrastructure for transportation of the Natural Gas to be produced by the Concessionaire, expected to be implemented in less than five (5) years.
	1. If the main accumulation of hydrocarbons discovered and assessed in a Concession Area is Oil, the Concessionaire may request from ANP an authorization to postpone the Declaration of Commercial Feasibility by up to five (5) years, in the following cases:
3. lack of technology for 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 to extend the period for postponement of the submission of the Declaration of Commercial Feasibility for another five (5) years.
	2. Extension of the period for submission of the Declaration of Commercial Feasibility shall apply exclusively to the area previously retained for Discovery Assessment.
	3. During extension of the period for submission of the Declaration of Commercial Feasibility, the Agreement shall be suspended with respect to the area previously retained for Discovery Assessment.
	4. If ANP considers that the reason that caused the postponement provided for in paragraphs 8.4 and 8.5 has been overcome, it shall notify the Concessionaire to submit, at its discretion, a Declaration of Commercial Feasibility within thirty (30) days.
		1. If it decides to submit the Declaration of Commercial Feasibility, the Concessionaire shall submit a Development Plan for approval of ANP no later than one hundred and eighty (180) days of such notice, and paragraph 10.1 shall not apply.

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

Start and Duration

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

Extension at the Concessionaire’s request

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

Extension by determination of ANP

* 1. ANP may request the Concessionaire to proceed with the Field Operation upon a minimum two hundred seventy (270)-day notice of the expected end of the Production.
		1. ANP’s request may only be refused upon justification supported by evidenced non-cost-effectiveness, among other reasons.
			1. In case of refusal by the Concessionaire, ANP shall have sixty (60) days of receipt of the justification to review the arguments presented and resolve upon the matter.
		2. After ninety (90) days of ANP’s proposal, the Concessionaire’s failure 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 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 at least one hundred-eighty (180)-day notice of the date intended for termination of the Agreement, which shall be previously approved by ANP.
		1. ANP shall have ninety (90) days of the date of receipt of the request for termination to review such request.
		2. The Concessionaire may not interrupt or suspend the Production committed in the Production Programs of the Field(s) or Development Area(s) at stake, unless if duly authorized by ANP.
		3. Termination of the Agreement does not exempt the Concessionaire from the liability provided for in paragraph 21.8.

Relinquishment of the Field

* 1. The Field shall be relinquished to ANP at the expected end of the Production.
	2. At its discretion, ANP may adopt the measures necessary to continue the Field Operation and may also contract a new party.
		1. The Concessionaire shall use all efforts and take all applicable measures in order to properly transfer the Operations to the new Concessionaire, in order not to impair the management and Field Production.
	3. The Concessionaire shall provide ANP with a Facility Decommissioning Program.
		1. The Facility Decommissioning Program shall strictly comply with the Applicable Laws and Regulations and the Best Practices of the Oil Industry, and also the provisions in Section Twenty-One and other relevant provisions applicable to the return of properties provided for in paragraphs 18.6 and 18.7.
		2. In the absence of a specific regulation, the deadline for submission of the Facility Decommissioning Program shall not be less than two (2) years before the expected end of the Production.
		3. In case ANP requests additional information or measures, the Concessionaire shall have sixty (60) days of the date of receipt of the notice to submit them.
		4. The activities provided for in the Facility Decommissioning Program may only start upon express authorization of ANP.
		5. The Agreement is hereby automatically extended, in this case, for the term required for approval and implementation of the Facility Decommissioning Program.

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

This Agreement shall only be terminated for a certain Development Area or Field after full performance of the respective Facility Decommissioning Program and approval of ANP for the Final Facility Decommissioning Report, 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

Terms

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

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

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

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

Development Area

The Development Area shall encompass all Deposits to be produced.

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

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

1. it is verified that one or more Deposits extrapole 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 that included in the Final Discovery Assessment Report approved by ANP.

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

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

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

Approval and Execution 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, without prejudice to ANP’s power/duty to demand revisions whenever necessary.

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

Disapproval of the Development Plan by ANP, after any applicable administrative appeals, shall entail lawful termination of the Agreement regarding the relevant Development Area.

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

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.

Revisions and Amendments

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

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

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

Buildings, Facilities, and Equipment

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

Definition by the Concessionaire of the actions related to paragraph 10.12, including with respect to 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 PROGRAMS

Start of Production

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

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

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

Annual Production Program

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

Any change equal to or greater than ten percent (10%) in the Annual Production Program regarding the expectations in the Development Plan shall be supported by the Best Practices of the Oil Industry.

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

Approval of the Annual Production Program

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

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

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

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

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

Revision

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

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

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

Production Volume Variance

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

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

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

Temporary Interruption of Production

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

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

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

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

Annual Work and Budget Program for the Production Phase

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

The first Annual Work Program shall include the remainder of the current year and shall be submitted by the Concessionaire within sixty (60) days of the date of the Declaration of Commercial Feasibility.

In case there are more than six (6) months until the end of the year, an Annual Work Program for the current year shall be submitted.

In case there are less than six (6) months until the end of the year, only the Annual Work Program for the subsequent year shall be submitted by October 31st of the current year or within the term established in item 11.14 after October 31.

An exception can be made to paragraph 11.14.2 if there are activities to be effectively developed by the Concessionaire in the second semester of the current year, provided that ANP is consulted as to the actual need therefor before submission of the Annual Work Program.

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 and on a regular basis, the volume and quality of the Oil and Gas produced at the Production Measurement Point.

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

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 in 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 free use of the volumes of Oil and Gas granted thereto pursuant to paragraph 12.3.

Supply of the Domestic Market

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

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

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

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

The share of Production 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 in 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, as long as in quantities authorized by ANP.

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

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

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

Test Results

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 under this Agreement shall be submitted to ANP immediately after 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 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 Extended Well Tests shall be granted to the Concessionaire pursuant to paragraph 12.3 and calculated for purposes of assessment of the due Government and Third-Party Shares as provided for in Section Twenty-Three.

Oil and Gas Losses and Burning of Natural Gas

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

Burning of Natural Gas in flares shall be allowed only for reasons of safety, emergency, and commissioning, and shall be restricted to volumes previously and formally approved by ANP, pursuant to the Best Practices of the Oil Industry and the Applicable Laws and Regulations, except, in any case, for the provisions in article 47, paragraph 3, of Law No. 9,478/1997.

1. SECTION THIRTEEN – INDIVIDUALIZATION OF PRODUCTION

Production Individualization Agreement

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

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

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

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

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

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

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

1. EXECUTION OF OPERATIONS
2. SECTION FIFTEEN – 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 appointed by the Concessionaire to, on its behalf:

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

The Operator shall be responsible for full compliance with all the Concessionaire’s obligations set forth in this Agreement related to any aspect of the Operations and the payment of the Government Shares.

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

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

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

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

In the events of transfer of responsibility for the Operation and removal of the Operator, the Concessionaire shall designate a new Operator, pursuant to the provisions of the Applicable Laws and Regulations.

The new Operator may only perform its activities and assume all rights and obligations provided for in this Agreement after authorization of ANP and execution of the relevant addendum to the Agreement.

The Operator referred to in paragraphs 15.5 or 15.6 shall transfer to the new Operator the custody of all properties used in the Operations, accounting records, files, and other documents related to the Concession Area and the Operations at stake.

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

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

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

ANP may require an audit and inventory to 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 an 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 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 recovery of fluids, aiming at rationalizing the Production and controlling the decline in the reservoirs;
3. employ, whenever appropriate and economically justified, at ANP’s discretion, technical experiences and more advanced technologies, including the ones that increment the economic yield and the Production of the Deposits.

The Operator’s duties are as follows:

a) to maintain minimum personnel, domiciled in Brazil, fluent in Portuguese, able to manage the daily Operations in an efficient and effective manner, as well as to respond to incidents in an appropriate and immediate way;

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

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

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

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

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

Licenses, Authorizations, and Permits

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

If the licenses, authorizations, and permits depend on a third-party agreement, the negotiation and execution of such agreements shall be the sole responsibility of the Concessionaire, and ANP may provide assistance according to paragraph 16.5.

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

Free Access to the Concession Area

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

Drilling and Abandonment of Wells

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

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

In case the well is part of the Minimum Exploration Program and does not achieve the main purpose approved by ANP in the Notice of Well Drilling, its drilling shall not be taken into account for purposes of conversion into Units of Work, unless so decided by ANP at its sole discretion.

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, at any time, propose the execution of additional work programs in the Concession Area.

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

Acquisition of Data Outside the Concession Area

Upon a detailed request by the Concessionaire, ANP may authorize Operations off the Concession Area limits.

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

The Concessionaire shall submit 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 purposes of performance of the Minimum Exploration Program.

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

Monitoring and Inspection by ANP

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

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

Access and Control

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

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

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

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

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

Assistance to the Concessionaire

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

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

Release of ANP’s liability

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

1. SECTION SEVENTEEN – DATA AND INFORMATION

Supply by the Concessionaire

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

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

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

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

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

Processing or Analysis Abroad

The Concessionaire may, upon the prior and express authorization of ANP, dispatch rock and fluid samples abroad for purposes of analyses and other studies under the Applicable Laws and Regulations.

1. SECTION EIGHTEEN – PROPERTIES

Properties, Equipment, Facilities, and Materials

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

The purchase, rent, lease, or acquisition may be made in Brazil or abroad, under the Applicable Laws and Regulations.

Licenses, Authorizations, and Permits

The Concessionaire shall be fully responsible, pursuant to paragraph 15.14, for obtaining all licenses, authorizations, and permits required for acquisition or use of the properties referred to in paragraph 18.1.

Expropriations and Easements

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

ANP shall support 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 construction of facilities or equipment outside the Concession Area, aiming at complementing or optimizing the logistic structure related to the Operations.

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

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

In case the facility or equipment is required in another contracted area, the contracted party for that area shall consent so the authorization is requested, in addition to other authorizations from other bodies and consents of entities potentially affected by the facility.

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

Relinquishment of Areas and Return 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 revised from time to time throughout the Production Phase through the Annual Budget and Work Programs.

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

Decommissioning and Abandonment Guarantees

The Concessionaire shall provide 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 guarantees, 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 whenever there are events that change the cost of decommissioning Operations.

The guarantee shall be submitted by the Concessionaire in an amount sufficient to cover the expected cost of decommissioning the infrastructure already implemented or cover the amount calculated pursuant to the Applicable Laws and Regulations.

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

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

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

Properties to be Returned

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

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

Removal of Non-Returned Properties

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

1. SECTION NINETEEN – PERSONNEL, SERVICES, AND SUBCONTRACTS

Personnel

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

Recruitment and engagement may be performed in Brazil or abroad according to the Concessionaire’s selection criteria, 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 respect the provisions of the Applicable Laws and Regulations regarding personnel engagement, retainment, and dismissal, occupational accidents, and industrial safety, undertaking sole and exclusive responsibility for collection and payment of social-security and labor contributions and other applicable charges and allowances due for any reason, as provided by the Brazilian law.

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

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

Services

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

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

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

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

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

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

Any inventory balances not used in other Concession Areas, upon authorization of ANP, shall be treated as reduction of cost in the Operations.

1. SECTION TWENTY – LOCAL CONTENT

Concessionaire’s Commitment with Local Content

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

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

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

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

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

The procedures for contracting of goods and services to meet the subject matter of this Agreement shall:

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

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

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

Evaluation of the Local Content

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

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

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

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

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

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

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

In case of the engagements provided for in paragraph 20.1.2, item “c”, expenditures related to the unit operation fee must not be accounted for purposes of assessment of the Local Content.

Excess Local Content

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

For offshore Fields, the Operator shall indicate the Macro-Group to which the excess of the Exploration Phase shall be directed.

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

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

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

Penalty for Failure to Respect the Local Content

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

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

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

Where,

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

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

In case of simultaneous failure to honor more than one commitment for the Macro-Groups referred to in paragraph 20.1.2, the penalty shall correspond to the sum of the penalties for each Macro-Group.

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

1. SECTION TWENTY–ONE – OPERATIONAL SAFETY AND ENVIRONMENT

Environmental Control

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

Among other obligations, the Concessionaire shall:

1. ensure preservation of an ecologically balanced environment;
2. mitigate the occurrence of impacts and/or damages to the environment;
3. ensure safety of the Operations for purposes of protecting human life, the environment, and the Federal Government’s heritage;
4. ensure protection of the Brazilian historical and cultural heritage;
5. restore degraded areas in compliance with the Applicable Laws and Regulations and the Best Practices of the Oil Industry;
6. meet the operational Safety and environmental preservation 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 by the applicable environmental authority if acknowledgement of its content becomes required for the instruction/management of the Agreement entered into herein.

In case of an environmental permitting process in which the applicable authority deems that a public hearing is required, the Concessionaire shall submit to ANP a copy of the studies prepared aiming at obtaining the permits at least thirty (30) business days before the hearing.

The Concessionaire shall submit to ANP a copy of the environmental permits and their respective renewals, meeting the deadlines defined in the specific regulations issued by ANP or, in a shorter period, whenever necessary to support an authorization procedure that requires such documents.

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

Social Responsibility

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

Liability for Damages and Losses

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

The Concessionaire shall indemnify the damages resulting from the Operations.

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

1. SECTION TWENTY-TWO – INSURANCE

Insurance

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

These insurance policies must cover:

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

The Concessionaire shall include ANP as coinsured in the policies, which 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 as previously authorized thereby, self-insurance may be accepted.

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

Insurance through Affiliates is accepted as long as it is provided by a company authorized by the Private Insurance Superintendence – SUSEP to develop this activity and upon prior authorization by ANP.

The Concessionaire’s policies and global insurance programs may be used for the purposes of this Section Twenty-Two, as long as 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 occurrence, complaint, or report of any loss.

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 and Annex V:

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

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

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

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

If the special share is payable for a Field in any quarter of the calendar year, the Concessionaire shall be required to pay qualified expenses of 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 each Field originated from the Concession Area.

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

The Concessionaire shall provide to ANP a full report of the qualified expenses of research, development, and innovation within the terms and in the form defined in the Applicable Laws and Regulations.

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

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

The remaining balance of the qualified expenses of research, development, and innovation, upon compliance with paragraphs 24.2, may be invested in research, development, and innovation activities developed at facilities of the Concessionaire itself or its Affiliates, located in Brazil, or of Brazilian Companies, or at universities or research and development institutes accredited by ANP.

Any qualified expenses of research, development, and innovation incurred by the Concessionaire in amounts higher than one percent (1%) of the production gross revenue, 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 Compliance

Upon request of ANP, the Concessionaire shall submit all certificates, registration acts, authorizations, evidence of enrollment in taxpayers’ registries, tax compliance certificates, compliance certificates regarding 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

Currency

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

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

Accounting

Under the applicable laws and regulations, the Concessionaire shall:

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

Audit

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

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

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

ANP shall have comprehensive access to books, records, and other documents referred to in paragraph 27.1, including the contracts and agreements entered into by the Concessionaire and related to the acquisition of goods and services for the Operations, for the last ten (10) years.

The Concessionaire is responsible for information provided by third parties.

The Concessionaire shall provide 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 evaluation 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 responsibility to fully perform the obligations of this Agreement, nor shall represent implied agreement with methods and procedures contrary to this Agreement or to the Applicable Laws and Regulations.

1. GENERAL PROVISIONS

1. SECTION TWENTY-EIGHT– ASSIGNMENT OF THE AGREEMENT

Assignment

The Concessionaire’ rights and obligations on this Agreement may be, in whole or in part, subject to Assignment, conditional on prior and express authorization of ANP.

The Parties shall keep the Agreement terms and conditions unchanged until execution of the respective addendum, and, before execution, any form of the following is prohibited:

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

Failure to comply with the provisions in paragraph 28.2 constitutes Assignment without the prior and express approval of ANP.

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

The Concessionaires shall notify ANP of any change of its corporate control within thirty (30) days of the filing of the corporate act with the competent registration body, under the Applicable Laws and Regulations.

The notice provided for in paragraph 28.5 shall include the documentation required by 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 and obligations, observing the joint liability of the assignor and the assignee under the Applicable Laws and Regulations.

Partial Assignment of an Area during the Exploration Phase

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

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

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

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

Assignment of an Area in the Production Phase

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

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

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

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

Effectiveness and Efficacy of the Assignment

Upon approval of the Assignment by ANP, the Agreement shall be amended for consummation of the act, except for exemption or replacement of a performance bond and in the event provided for in paragraph 28.17, under the Applicable Laws and Regulations.

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

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

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

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

New Concession Agreement

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

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

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

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

The Concessionaire shall notify ANP about the guarantee transaction provided for in paragraph 28.19, above, sending a copy of the relevant instrument of guarantee within thirty (30) days of the date of its execution.

The guarantee shall be foreclosed under the Applicable Laws and Regulations and upon notice to ANP pursuant to the instrument of guarantee, provided that transfer of ownership arising from foreclosure of the guarantee constitutes an Assignment and depends on prior and express consent of ANP.

1. SECTION TWENTY-NINE – RELATIVE DEFAULT AND PENALTIES

Legal and Contractual Sanctions

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

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

1. SECTION THIRTY – TERMINATION OF THE AGREEMENT

Lawful Termination

This Agreement is terminated, by operation of law:

1. upon the end of the effective period provided for in Section Four;
2. upon completion of the Exploration Phase without performance of the Minimum Exploration Program;
3. at the end of the Exploration Phase, in case there has been no Commercial Discovery;
4. in case the Concessionaire relinquishes the Concession Area in full;
5. upon failure to deliver the Development Plan within the term established by ANP;
6. upon non-approval by ANP of the Development Plan provided for in Section Ten;
7. upon refusal by the Concessionaire to execute, in whole or in part, the Production Individualization Agreement after ANP’s decision;
8. in case the financial guarantees are not renewed within thirty (30) days before the end of its effective term; or
9. upon adjudication of bankruptcy or non-approval of Concessionaire’s request for judicial reorganization by the competent court, except as provided for in paragraph 30.4.2.

Rescission by will of the Parties: Bilateral and unilateral termination

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

During the Production Phase, the Concessionaire may terminate this Agreement only upon notice to the ANP at least one hundred and eighty (180) days before the date intended for termination of the Agreement or observing any other term defined in a subsequent regulation.

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 notice of intended termination or within any other term defined in a subsequent regulation.

Extinction for Absolute Default: Termination

This Agreement shall be terminated upon the following events:

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

In case of item “a” of paragraph 30.4, before termination of the Agreement, ANP shall notify the Concessionaire to perform the non-performed obligation within no less than ninety (90) days, except when extremely urgent.

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

In case of more than one Concessionaire, and if the Assignment provided for in paragraph 30.4.2 is not performed, ANP shall only terminate this Agreement with respect to the defaulting party, and its undivided share in the rights and obligations of this Agreement shall be divided between the other non-defaulting Concessionaires, in the proportion of their shares, 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 redress.

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 Government act or omission, *factum principis*, and unexpected disruptions.

Exemption of the Concessionaire from its obligations shall be exclusively related to the obligations under 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 part of this Agreement the performance of which shall be dismissed or postponed.

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

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

Cessation of the events shall be equally notified.

Amendment, Suspension, and Termination of the Agreement

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

* + 1. Depending on the extent and severity of the effects of the act of God, force majeure, or similar causes:
1. the Parties may agree on the amendment or termination of the Agreement;
2. ANP may suspend the course of the contract term regarding the affected portion of the Agreement.
	* 1. During interruption of the contract term, all Parties’ obligations not affected by act of God, force majeure, and similar causes remain effective and enforceable.

Environmental Permitting

ANP may extend or suspend the lapse of the contract term in case of evidenced delay in the environmental permitting procedure.

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

In order for the lapse of the contract term to be suspended or extended, the regulatory term for decision of the licensing authority in the environmental permitting procedure should have been exceeded.

The Concessionaire shall evidence that it did not contribute to the dilation of the environmental permitting process and that the delay is exclusively attributable to the applicable public entities.

Upon acceptance of ANP’s claim for suspension of the agreement, the course of the contract term shall be deemed suspended until final manifestation of the environmental authority.

Upon acceptance of ANP’s claim for suspension of the agreement, redefinition of the term due to delay caused by the environmental authority shall occur based on the time elapsed between the confirmed delay caused by the environmental authority until the date of suspension of the agreement.

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

After ANP’s claim for extension of the agreement is granted, redefinition of the term due to delay caused by the environmental authority shall occur based on the time elapsed between the confirmed delay caused by the environmental authority until the date of the claim for extension.

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

As long as requested by the Concessionaire, suspension 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 proving that, in the period between suspension of the contract term and request for termination of the Agreement, it has not contributed to the delay of the environmental permitting process.

As long as requested by the Concessionaire, 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 prove that it did not contribute to the denial of the environmental permitting process so that such denial is considered an act of God, force majeure, and similar cause.

Losses

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

1. SECTION THIRTY-TWO – CONFIDENTIALITY

Obligation of the Concessionaire

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

Data and information referred to in paragraph 32.1 may not be disclosed by the Concessionaire without ANP’s prior consent, except when:

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

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

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

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

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

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

In the events provided for in items “d” to “g”, the notice shall also be accompanied by a copy of the confidentiality agreement referred to in paragraph 32.2.1.

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

ANP’s Commitment

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

Such provision shall not apply in case disclosure is necessary for compliance with the applicable legal provisions, including 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 in writing, pursuant to the Applicable Laws and Regulations.

in the absence of 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 an 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 of effective receipt.

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 within thirty (30) days of their effectiveness.

1. SECTION THIRTY-FOUR – LEGAL REGIME

Governing Law

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

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

Reconciliation

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

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

The request shall be met, and the meeting shall be scheduled by the other Party within fifteen (15) days of the request, in ANP’s offices. The representatives of the Parties shall have powers to compromise on the matter.

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

Mediation

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

Independent Expert

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

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

Arbitration

After the procedure set forth in paragraph 34.2, if one of the Parties considers there are no conditions for an amicable solution to the dispute or controversy referred to in such paragraph, such issue shall be submitted to arbitration.

1. The arbitration proceeding shall be managed by a notoriously acknowledged arbitral institution with trustworthy reputation, with capacity to manage arbitration according to the rules of this section and preferably with its principal place of business or office for management of cases in Brazil;
2. The Parties shall choose the arbitral institution by mutual agreement. If the Parties do not reach an agreement regarding the choice of the arbitral institution, ANP shall indicate one of the following institutions: (i) International Court of Arbitration of the International Chamber of Commerce; (ii) London Court of International Arbitration; or (iii) Hague Permanent Court of Arbitration. If ANP does not indicate an institution within the term established therefor in paragraph 34.2.3, the other Party may resort to any of the three institutions referred to in this item;
3. The arbitration shall comply with the rules of the chosen arbitral institution, as long as they do not conflict with this section. Expedited procedures or procedures of a single arbitrator shall be adopted only in case of express agreement between the Parties;
4. Three arbitrators shall be appointed. Each Party shall choose one arbitrator. The two arbitrators so appointed shall designate the third arbitrator, who shall preside over the panel;
5. The city of Rio de Janeiro, Brazil, shall be the seat of the arbitration and the place where the arbitration award shall be rendered;
6. The language of the arbitration proceeding shall be Portuguese. However, the Parties may support the proceeding with testimonies or documents in any other language, as decided by the arbitrators, with no need for a sworn translation;
7. On the merits, the arbitrators shall decide based on the Brazilian laws;
8. The arbitration award shall be final and its content shall bind the Parties. Any amounts possibly payable by ANP shall be paid off by means of a special judicial order, except in the event of administrative acknowledgement of the request;
9. The expenses required to compose, conduct, and develop the arbitration, such as costs of the arbitral institution and advance payment of arbitral fees, shall be paid in advance exclusively by the Party requiring composition of the arbitration. The requested Party shall only indemnify such amounts proportionally to the arbitration result, as decided in the arbitration award;
10. If expert evidence is required, the independent expert shall be designated by mutual agreement between the Parties or, in the absence of agreement, by the Arbitration Court. The costs for such expert examination, including expert fees, shall be paid in advance by the Party requiring it or, if proposed by the Arbitration Court, by the claimant of the arbitration. Such costs shall be borne, in the end, by the defeated Party, pursuant to the preceding item. The Parties may appoint expert assistants of their choice on their account, but such costs shall not be subject to reimbursement;
11. The Arbitration Court shall convict the Party, defeated in whole or in part, to pay attorney’s fees under articles 85 and 86 of the Brazilian Code of Civil Procedure or any law that may replace it. No other reimbursement shall be due for the expenses of a Party with its own representation;
12. If preliminary injunctions or urgent measures are required before arbitration is established, the interested Party may request them directly from the Judiciary Branch, based on the Applicable Laws and Regulations, and such measures shall be cancelled if arbitration is not filed within thirty (30) days of the date of implementation of the decision;
13. Upon request of the Concessionaire, ANP may, at its sole discretion, suspend the adoption of measures for execution of guarantees and registration with credit protection agencies, provided that the Concessionaire keeps the guarantees effective during the terms provided for in this Agreement, for a period sufficient to compose the Arbitration Court, in order to avoid unnecessary filing of the legal action provided for in the preceding item;
14. The arbitration proceeding shall observe the principle of disclosure pursuant to the Brazilian Laws and Regulations and protect the confidential data under this Agreement. The arbitral institution responsible for the proceeding shall be in charge of disclosing information to the public, which shall be done preferably online.

The Parties hereby represent to be aware that the arbitration referred to in this section is exclusively for disputes arising from the Agreement or related thereto and is only intended to settle litigations related to the disposable property rights, pursuant to the provisions of Law No. 9,307/1996.

The following are disputes on disposable property rights for purposes of this section:

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

Jurisdiction

For the provisions in item “I” of paragraph 34.5 and matters not related to disposable property rights, as provided by Law No. 9,307/1996, the Parties elect the Federal Courts – Judiciary Section of Rio de Janeiro, Brazil, as the sole competent court, to the exclusion of any other court, however privileged it may be.

Suspension of Activities

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

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

Justifications

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

Continuous Application

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

1. SECTION THIRTY-FIVE – CONTRIBUTION TO THE INTERNATIONAL maritime organization

[SECTION APPLICABLE ONLY TO THE CONCESSION AGREEMENTS FOR BLOCKS S-M-1378, S-M-1613 and S-M-1617]

Production in reservoirs located wholly or partially in areas of the continental shelf situated beyond 200 nautical miles from the baselines, will be subject to the payment of the contribution to the International Seabed Authority, under the terms of the United Nations Convention on the Law of the Sea, promulgated by Decree nº 99.165, of March 12, 1990.

* + 1. The Concessionaire will be responsible for the economic burden of paying the amounts due to the International Seabed Authority, under the terms of the Applicable Law.
1. SECTION THIRTY-SIX – FINAL PROVISIONS

Performance of the Agreement

The Concessionaire shall maintain during the whole execution of the Agreement all conditions of eligibility and qualification required during the bidding process, in compliance 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 performance other than the required in the agreement, shall neither imply novation nor limit such Party’s right to subsequently required compliance with these provisions or require 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 «number of copies in writing» (XX) counterparts of equal form and content for a single effect in the presence of the witnesses below.

Rio de Janeiro, <execution\_date>.

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| **«signatory\_02»**«signatory\_02\_representative\_02»«signatory\_02\_title\_02» |

Witnesses:

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

ANNEX I – CONCESSION AREA

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

**CARTOGRAPHIC PARAMETERS USED FOR THE COORDINATES**

ANNEX II – MINIMUM EXPLORATION PROGRAM

The Exploration Phase shall last «duration of the phase» years and shall constitute a single period.

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

**Minimum Exploration Program**

|  |  |  |
| --- | --- | --- |
| Block | Area of the Block (km²) | Units of Work |
| «block» | «area\_block» | «mep\_uw» |

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

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

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

|  |
| --- |
| Amount of the Financial Guarantee(R$) |
| «mep\_currency»«mep\_currency\_in writing» |

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

| **Item** | **Unit** | **Amount** |
| --- | --- | --- |
| **2D Seismic** | (UW/km) | «seismic\_2d\_uw\_km» |
| **3D Seismic** | (UW/km²) | «seismic\_3d\_uw\_km2» |
| **2D Reprocessing** | (UW/km) | «reprocessing\_seismic\_2d\_uw\_km» |
| **3D Reprocessing** | (UW/km²) | «reprocessing\_seismic\_3d\_uw\_km2» |
| **Gravimetry** | (UW/km) | «methods\_potential\_grav\_uw\_km» |
| **Gradiometric Gravimetry** | (UW/km) | «methods\_potential\_grav\_grad\_uw\_km» |
| **High-Resolution Gravimetry** | (UW/km) | «methods\_potential\_grav\_hr\_uw\_km» |
| **Magnetometry** | (UW/km) | «methods\_potential\_mag\_uw\_km» |
| **Gradiometric Magnotometry** | (UW/km) | «methods\_potential\_mag\_grad\_uw\_km» |
| **Gamma spectrometry** | (UW/km) | «gamma spectrometry» |
| **Electromagnetic** | (UW/receptor) | «electromagnetic\_uwreceptor» |
| **Electromagnetic** | (UW/km) | «electromagnetic\_uwkm» |
| **Electromagnetic** | (UW/km2) | «electromagnetic\_uwkm2» |
| **Electromagnetic Reprocessing** | (UW/receptor) | «reprocessing\_electromagnetic\_uwreceptor»  |
| **Electromagnetic Reprocessing** | (UW/km) | «reprocessing\_electromagnetic\_uwkm» |
| **Electromagnetic Reprocessing** | (UW/km2) | «reprocessing\_electromagnetic\_uwkm2»  |
| **Geochemistry** | (UW/Sample) | «geochemistry\_uwsample» |
| **Multibeam Bathymetry** | (UW/km2) | «bathymetry\_multibeam\_uwkm2» |
|  |
| **Exploratory Well** | (UW/well) | «well\_exploratory\_uw\_well» |

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

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

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

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

For purposes of calculation of the amount to be considered for performance of the Minimum Exploration Program, the time elapsed between request for deduction and conclusion of the operations for non-exclusive data acquisition or reprocessing shall be taken into account.

For purposes of performance of the Minimum Exploration Program, the wells drilled shall achieve the main purpose approved by ANP in the Notice of Well Drilling.

ANNEX III – FINANCIAL GUARANTEE FOR THE MINIMUM EXPLORATION PROGRAM

(Attach a copy of the Financial Guarantee for 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 «royalties\_percentage\_in writing» («royalties\_percentage») of the Production of Oil and Gas in the Concession Area;

[For the concession agreements for blocks S-M-1378, S-M-1613 and S-M-1617, table 5 of the tender protocol of the 17th Bidding Round shall be included herein]

1. Special share in the amount defined in Decree No. 2,705 of August 3, 1998;
2. Fee for occupation or retention of areas[[1]](#footnote-1): i) in the Exploration Phase, in the amount of R$ «occupation\_exploration\_in writing» («occupation\_exploration») 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 R$ «occupation\_develop\_in writing» («occupation\_develop»); and iii) during the Production Phase, in the amount of R$ «occupation\_production\_in writing» («occupation\_production»); and
3. Payment to the landowners of a share equivalent to one percent (1%) of the Production of Oil and Gas, under the Applicable Laws and Regulations.

ANNEX VI – PAYMENT OF THE SIGNATURE BONUS

|  |
| --- |
| Signature Bonus – amounts offered and paid by the Concessionaire |
| Block | Amount Offered (R$) | Amount Paid (R$) |
| «block» | «bonus» «bonus\_in writing» | «bonus» «bonus\_in writing» |

ANNEX VII – INDICATION OF OPERATOR

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

ANNEX VIII – ADDRESS

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

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

CEP: 20090-004

**«signatory\_01\_operator»**

«address\_01»

«cep\_01»

**«signatory\_02»**

«address\_02»

«cep\_02»

1. [↑](#footnote-ref-1)