**FEDERATIVE REPUBLIC OF BRAZIL**

**MINISTRY OF MINES AND ENERGY**



**DRAFT PRODUCTION SHARING AGREEMENT FOR EXPLORATION AND PRODUCTION OF OIL AND GAS**

**No. [insert agreement number]**

**ENTERED INTO BY AND BETWEEN**

**THE FEDERAL GOVERNMENT**

**and**

**[insert the Contracted Party’s corporate name]**

**BRAZIL**

**2019**

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

entered into by and between:

as Contracting Party,

The **FEDERAL GOVERNMENT**, by using the powers vested in it by article 177, paragraph 1, of the Constitution of the Federative Republic of Brazil, through the **MINISTRY OF MINES AND ENERGY – MME**, under Law No. 12,351 of December 22, 2010, enrolled in the National Register of Legal Entities of the Ministry of Finance (CNPJ/MF) under No. 37.115.383/0001-53, headquartered at Esplanada dos Ministérios, Bloco “U”, Brasília, DF, CEP 70065-900, herein represented by the Minister of State of Mines and Energy, [insert name];

as Regulator and Inspection Authority,

The **NATIONAL AGENCY OF PETROLEUM, NATURAL GAS, AND BIOFUELS – 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 Quadra 603, Módulo I, 3º andar, in the city of Brasília, DF, and with Main Office at Avenida Rio Branco, nº 65, Centro, Rio de Janeiro, RJ, herein represented by its Director-General, [insert name];

as Manager,

**EMPRESA BRASILEIRA DE ADMINISTRAÇÃO DE PETRÓLEO E GÁS NATURAL S.A. – PRÉ-SAL PETRÓLEO S.A. – PPSA**, a governmental entity organized as a private joint-stock company, under Decree No. 8,063 of August 1, 2013, based on the legislative authorization granted by Law No. 12,304 of August 2, 2010, with its principal place of business at SBS Quadra 2, Bloco E, Edifício Prime, nº 206, sala 1404, Brasília, DF, and Main Office at Avenida Rio Branco, nº 1, 4º andar, Centro, Rio de Janeiro, RJ, enrolled in the National Register of Legal Entities of the Ministry of Finance (CNPJ/MF) under No. 18.738.727/0001-36, herein represented by its Chief Executive Officer, [insert name];

and, as Contracted Party,

[Insert Contracted Party’s corporate name], a company organized under the laws of Brazil, with its principal place of business at [insert full address], enrolled in the National Register of Legal Entities of the Ministry of Finance (CNPJ/MF) under No. [insert CNPJ enrollment number], herein represented by its [insert signatory representative’s title], [insert signatory representative’s name].

**WHEREAS,**

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

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

pursuant to art. 177, paragraph 1, of the Constitution of the Federative Republic of Brazil and art. 5 of Law No. 9,478/1997, the Federal Government may enter into agreements with state-owned or privately-held companies incorporated under the Brazilian laws, with principal place of business and management in the Country, for development of activities of Exploration and Production of Oil and Gas;

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. 3 of Law No. 12,351/2010, the Exploration and Production of Oil and Gas in the Pre-Salt Area and in Strategic Areas shall be contracted by the Federal Government on a Production Sharing basis;

pursuant to art. 8 of Law No. 12,351/2010, the MME, on behalf of the Federal Government, is responsible for entering into production sharing agreements with the Contracted Party, according to the provisions of such Law;

pursuant to arts. 8, paragraph 1, and 45 of Law No. 12,351/2010, and art. 2 of Law No. 12,304/2010, the Manager, on behalf of the Federal Government, is responsible for management of the production sharing agreements executed by MME and the agreements for commercialization of Oil and Gas directed to the Federal Government;

pursuant to art. 11 of Law No. 12,351/2010 and art. 8 of Law No. 9,478/1997, ANP is responsible for the regulation and inspection of the activities developed on a Production Sharing basis;

pursuant to art. 42, II, of Law No. 12,351/2010, the Contracted Party paid the Signature Bonus in the amount and as set forth in Annex V;

This Production Sharing Agreement for Exploration and Production of Oil and Gas for the Block identified in Annex I is entered into by and between the Federal Government, through MME, and the Contracted Party under the following terms and conditions.

1. BASIC PROVISIONS
2. SECTION ONE – DEFINITIONS

Legal Definitions

* 1. The definitions contained in art. 6 of Law No. 9,478/1997, in art. 2 of Law No. 12,351/2010, in art. 3 of Decree No. 2,705/1998, and in art. 2 of ANP Resolution No. 25/2013 are hereby incorporated into this Agreement and, consequently, are valid for all its purposes and effects whenever they are used herein, either in the singular or plural, in the masculine or feminine gender.

 Contractual Definitions

* 1. Also for the purposes and effects of this Agreement, the definitions contained in this paragraph shall also be valid whenever the following words and phrases are used in the singular or plural, in the masculine or feminine gender:
		1. **Oil or Gas Availability Agreement**:agreement entered into by and between the Consortium Members to govern the availability of Oil and Natural Gas produced to the original owners.
		2. **Affiliate**: any controlling or controlled legal entity of private law performing a business activity under arts. 1,098 to 1,100 of the Brazilian Civil Code, as well as entities directly or indirectly controlled by the same legal entity.
		3. **Contract Area**: area of the Block which superficial projection is delimited by the polygon defined in Annex I or the Block plots retained by the Contracted Party after the partial relinquishments provided for in this Agreement are made.
		4. **Development Area**: any plot of the Contract Area retained for the Development Phase.
		5. **Audit of the Cost and Profit Oil**: verification of the legitimacy of expenditures and Production made by the Operator and recognized by the Manager as the Cost Oil and Profit Oil.
		6. **Authorization for Expenditure**: authorization prepared by the Operator and submitted to the Operating Committee, pursuant to Annex XI, for the expenses required for conduction of the Operations in the Contract Area.
		7. **Assessment**: set of Operations intended to check the commercial feasibility of a Discovery or set of Discoveries of Oil and Gas in the Contract Area.
		8. **Well Assessment**: logging and formation tests performed between the End of Drilling and Well Completion that, combined with other activities previously developed at the well, will enable verification of the occurrence of areas of interest for presentation of a possible Discovery Assessment Plan.
		9. **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 Contracted Party; change of Operator; and exemption and replacement of the performance guarantee.
		10. **Operating Committee**: the Consortium’s managing body, composed of representatives of the Manager and the Contracted Parties, pursuant to Annex XI.
		11. **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.
		12. **Consortium**: a consortium formed by the Manager and the Contracted Parties.
		13. **Consortium Member**: member of the Consortium.
		14. **Contracted Party**: Consortium Members, except for the Manager.
		15. **Agreement**: the main text of this document and its annexes.
		16. **Consortium Agreement**: an agreement entered into by and between the Manager and the Contracted Parties, pursuant to Annex X.
		17. **Declaration of Commercial Feasibility**: formal and written notification of the Operating Committee to ANP declaring one or more Deposits as a Commercial Discovery in the Contract Area.
		18. **Calculation Statement of the Profit Oil**: document sent by the Contracted Party to the Manager from which the share of the Profit Oil to be shared between the Contracted Party and the Contracting Party shall be extracted.
		19. **Discovery**: any occurrence of Oil or Gas in the Contract Area, regardless of the quantity, quality, or commercial feasibility, verified by at least two detection or Assessment methods.
		20. **Outflow**: set of activities directed to ensure handling of the fluids produced by a Reservoir from their separation up to their arrival to submarine terminals, facilities for Treatment or Processing of Natural Gas, or liquefaction plants.
		21. **Development Phase**: contractual phase initiated with the approval of the Development Plan by ANP and extended during the Production Phase while investments in wells, equipment, and facilities for the Production of Oil and Gas are required according to the Best Practices of the Oil Industry.
		22. **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.
		23. **Exploration Phase**: contract period in which the Exploration and Assessment are to be performed.
		24. **Production Phase**: contract period in which the Development and the Production are to be performed.
		25. **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.
		26. **Applicable Laws and Regulations**: set of laws, decrees, regulations, resolutions, ordinances, normative instructions, or any other regulatory acts that are or may be applicable to the Parties and other signatories or to the activities of Exploration and Production of Oil and Gas, as well as to decommissioning of the facilities.
		27. **Macro-Group**: set of properties, services, and equipment purchased or contracted by the Contracted Parties to develop the activities in the segments defined under this Agreement with specific local content commitments.
		28. **Best Practices of the Oil Industry**: the best and safest procedures and technologies available in the Oil and Gas industry worldwide intended to: (i) ensure operational safety of the facilities, preserving life, physical integrity, and human health; (ii) preserve the environment and protect adjacent communities; (iii) prevent or reduce as much as possible the risk of spilling Oil, Natural Gas, by-products, and other chemicals that may be hazardous to the environment; (iv) preserve oil and gas resources, which implies the use of adequate methods and processes to maximize the recovery of hydrocarbons in a technical, economic, and environmentally sustainable way, with the corresponding control of the reserve decline, and to mitigate surface losses; (v) minimize consumption of natural resources in the Operations. In order to perform the Best Practices of the Oil Industry, the Contracted Parties 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.
		29. **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.
		30. **New Reservoir**: accumulation of Oil and/or Gas in areas other than those already under Production or Assessment.
		31. **Operation**: all activities of Exploration, Assessment, Development, Production, decommissioning, or abandonment developed sequentially, collectively, or separately by the Consortium Members for the purposes of this Agreement.
		32. **Operation with Exclusive Risk**: operation conducted without the participation of all Contracted Parties, pursuant to Annex XI.
		33. **Emergency Operation**: Operation requiring immediate actions by the Operator aiming at the protection of human life, as well as the conservation of oil resources and other natural resources, properties, and the environment.
		34. **Party**: the Contracting Party or the Contracted Party.
		35. **Parties**: the Contracting Party and the Contracted Party.
		36. **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 Contract Area.
		37. **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 Contract Area, including the abandonment thereof.
		38. **Exploration Plan**: document specifying all exploration activities to be developed in the Contract Area during the Exploration Phase, as well as their physical and financial planning, and which should mandatorily contemplate the Minimum Exploration Program.
		39. **No Loss or Gain**: principle, to be observed by the Consortium Members, according to which the Operator shall not earn profits nor incur losses compared to other Consortium Members when carrying out and executing Operations on behalf of the Consortium.
		40. **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.
		41. **Annual Work and Budget Program of the Exploration Phase**: a document reviewed every year of the Exploration Phase specifying the set of activities to be developed and the ones already developed by the Consortium Members, including details of the necessary investments.
		42. **Annual Work and Budget Program of the Production Phase**: document specifying the set of activities to be developed and the ones already developed by the Consortium Members in the next five years, including details of the investments necessary for developing the activities in the Production Phase.
		43. **Facility Decommissioning Program**: document specifying the set of activities aimed at the permanent abandonment of wells, including their eventual plugging, the decommissioning and proper final disposal of the facilities, and the recovery of the areas affected thereby.
		44. **Minimum Exploration Program**: work schedule provided for in Annex II, to be met by the Consortium Members during the course of the Exploration Phase.
		45. **Safety Instruction**: administrative act that acknowledges any conduct as irregular 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.
		46. **Internal Regulations of the Operating Committee**: set of rules complementary to the Agreement, intended for regulating the activities of the Operating Committee and the relationship among its members.
		47. **Local Content Report**: document to be submitted by the Consortium Members to ANP detailing the amounts disbursed for purposes of Local Content assessment.
		48. **Local Content Inspection Report**: expert report issued by ANP that assesses fulfillment of the contractual commitments declared by the Operator in the Local Content Report before the beginning of any sanctioning process.
		49. **Final Discovery Assessment Report**: document submitted by the Consortium Members 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.

* + 1. **Final Report on Decommissioning of the Facilities**: document submitted by the Consortium Members describing the activities developed pursuant to the Facilities Decommissioning Plan.
		2. **Social Responsibility**: the Contracted Party is responsible for the impacts of its decisions and activities on society and the environment through an ethical and transparent behavior that (i) contributes to sustainable development, including the health and well-being of society, and takes into account the stakeholders’ expectations; (ii) is in compliance with the Best Practices of the Oil Industry; and (iii) is integrated into the Contracted Party and applied in its relationships related to the Contracted Party’s activities within its sphere of influence.
		3. **Early Production System**: temporary facility with limited capacity aimed at the early Production and the obtaining of data and information for better characterization of the Reservoir, for purposes of adjusting the Development Plan.
		4. **End of Drilling**: moment in which the final depth of the well is reached, with no expectations of further progress.
		5. **Extended Well Test**: test in a lined well with total expected free flow duration of more than seventy-two (72) hours, and free flow means the production after the well is cleaned out, aimed 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.
		6. **Gross Production Value**: monetary expression of the Inspected Production Volume in national.
1. SECTION TWO – SUBJECT MATTER

Exploration and Production of Oil and Gas

* 1. The subject matter of this Agreement is the performance, in the Contract Area, for the account and risk of the Contracted Party, of:
1. the Exploration Operations undertaken in the Minimum Exploration Program or additional thereto, under an Exploration Plan approved by ANP;
2. the Discovery Assessment activities, in the event of a Discovery, at the Consortium Members’ discretion, under a Discovery Assessment Plan approved by ANP;
3. Oil and Gas Production Operations, in case the commercial feasibility of the Discovery is verified by the Consortium Members, under a Development Plan approved by ANP.

Exclusivity and Costs

* 1. The Consortium Members are exclusively entitled to conduct the Operations in the Contract Area, and the Contracted Parties are responsible for contributing with investments and paying the necessary expenditures for their own account and risk, including adequate equipment, machinery, personnel, services, and technology.
	2. The expenditures incurred during exploration activities, including those derived from exploration failures, shall be recovered as Cost Oil only if there is at least one Commercial Discovery in the Contract Area.

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

* 1. The Contracted Party is fully, jointly, and strictly liable for the losses and damages directly or indirectly caused to the environment, to third parties, to the Contracting Party, to ANP, or to the Manager due to the execution of the Operations.
		1. The Contracted Party shall indemnify third parties, the Contracting Party, ANP, or the Manager for any and all losses arising from lawsuits, appeals, legal claims or oppositions, arbitration awards, audits, inspections, investigations, or disputes of any kind, as well as for any indemnifications, compensations, punishments, fines, or penalties of any kind, related to the performance of the Agreement.
	2. The Contracted Party shall bear all losses that may incur, including those resulting from an act of god or a force majeure event, as well as from accidents or events of nature that affect the Exploration and Production of Oil and Gas in the Contract Area.
	3. The Contracted Parties shall be fully responsible for the product of the Exploration until its individual physical availability, in duct or a dynamic positioning ship, to the Contracted Parties and the Manager, regardless of the location of the Measurement Point and the Sharing Point, thus hindering any event holding the Contracting Party, the Manager, and ANP liable therefor.
	4. The Contracting Party, the Manager, and ANP shall not undertake any risks or operating losses and shall not bear the costs and investments related to the Operations and their consequences, except for, regarding the Contracting Party, the event provided for in art. 6, sole paragraph, of Law No. 12,351/2010.

Ownership of Oil and Gas

* 1. The existing Oil and Gas Deposits within the national territory in the continental shelf and exclusive economic zone belong to the Contracting Party, pursuant to arts. 20, V and IX, of the Constitution of the Federative Republic of Brazil and 3 of Law No. 9,478/1997.
	2. The Contracted Party and the Contracting Party shall be responsible for the original acquisition of the volume corresponding to the share of Profit Oil, in the proportion and within the conditions and deadlines established in the tender protocol and under this Agreement.

* + 1. The Contracted Party shall be responsible for the original acquisition of the volume corresponding to the due Royalties and, in case of Commercial Discovery, the Cost Oil.
	1. Ownership of the Oil and Gas share to which the Contracted Party and the Contracting Party are entitled under this Agreement shall be originally granted to them at the Measurement Point.

Other Natural Resources

* 1. The Consortium Members are prohibited to use, enjoy, or benefit, in any way and at any title, totally or partially, from any other natural resources that may exist in the Contract 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 Consortium Members shall follow the instructions and allow implementation of the relevant measures determined by ANP or other competent authorities.
		3. While such instructions are not submitted to the Consortium Members, they shall refrain from taking any measures that may pose a risk or somehow damage the natural resources discovered.
		4. The Consortium Members shall not be required to suspend their activities, except when they jeopardize the natural resources discovered or the Operations.
1. SECTION THREE – CONTRACT AREA

Identification

* 1. The Operations shall be conducted exclusively in the Contract Area, described and delimited in Annex I.

Voluntary Relinquishments

* 1. The Contracted Party may, at any time during the Exploration Phase, voluntarily relinquish areas forming part of the Contract Area.
		1. Relinquishments shall not exempt the Contracted Party from the obligation to comply with the Minimum Exploration Program.
		2. Once the Exploration Phase is completed, the Consortium Members may only keep as Contract Area the Development Areas.

Relinquishment by termination of the Agreement

* 1. Full or partial termination of this Agreement for any reason shall require the Contracted Party to immediately relinquish the Contract Area, in whole or in part, to the Contracting Party.

Conditions for Relinquishment

* 1. Any and all relinquishment of areas or Fields forming part of the Contract Area, as well as the consequent reversal of properties, shall be final and made by the Contracted Party with no liens whatsoever for the Contracting Party, the Manager, or ANP, under arts. 29, XV, and 32, paragraphs 1 and 2, of Law No. 12,351/2010.

Use of the Relinquished Areas by the Contracting Party

* 1. The Contracting Party may use the areas relinquished at its sole discretion, including for new bidding processes.

Non-Exclusive Data Survey

* 1. ANP may, at its sole discretion, authorize third parties to perform services of geology, geochemistry, geophysics, and other works of the same nature in the Contract Area, aiming at the survey on technical data intended for commercialization on a non-exclusive basis, pursuant to art. 8, 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 Consortium Members shall have no liability regarding performance of the services by third parties or damages arising therefrom.
1. SECTION FOUR – EFFECTIVENESS AND EFFICACY

Effectiveness and Efficacy

* 1. This Agreement shall be effective for thirty-five (35) years, being valid and in effect as of the date of its execution.

Division into phases

* 1. This Agreement shall be divided into two phases:
1. Exploration Phase, for the whole Contract Area, expected duration of which is set forth in Annex II; and
2. Production Phase, duration of which is defined in paragraph 14.1.
3. PRODUCTION SHARING SYSTEM
4. SECTION FIVE – RECOVERY AS COST OIL

Right to Recovery as Cost Oil

* 1. Exclusively in case of a Commercial Discovery, the Contracted Party shall be entitled to receive, as Cost Oil, a share of the Oil and Gas Production, according to the terms, criteria, and conditions established in Annex VII.

Calculation and Recovery as Cost Oil

* 1. The expenditures below shall be recovered as Cost Oil, according to the methodology and procedures provided for in Annex VII:

1. expenditures previously approved by the Operating Committee or those which approval is waived by this Agreement; and
2. expenditures recognized by the Manager.
	* 1. The expenditures below incurred by the Contracted Parties during the period prior to the execution of the Agreement and until creation of the Operating Committee may be recovered as Cost Oil and as long as , cumulatively:
3. related to the collection of data and information, acquisition of governmental licenses, authorizations, and permits;
4. subject to recovery, pursuant to the criteria provided for in Annex VII; and
5. ratified by the Operating Committee, prior to their actual recovery as Cost Oil.

Recovery as Cost Oil

* 1. Expenditures to be recovered as Cost Oil shall be registered in proper account, referred to as Cost Oil account.
	2. During the Production Phase, the Contracted Party shall, every month, receive the Production share corresponding to the Cost Oil, observing the limit of the Gross Production Value, defined in Annex XII.
		1. Costs that exceed the limits defined and are not recovered as Cost Oil at a certain calendar year shall be accrued for appropriation in the subsequent years.
		2. Expenditures recognized as Cost Oil shall be annually adjusted preferably according to the Extended National Consumer Price Index (IPCA) of the Brazilian Institute of Geography and Statistics – IBGE, or according to another index that better reflects the industry expenditures, at the Manager’s discretion, and return on equity is prohibited.
	3. The Manager shall be exclusively responsible for managing the calculation, recognition, and recovery of Cost Oil and managing the Cost Oil account.
	4. Any positive balance in the Cost Oil account at the end of the contract term shall not entitle the Contracted Party to indemnifications or refunds.

1. SECTION SIX – ROYALTIES

* 1. The amount of Royalties payable every month per Development Area or Field shall be determined by multiplying the equivalent to fifteen percent (15%) of the Total Production Volume of Oil and Gas in the Development Area or Field during such month by its respective reference prices, under Annex VII.
	2. Royalties are payable due to the Production of Oil and Gas arising from Long Duration Tests.
	3. The Contracted Party shall be entitled to the Production volume corresponding to the Royalties payable, and reimbursement in cash is prohibited in any event.
1. SECTION SEVEN – EXPENSES IDENTIFIED AS RESEARCH, DEVELOPMENT, AND INNOVATION
	1. The Contracted Party shall be required to direct funds for activities of research, development, and innovation in the areas of interest and topics relevant to the Petroleum, Natural Gas, and Biofuels industry, in amount equivalent to, at least, one percent (1%) of the Gross Value of the annual Production of Oil and Gas, when the Volume of Inspected Production of the Field for Production in bathymetric depth over four hundred (400) meters, in any quarter of the calendar year, is higher than the following volumes established by Decree No. 2,705/1998:

|  |  |
| --- | --- |
| Production Year as of Production Start Date | Volume of Quarterly Inspected Production (in thousands of cubic meters of equivalent oil) |
| First year | 1,350 |
| Second year | 1,050 |
| Third year | 750 |
| After the third year | 450 |

* + 1. In case the volumes established by Decree No. 2,705/1998 are changed, the Volumes of Inspected Production provided for in the table in paragraph 7.1 may be reviewed by ANP.
		2. The Contracted Party may use these funds until June 30 of the year following the year of calculation of the Gross Production Value.
		3. The Contracted Party shall provide to ANP a full report of the expenses identified as research, development, and innovation within the terms and in the formats defined in the Applicable Laws and Regulations.
		4. The expenses identified as research, development, and innovation shall not be recoverable as Cost Oil.
	1. Of the funds provided for in paragraph 7.1, the Contracted Party shall invest:
1. thirty percent (30%) to forty percent (40%) in national universities or research and development institutes accredited by ANP; and
2. thirty percent (30%) to forty percent (40%) in activities of research, development, and innovation aimed at resulting in products or processes of technological innovation along with Brazilian Suppliers.
	1. The remaining balance of the expenses identified as research, development, and innovation, upon compliance with paragraph 7.2, may be invested in activities of research, development, and innovation developed at facilities of the very Contracted Party or its Affiliates located in Brazil, or in Brazilian Suppliers, or in universities or research and development institutes accredited by ANP.
	2. Failure to perform the obligations set forth in this section shall be subject to the sanctions provided for in the Applicable Laws and Regulations.
3. SECTION EIGHT – TAXES

Tax Regime

* 1. Income taxes, as well as taxes levied on acquisitions and generating credits that may be used by the Contracted Party, are not recoverable as Cost Oil.
		1. Credits arising from the non-cumulative nature aiming at recovery of the tax burden levied on the previous phase shall be deemed reusable by the Contracted Party, except for credits required to be cancelled or reversed as a result of the Applicable Laws and Regulations.
	2. The Contracted Party shall be responsible for evidencing the tax credits not used, so that they can be recognized as Cost Oil.

Certificates and Evidence of Regularity

* 1. Upon request by the Contracting Party or ANP, the Contracted Party shall present the originals or simple copies of all certificates, registration acts, authorizations, evidence of enrollment in taxpayers’ registries, evidence of tax regularity, evidence of regular standing as to the payment of the social charges instituted by law, enrollments in entities or professional associations, and any other similar documents or certificates.
1. SECTION NINE – PROFIT OIL SHARING

Profit Oil Sharing

* 1. The Contracting Party and the Contracted Party shall share, on a monthly basis, the volume of Oil and Gas corresponding to the Profit Oil produced in the Contract Area.
	2. The Profit Oil share applicable to the Contracting Party shall vary based on the average Brent Oil price and the average daily Oil Production in the producing wells in the Development Area or Field, according to the table in Annex XII.
		1. The oil price shall be the monthly average of the daily prices of Brent Dated, according to the quotation published on a daily basis by *Platt’s Crude Oil Marketwire*.
		2. The volume of Natural Gas produced shall be shared in the same percentage applied to the Oil volume sharing.
		3. Wells with restricted Oil Production due to technical and operational issues and which are incurring losses shall not be taken into account in the average calculation, at PPSA’s discretion.

* 1. The Oil and Gas volume corresponding to the Profit Oil shall be measured and made available according to the guidelines in Annex VII and Section Seventeen.

Calculation Statement of the Profit Oil

* 1. As of the Production Start Date or during performance of the Extended Well Tests in the Assessment phase, the Contracted Party shall send to the Manager the Calculation Statement of the Profit Oil, in the format and frequency determined thereby.

Price Adjustment

* 1. The prices in the table included in Annex XII shall be adjusted through the following formula:

Priceadjusted = Pricebase\* (Im / I0)

Where,

Priceadjusted = Adjusted price, in U.S. dollars;

Pricebase = Price included in the tender protocol, in U.S. dollars;

Im = “Consumer Price Index” published by the *Bureau of Labor Statistics* of the U.S. Department of Labor, corresponding to the month of price adjustment;

I0: “Consumer Price Index” published by the *Bureau of Labor Statistics* of the U.S. Department of Labor, corresponding to the month of execution of the Agreement.

* + 1. The tender protocol prices shall be adjusted for the first time in the month before the Production Start Date, by the most recent index published.
		2. The subsequent adjustments shall be made every twelve (12) months, as of the month of the latest adjustment.
		3. In order to make the calculations established in paragraph 9.5, three (3) exact decimal places shall be adopted, disregarding other digits starting from, and including, the fourth place.
		4. The amounts of adjusted prices shall be rounded to the closest monetary amount with two (2) decimal places.
		5. The table with the prices adjusted in the month following disclosure of the indexes required for calculations shall be adopted.
		6. In case of cancellation of the “Consumer Price Index”, another official index that may replace it shall be adopted or, in its absence, another index with similar function.
1. EXPLORATION
2. SECTION TEN – EXPLORATION PHASE

Duration

* 1. The Exploration Phase shall be a single period of seven (7) years, starting on the date of execution of the Agreement.
	2. The Contracted Parties may end the Exploration Phase at any time upon notice to ANP.

Exploration Plan

* 1. The Exploration Plan shall contemplate all exploration activities to be developed in the Contract Area during its effectiveness and shall mandatorily consider the Minimum Exploration Program.
	2. The Exploration Plan and its revisions shall be determined by the Operating Committee and submitted to ANP pursuant to Annex VI and to the Applicable Laws and Regulations.
	3. The Consortium Members shall have a one hundred and twenty (120)-day period of the creation date of the Operating Committee to forward the Exploration Plan to ANP.
	4. ANP shall have a sixty (60)-day period of receipt of the Exploration Plan to approve it or to request modifications to the Consortium Members.
		1. The Consortium Members shall submit the modified Exploration Plan within a sixty (60)-day period of such request, repeating the procedure established in paragraph 10.6.
		2. During the period of analysis and approval of the Exploration Plan, the development of the Exploration activities already initiated may be interrupted, if reasonably required by ANP.
	5. Upon completion of the Exploration Plan works and by the deadline established for ending the Exploration Phase, the Consortium Members may retain areas for Discovery Assessment or Development upon notice in writing to ANP, and, in this event, all other areas shall be immediately relinquished to ANP.
		1. In case there are no Discoveries that justify the investments in the Discovery Assessment, the Consortium Members shall relinquish the entire Contract Area.

Minimum Exploration Program

* 1. The Consortium Members shall perform the obligations related to the Minimum Exploration Program within the terms and conditions described in Annex II.
		1. For purposes of compliance with the Minimum Exploration Program, the drilled wells shall achieve the exploratory objective at a depth sufficient for establishing their potential in Oil and Gas, as defined in Annex II.
			1. ANP may accept other exploratory objectives with Prospecting upon submission of a technical justification.
			2. For purposes of compliance with the Minimum Exploration Program, exclusive and non-exclusive data may be used, considering only data collected within the Contract Area.
			3. For purposes of compliance with the Minimum Exploration Program, only exploration activities that meet the criteria established in Annex II and which data have been submitted pursuant to the procedures established by ANP shall be accepted.

Failure to develop the Minimum Exploration Program, in whole or in part, implies lawful termination of the Agreement and execution of the compensatory penalty provided for in Section Eleven, and no other penalties are applicable as a result of such failure.

Development Areas that may be retained by the Consortium Members are exceptions to the provision above.

The Consortium Members may contract data collection companies (EAD) for the collection of exclusive data, as long as the requirements contained in the regulatory standards issued by ANP are previously met and these companies are duly registered and are in good standing with ANP.

In case of full or partial default of the Minimum Exploration Program, the Contracted Party may not proceed to the Production Phase.

Annual Work and Budget Program of the Exploration Phase

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

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

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

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

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

Extension of the Exploration Phase

The Exploration Phase may be extended at ANP’s discretion.

If the extension of the Exploration Phase is approved, ANP shall inform the Contracting Party on the decision.

In consideration for the extension of the Exploration Phase provided for in paragraph 10.14, the development of exploration activities additional to the Minimum Exploration Program may be required from the Consortium Members.

The Consortium Members shall propose, upon at least one hundred and twenty (120)-day notice from the end of the Exploration Phase, a revision of the Exploration Plan in which the exploration activities additional to the Minimum Exploration Program, required by ANP as consideration for the extension of the Exploration Phase, are explained and justified.

ANP shall have a sixty (60)-day period to assess and express its opinion on the proposal presented by the Consortium Members.

In case the revision of the Exploration Plan referred to in paragraph 10.14.3 is not approved, the Exploration Phase shall be completed without the requested extension.

In case the proposal for development of exploration activities additional to the Minimum Exploration Program is approved as consideration for the extension of the Exploration Phase, the Contracted Party shall provide the corresponding financial guarantees, pursuant to Section Eleven.

If, at the end of the Exploration Phase, the Consortium Members have started drilling the last exploratory well of the Exploration Plan 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 proposals for a Discovery Assessment Plan.

The event provided for in paragraph 10.15 shall be informed by the Consortium Members to ANP by the end of the Exploration Phase.

If the Consortium Members make a Discovery during the Exploration Phase when it is not possible to perform the Discovery Assessment before the end of this phase, the Consortium Members may request ANP to extend the Exploration Phase to 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 10.16 is limited exclusively to the area covered by the Discovery Assessment Plan approved by ANP.

For the Exploration Phase to be extended, pursuant to paragraph 10.16, the time elapsed between the notification of Discovery referred to in paragraph 12.1 and submission by the Consortium Members of the proposal for a Discovery Assessment Plan to ANP may not exceed six (6) months, except for exceptional events previously authorized by the Contracting Party, based on ANP’s opinion.

Contracted Parties’ Options after Completion of the Exploration Phase

After the Exploration Phase is completed and the activities regarding the Minimum Exploration Program are developed, the Contracted Parties may:

1. retain the Development Areas;
2. fully relinquish the Contract Area.

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

Within sixty (60) days of the end of the Exploration Phase, the Contracted Parties shall forward to ANP a plan for relinquishment of areas not retained, prepared pursuant to the Applicable Laws and Regulations.

The submission of such plan neither implies any kind of acknowledgement or release by ANP nor exempts the Consortium Members from compliance with the Minimum Exploration Program.

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

Compensatory Penalty for Default of the Minimum Exploration Program and Provision of Financial Guarantee

* 1. As compensatory penalty for default of the Minimum Exploration Program, the Contracted Party shall be required to pay to the Contracting Party the amount set forth in Annex II per activity defaulted.
	2. The Contracted Party shall provide ANP with financial guarantees for the Minimum Exploration Program pursuant to the amount set forth in Annex II within the term established in the tender protocol, in an amount sufficient to cover the compensatory penalty amount related to the activities initially committed.
	3. In case ANP approves the development of activities additional to the Minimum Exploration Program in consideration for the extension of the Exploration Phase, pursuant to paragraph 10.14, the Contracted Party shall provide financial guarantees corresponding to the estimated value of such additional activities, duly adjusted under this Agreement and as determined in the tender protocol.
	4. The financial guarantees shall be provided along with a letter signed by all Contracted Parties expressing full awareness of paragraphs 19.2 and 19.2.1 and of the fact that the obligations of the Minimum Exploration Program are not fractional, and each Contracted Party shall be jointly responsible for reimbursement in case of default.
	5. In case the Contracted Party does not provide the suitable financial guarantees, the Agreement shall be terminated with respect to the areas that are not under Development.

Types of Financial Guarantees

* 1. The Contracted Party may provide ANP with the following types of financial guarantee of the compensatory penalty for default of the Minimum Exploration Program:
1. letter of credit;
2. performance bond; and
3. Oil and Gas pledge agreement.
	1. The financial guarantees may be combined in order to total the amount guaranteed.
	2. The financial guarantees shall comply with the form indicated in the tender protocol.
	3. The financial guarantees may only be replaced or changed after approval by ANP.

Adjustment of the Financial Guarantees

The amount of the financial guarantee for the Minimum Exploration Program shall be automatically subject to inflation adjustment on January 1 of each calendar year by the General Price Index – Internal Availability (IGP-DI) variation, published by Fundação Getúlio Vargas, of the immediately preceding year, except on the January 1 immediately following the publication of the tender protocol, in which case there shall be no adjustment.

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

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

Effectiveness of Financial Guarantees

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

Financial guarantees shall be renewed whenever necessary, in the amount adjusted by inflation, pursuant to the provisions of paragraph 11.12.

In the event of expiration of the financial guarantees, at ANP’s discretion, the Contracted Party shall replace them or provide additional guarantees.

If the guarantee has been provided as an Oil and Gas pledge agreement, ANP may notify the Contracted Party 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 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 Consortium Members develop the activities related to the Minimum Exploration Program or, as the case may be, the additional exploration activities in consideration for the extension of the Exploration Phase, the Contracted Parties may request ANP to reduce the amount of the financial guarantee deposited.

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

Reduction in the amount of the financial guarantee may not be lower than an amount that, when converted, corresponds to twenty percent (20%) of the total exploration activities committed.

The drilling Operations may only imply reduction in the amount of the financial guarantees when, cumulatively:

1. the well has reached the exploratory objective;
2. the well has been completed; and
3. data and information related to the well have been attested according to technical standards established by ANP.

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 submitted to ANP have been attested according to the technical standards established 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 or, as the case may be, of the additional exploration activities in consideration for extension of the Exploration Phase, within thirty (30) days after its completion and, then, it shall return the respective financial guarantees.

Enforcement of the Compensatory Penalty

If verified failure to comply with the Minimum Exploration Program, ANP shall summon the Contracted Parties to pay the adjusted amount corresponding to the parcel not implemented, as compensatory penalty, within thirty (30) days, with no discount for voluntary payment.

In the absence of voluntary payment, ANP shall execute the respective financial guarantees.

ANP’s representation of default in an administrative proceeding subject to adversary proceeding and legal defense has immediate effect and characterizes a cause sufficient to execute the bid bond offered, including performance bond. Any suspension of the execution depends on a decision made by ANP itself, pursuant to item “m” of paragraph 35.5, or on an arbitration or court decision in effect. In any case, such suspension does not preclude ANP from communicating the loss to the insurance company before expiration, as well as its effective execution when the suspension ends and the administrative decision was not reversed, even after the original term.

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

1. does not exempt the Consortium Members from performing the other obligations arising from the Agreement;
2. does not affect ANP’s right to seek other remedies and impose any applicable sanctions for acts other than the mere failure to implement the Minimum Exploration Program; and
3. does not entitle the Consortium Members to start the Production Phase.
4. SECTION TWELVE – DISCOVERY AND ASSESSMENT

Notification of Discovery

* 1. Any Discovery in the Contract Area must be notified by the Consortium Members 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 Consortium Members may, at their discretion, proceed to the Assessment of a Discovery at any time during the Exploration Phase.
	2. If the Consortium Members decide to proceed to the Discovery Assessment, they must submit for approval by ANP a proposal for a Discovery Assessment Plan.
	3. ANP shall have a term of up to sixty (60) days of receipt of the Discovery Assessment Plan to approve it or reasonably notify the Consortium Members for them to make modifications.
		1. The Consortium Members shall have a term of up to thirty (30) days of notification to submit the modifications to ANP, repeating the procedure provided for in paragraph 12.4.
		2. Any changes suggested by the Consortium Members shall be communicated to ANP, repeating the procedure provided for in paragraph 12.4.
	4. The Consortium Members shall be authorized to start implementing the Discovery Assessment Plan after its approval or upon authorization by ANP.
	5. Once the Discovery Assessment is completed, the Consortium Members shall submit to ANP a Final Discovery Assessment Report, which shall indicate and justify any proposal for withholding of the Development Area of the Commercial Discovery.

Assessment of New Reservoir

* 1. The Consortium Members may assess a Discovery in a New Reservoir at any time during the effectiveness of the Agreement, according to the procedure provided for in this section, as appropriate.

Discovery Assessment through Extended Well Test

* 1. If the Discovery Assessment Plan contemplates the performance of an Extended Well Test, the Consortium Members shall request to ANP a specific authorization to do so.
	2. The Cost Oil for the Extended Well Test shall be recovered in the Production Phase.

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

1. SECTION THIRTEEN – DECLARATION OF COMMERCIAL FEASIBILITY

Declaration of Commercial Feasibility

* 1. Upon compliance with the Discovery Assessment Plan approved by ANP, the Operating Committee may, at its sole discretion, submit the Declaration of Commercial Feasibility for the Discovery.
		1. If it has not been submitted to ANP yet, the Final Discovery Assessment Report shall be submitted along with the Declaration of Commercial Feasibility.
		2. The Declaration of Commercial Feasibility shall only be effective upon approval of the Final Discovery Assessment Report by ANP.
	2. Failure to submit the Declaration of Commercial Feasibility within the term contractually established shall entail the lawful termination of the Agreement with respect to the relevant area retained for the Discovery Assessment.
	3. The submission of one or more Declarations of Commercial Feasibility shall not exempt the Consortium Members from complying with the Minimum Exploration Program.

Postponement of the Declaration of Commercial Feasibility

* 1. If the main accumulation of hydrocarbons discovered and assessed in a Contract Area is Natural Gas, the Consortium Member may request ANP to authorize the postponement of the Declaration of Commercial Feasibility in up to five (5) years, in the following cases:

a) lack of market for the Natural Gas to be produced, expected to be created in less than five (5) years;

b) lack or insufficiency of Transportation infrastructure for handling of the Natural Gas to be produced by the Consortium Member, expected to be implemented in less than five (5) years.

* 1. If the main accumulation of hydrocarbons discovered and assessed in a Contract Area is Oil, the Consortium Member may request ANP to authorize the postponement of the Declaration of Commercial Feasibility in up to five (5) years, in the following cases:
1. lack of technology for the Production, Outflow, or Refining, expected to be created in less than 5 (five) years;
2. 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 Consortium Member may request ANP that the period for postponement of the submission of the Declaration of Commercial Feasibility is extended for five (5) additional years.
	2. Extension of the term for submission of the Declaration of Commercial Feasibility shall apply exclusively to the area previously retained for Discovery Assessment.
	3. During extension of the term for submission of the Declaration of Commercial Feasibility, the Agreement shall be suspended with respect to the area previously retained for Discovery Assessment.
	4. If ANP considers that the reason that caused the postponement provided for in paragraphs 13.4 and 13.5 has been overcome, it shall notify the Consortium Member 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 Consortium Member shall submit a Development Plan for approval by ANP no later than one hundred and eighty (180) days of such notice, and paragraph 15.1 shall not apply.
3. DEVELOPMENT AND PRODUCTION
4. SECTION FOURTEEN – PRODUCTION PHASE

Start and Duration

* 1. The Production Phase shall begin on the date of submission of the Declaration of Commercial Feasibility and last only while this Agreement is effective.

Relinquishment of the Contract Area

* 1. The Contract Area shall be relinquished to the Federal Government at the end expected for the Production.
	2. The Consortium Members shall submit a report to the Contracting Party and to ANP, up to thirty-six (36) months before the earlier of the end of the effectiveness of the Agreement or the estimated depletion of commercially extractable volumes, with information on:
1. mechanical condition of the wells;
2. Outflow lines;
3. Production plans;
4. equipment and other assets;
5. prospect of additional Production;
6. prospect of Field depletion;
7. agreements with current suppliers; and
8. other relevant considerations.
	1. The Consortium Members shall submit to ANP a Facility Decommissioning Program in compliance with the Applicable Laws and Regulations and the Best Practices in the Oil Industry.
		1. In the absence of specific regulation, the term for submission of the Facility Decommissioning Program shall not be lower than two (2) years before the expected end of the Production.
		2. In case ANP requests additional information and for additional measures to be taken, the Consortium Members shall have sixty (60) days, of other term to be defined at ANP’s discretion, of the date of receipt of the notice to submit it.
		3. The activities provided for in the Facility Decommissioning Program may only start upon express authorization by ANP.
	2. At the time of the approval of the Facility Decommissioning Program, ANP may indicate which properties shall be inure to the benefit of the Federal Government, under the Applicable Laws and Regulations, and establish that the Consortium Members neither proceed to permanently abandon certain wells nor decommission or remove certain facilities and equipment, without prejudice to its right to return the area.
	3. This Agreement shall only be terminated for a certain Development Area or Field after compliance with the relevant Facility Decommissioning Program and approval of the Final Report on Decommissioning of the Facilities by ANP, with immediate relinquishment of the relevant area.
	4. In case the Facility Decommissioning Program indicates a prospect of additional Production after the end of the effectiveness of the Agreement, the Contracting Party may, based on ANP’s opinion, determine the actions for ensuring continuity of the Production Operations.
		1. In this case, the Operator shall propose to the Operating Committee an operational continuity plan, which shall include:
9. the assignment of agreements with suppliers of the Consortium;
10. the possibility of acquiring properties having a useful life greater than the effectiveness of the Agreement.

1. SECTION FIFTEEN – DEVELOPMENT PLAN

Deadlines

* 1. The Consortium Members 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 of receipt of the communication of approval for the Final Discovery Assessment Report.
		1. If the Declaration of Commercial Feasibility is postponed, as provided for in paragraphs 13.4 and 13.5, the Development Plan shall be submitted on the date of the Declaration of Commercial Feasibility.
	2. Untimely submission of the Development Plan shall cause the Consortium Members to be subject to the sanctions provided for in Section Thirty and in the Applicable Laws and Regulations.
	3. Upon evidence of failure to submit the Development Plan within the term provided, ANP shall notify the Consortium Members so that they submit the Plan within no more than thirty (30) days, after which the Agreement shall be lawfully terminated with respect to the relevant Development Area.

Development Area

* 1. The Development Area shall encompass all Deposits to be produced.
		1. 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.
		2. During the Development Phase, the Consortium Members may request ANP to change the Development Area in order to incorporate other plots from the Contract Area, as long as, cumulatively:
1. one or more Deposits are verified to be extrapolating the Development Area; and
2. the plots intended to be incorporated have not been relinquished by the Contracted Parties in compliance with the provisions of the Agreement.
	1. The Development Area to be retained shall be that included in the Final Discovery Assessment Report approved by ANP.
	2. The Consortium Members shall only retain, from the Development Area, the Field Area approved by ANP within the scope of the Development Plan.
		1. The Contracted Parties shall immediately return to ANP the remaining plots pursuant to the provisions in paragraphs 3.4 and 3.5.

Approval and Implementation of the Development Plan

* 1. ANP shall have one hundred and eighty (180) days of the date of receipt of the Development Plan to approve it or request the Consortium Members to make the modifications it deems applicable.
		1. If ANP does not reply within this term, the Development Plan shall be deemed approved, and ANP’s power/duty to demand revisions whenever necessary is not waived.
		2. If ANP requests modifications, the Consortium Members shall submit the modified Development Plan within the term determined by ANP, repeating the procedure provided for in paragraph 15.9.
	2. Disapproval of the Development Plan by ANP, after applicable administrative appeals are ended, shall entail lawful termination of the Agreement regarding the relevant Development Area.
	3. Until the Development Plan is approved, any works, operations, or early production shall depend on prior authorization by ANP, pursuant to the Applicable Laws and Regulations.
		1. The request for early Production shall be substantiated in an application observing the precepts for preserving oil resources, ensuring operational safety, and preserving the environment.

The Consortium Members shall conduct all Operations pursuant to the Development Plan approved by ANP.

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

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

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

Reviews and Amendments

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

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

The provisions included in paragraphs 15.9 and 15.10 shall apply to the revisions of the Development Plan as appropriate, including regarding the disapproval of the revisions by ANP.

Buildings, Facilities, and Equipment

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

The Consortium Members’ definition of the actions related to paragraph 15.17, including with respect to the contribution of the required resources, shall be mandatory in order to characterize the commercial feasibility and Develop the Discovery.

1. SECTION SIXTEEN – PRODUCTION START DATE AND ANNUAL PROGRAMS

Production Start Date

* 1. The Field Production Start Date shall be no more than five (5) years of the date of submission of the Declaration of Commercial Feasibility, extendable at the Contracting Party’s discretion, based on ANP’s opinion.
		1. The Consortium Members shall notify ANP about the Production Start Date within seventy two (72) hours after such date.
	2. The Production of Oil and Gas at a Production facility may only be started after completed the installation of a system for use or reinjection of Natural Gas, except in the cases expressly authorized by ANP, in order to reduce burning of Natural Gas.

Annual Production Program

* 1. The Consortium Members shall submit to ANP the Annual Production Program for the calendar year in which the Production starts at least sixty (60) days before the Production Start Date, as provided by the Applicable Laws and Regulations.
	2. The Consortium Members shall submit to ANP the Annual Production Program for the subsequent year by October 31 of each calendar year, under the Applicable Laws and Regulations.

Approval of the Annual Production Program

* 1. ANP shall have thirty (30) days of receipt of the Annual Production Program to approve it or request the Consortium Members to make the modifications it deems applicable.
		1. If ANP requests modifications, the Consortium Members 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 16.6.
		2. If the Consortium Members disagree with the proposed modifications, they may discuss these with ANP, aiming at adjusting the modifications to be implemented in the Annual Production Program where ANP deems appropriate and according to the Best Practices of the Oil Industry.
	2. If, at the beginning of the period referred to in certain Annual Production Program, ANP and the Consortium Members are discussing any modifications proposed by ANP due to the application of the provisions in paragraph 16.6, the lowest Production level among those proposed by the Consortium Members and ANP shall be used in any month and until final definition of the Annual Production Program.

Revision

* 1. ANP and the Consortium Members may agree, at any time, on the revision of an ongoing Annual Production Program; provided that such revision complies with the provisions of paragraphs 16.3 to 16.6.
	2. When the revision is proposed by ANP, the Consortium Members shall have thirty (30) days of receipt of the notice to discuss it with ANP and submit a revised Annual Production Program.
		1. The provisions of paragraph 16.5 shall apply to any revisions, as appropriate.

Production Volume Variance

* 1. 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.
		1. In case of variance higher than the referred percentage, the Consortium Members shall submit the justification to ANP by the fifteenth (15th) day of the month following the variance.
		2. A variance greater than such percentage shall be allowed if due to technical reasons, acts of God, force majeure, or similar causes that shall be assessed by ANP.

Temporary Interruption of Production

The Consortium Members may request ANP to voluntarily interrupt the Production of a Field for an one (1)-year period, extendable at ANP’s discretion.

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

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

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

Annual Work and Budget Program of the Production Phase

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

1. SECTION SEVENTEEN – MEASUREMENT AND AVAILABILITY OF THE PRODUCTION SHARING

Measurement

* 1. As of the Production Start Date of each Development Area or Field, the Consortium Members shall measure, from time to time and on a regular basis, the volume and quality of the Oil and Gas produced at the Measurement Point.
		1. 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.

Sharing Point

* 1. The Oil and Gas Sharing Points shall be defined for each Module of the Development Phase in the Development Plan and shall coincide with the place where the Consortium shall physically provide the Production share corresponding to each Consortium Member or to whom it indicates.
		1. Measurement at the Sharing Points shall be inspected by ANP.
	2. Any possible difference in volume between the Measurement Point and the Sharing Point shall be deemed an operating loss under the sole responsibility of the Contracted Party and not recoverable as Cost Oil, except for the provisions in paragraph 17.8.

Monthly Production Reports

* 1. The Consortium Members shall submit to ANP a monthly report on the Production of each Development Area or Field.
		1. The report shall be submitted by the fifteenth (15th) day of each month, starting from the month following the Production Start Date.

Production Availability

* 1. The Contracted Party shall be ensured the free use of the volumes of Oil and Gas granted thereto, except for the provisions in paragraph 17.7.
	2. The Oil and Gas volumes produced shall be made available in compliance with the Oil or Gas Production Availability Agreement to be entered into by and between the Consortium Members before the beginning of the Production and the Extended Well Tests.

Supply to the Domestic Market

* 1. In emergency situations that may put the domestic supply of Oil and Gas at risk, as well as their by-products, ANP may determine that the Contracted Party limit its exports of these hydrocarbons.
		1. An emergency situation is that so enacted by the President of the Republic.
		2. The Production share with limited export shall be directed to serve the Brazilian market or to compose strategic inventories for the Country.
		3. ANP shall notify the Contracted Party on the limitation to exports upon at least thirty (30)-day notice.
		4. The Production share to which the restriction on free use applies shall be determined every month with respect to the proportion of the Contracted Party’s share in the domestic Oil and Gas Production for the immediately preceding month.

Consumption in the Operations

* 1. The Consortium Members may use, as fuel in the Operations, Oil and Gas produced in the Contract Area, as long as in quantities authorized by ANP.
		1. The Consortium Members 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.
		2. The Consortium Members shall include such information in the monthly Production reports.
		3. The volumes of Oil and Gas consumed in the Operations shall be counted for purposes of calculation of the Royalties provided for in Section Six.

Test Results

* 1. Data, information, results, interpretations, models of static and dynamic Reservoirs, and the flow regimes obtained from formation tests, Extended Well Tests, or Early Production Systems during execution of the Operations of this Agreement shall be submitted to ANP and the Manager immediately upon their obtainment or completion, or within the term defined in the Applicable Laws and Regulations.
		1. Information shall also contemplate the volumes of Oil, Gas, and water produced.
		2. As for Extended Well Tests, the information shall be submitted to ANP in accordance with the frequency established in the approved Discovery Assessment Plans.
		3. The Production and transportation arising from Extended Well Tests and Early Production Systems shall be reported through the monthly Production Report.

The Cost Oil for the Extended Well Tests shall be recovered only in case of Commercial Discovery.

Royalties are payable due to the Production of Oil and Gas arising from Extended Well Tests.

The original acquisition by the Contracted Party of the Production volume corresponding to the due Royalties, in case of Extended Well Tests, shall occur in the Production Phase, as the case may be.

Oil and Gas Losses and burning of Natural Gas

Oil and Gas losses under the responsibility of the Contracted Party, as well as burning of Natural Gas in flares, shall be deducted from the share of the Profit Oil to which the Contracted Party is entitled after the Production Sharing.

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

1. SECTION EIGHTEEN – INDIVIDUALIZATION OF PRODUCTION

Individualization of Production

* 1. The procedure of Individualization of Production of Oil and Gas shall be initiated under the Applicable Laws and Regulations when it is identified that a Deposit extends beyond the Contract Area.
1. EXECUTION OF OPERATIONS AND JOINT OPERATIONS
2. SECTION NINETEEN – EXECUTION OF OPERATIONS BY THE CONSORTIUM MEMBERS

Indication of the Operator by the Contracted Parties

* 1. The Operator is designated by the Contracted Parties to, on their 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.
	1. The Operator shall be responsible for the full performance of all the Contracted Parties’ obligations set forth in this Agreement related to any aspect of the Operations and the payment of the Government Shares.
		1. In case of more than one Contracted Party, all of them shall be jointly liable for full compliance with all obligations of the Agreement.
	2. The Operator may transfer the responsible for the Operation at any time, upon submission of a request to ANP pursuant to Section Twenty-Nine and the Applicable Laws and Regulations.
	3. 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.
	4. In the events of transfer of responsibility for the Operation and removal of the Operator, the Contracted Parties shall designate a new Operator, pursuant to the provisions in Annex XI and, as appropriate, in Section Twenty-Nine.
		1. The new Operator may only develop its activities, assuming all rights and obligations provided for in this Agreement, upon authorization by the Contracting Party, based on ANP’s opinion, and execution of the relevant addendum to the Agreement.
	5. The Operator referred to in paragraphs 19.3 and 19.4 shall transfer to the new Operator the custody of all properties used in the Operations, accounting records, files, and other documents related to the Contract Area and the Operations at stake.
	6. The Operator referred to in paragraphs 19.3 and 19.4 shall remain liable for any acts, incidents, or circumstances related to its position of Operator incurred during its management.
		1. Such Operator shall also remain liable for all obligations and responsibilities arising from its position of operator until the transfer provided for in paragraph 19.6.
	7. 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.
		1. ANP may require an audit and inventory be performed until transfer of the Operations to the new Operator.
		2. The audit and inventory costs shall be paid by the Contracted Parties.
	8. In case of only one Contracted Party, it shall be deemed, for purposes of this Agreement, the Operator designated to the Contract Area.

Diligence to Conduct Operations

The Consortium Members shall plan, prepare, execute, 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 Consortium Members shall, in all Operations:

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

The following are the Operator’s duties:

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

The personnel referred to in item “a” 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.

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

Licenses, Authorizations, and Permits

The Contracted Parties shall, at their 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 Contracted Parties, and the Contracting Party and ANP may provide the assistance described in paragraph 20.6.

The Contracted Party 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 Contract Area

During effectiveness of this Agreement, the Consortium Members shall have free access to the Contract Area and its facilities.

Drilling and Abandonment of Wells

The Consortium Members shall previously notify ANP of the start of drilling of any well in the Contract Area.

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

If the well is part of the Minimum Exploration Program and does not achieve its exploration objective established in Annex II, its drilling shall not be accounted for purposes of complying with the Minimum Exploration Program, unless ANP, at its sole discretion, so decides.

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

Additional Work Programs

The Consortium Members may propose the implementation of additional work programs in the Contract Area at any time, which shall be provided for in the Exploration Plan.

Data Acquisition outside the Contract Area

Upon comprehensive request of the Consortium Members, ANP may authorize Operations off the Contract Area limits.

Operations off the Contract Area limits shall not be considered for purposes of compliance with the Minimum Exploration Program, but may be recognized as Cost Oil.

Data collected off the Contract Area limits shall be immediately classified as public after its acquisition.

The Consortium Members shall submit to ANP data and information collected off the Contract Area limits, pursuant to the Applicable Laws and Regulations.

1. SECTION TWENTY – CONTROL OF THE OPERATIONS AND ASSISTANCE BY ANP AND THE CONTRACTING PARTY

Monitoring and Inspection by ANP

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

Monitoring by the Contracting Party

* 1. The Contracting Party may monitor the Operations at any time.

Access and Control

* 1. The Contracting Party and ANP shall have free access to the Contract Area and the ongoing Operations, equipment, and facilities, as well as all records, studies, and technical data available.
		1. The Consortium Members shall provide the Contracting Party’s and ANP’s representatives with transportation, meals, personal protective equipment, and accommodation in the locations, under the same conditions as those provided to its own personnel.
		2. For purposes of surveying data, information, or assessment of responsibilities about operational incidents, the access shall be provided by the Consortium Members through the unrestricted and immediate provision of transportation, food, personal protective equipment, and accommodation to ANP’s representatives.
	2. The Consortium Members shall allow free access for the authorities with jurisdiction over any of their activities.
	3. The Consortium Members shall provide, within the term and as established, the information requested by ANP.

Assistance to the Contracted Party

* 1. Upon request, the Contracting Party and ANP may provide assistance to the Consortium Members in obtaining the licenses, authorizations, permits, and rights referred to in paragraph 19.12.

Release from Contracting Party’s and ANP’s responsibility

The Contracted Parties, for their own account and risk, are fully responsible for conducting the Operations, and the Contracting Party and ANP are not held liable for anything resulting from the requested assistance that may have been provided.

1. SECTION TWENTY-ONE – DATA AND INFORMATION

Supply by the Consortium Members

* 1. The Consortium Members shall keep ANP updated on the progress, results, and terms of the Operations.
		1. The Operator shall send to the Manager and ANP, as requested and within the terms, 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 Contract Area.
		2. 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 Consortium Members shall submit such data and information, including those regarding the geological, geophysical, and geochemical modeling of the Contract Area, to ANP.
		3. ANP shall ensure compliance with the confidentiality periods, under the Applicable Laws and Regulations.
	2. The quality of the copies and other reproductions of data and information referred to in paragraph 21.1.1 shall be as reliable and standard as the respective originals, including with respect to color, size, legibility, clarity, compatibility, and other relevant aspects.

Processing or Analysis Abroad

* 1. The Consortium Members may dispatch rock and fluid samples or geological, geophysical, and geochemical data abroad upon prior and express authorization by ANP.
		1. The dispatch shall be allowed only in case it aims at data analysis, test, or processing.
		2. As for samples or data, the Consortium Members shall send to ANP a request containing:
1. justification on the need to dispatch them abroad;
2. detailed information, as well as indication of the respective equivalents kept in the Country;
3. detailed information about the analyses, tests, and processing to which the samples shall be submitted, with emphasis on the destructive tests, if anticipated;
4. information on the receiving institution;
5. expected date of conclusion of the analyses, tests, and processing; and
6. expected date of return to the Country, when applicable.
	* 1. The Consortium Members shall:
7. keep a copy of the piece of information or data or an equivalent of the sample in the national territory;
8. return the samples, information, or data to the Country, after performance of the analysis, test, or processing; and
9. provide ANP with the results obtained in the analyses, tests, and processing performed, provided that the terms of the Applicable Laws and Regulations are met.
10. SECTION TWENTY-TWO – PROPERTIES

Properties, Equipment, Facilities, and Materials

* 1. The Consortium Members are exclusively responsible for directly providing, purchasing, renting, leasing, chartering, or otherwise obtaining all properties, furniture, and real properties, including the facilities, buildings, systems, equipment, machines, materials, and supplies required to execute the Operations.
		1. The purchase, rent, lease, or acquisition may be made in Brazil or abroad, under the Applicable Laws and Regulations.

Facilities or Equipment outside the Contract Area

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

Relinquishment of Areas

* 1. In case of use of pre-existing wells or infrastructure, the Contracted Parties shall undertake, with respect to them, the responsibilities provided for in the Agreement and in the Applicable Laws and Regulations.
	2. 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.
		1. The cost of decommissioning and abandonment of the Operations shall be established in order to cover the activities of permanent abandonment of wells, decommissioning and removal of lines and facilities, and rehabilitation of areas, under the Applicable Laws and Regulations.

Decommissioning and Abandonment Guarantees

* 1. The Contracted Party shall provide decommissioning and abandonment guarantee as of the Production Start Date, and, therefor, it may use:
1. performance bond;
2. letter of credit;
3. financial support fund; or
4. other types of guarantees, at ANP’s discretion.
	1. The amount of the decommissioning and abandonment guarantee for a Development Area or Field shall be reviewed at the request of the Contracted Party or ANP, whenever there are events that change the cost of abandonment and decommissioning of Operations.
	2. The guarantee provided by the Contracted Party shall be equivalent to the expected cost for decommissioning and abandonment of the infrastructure already implemented.
	3. In the case the guarantee is provided through a support fund:
5. the Contracted Parties shall submit to ANP, every 15th of February and August each year, supporting documentation for the contributions made, as well as inform the adjusted balance of the fund;
6. ANP may audit the procedures adopted by the Contracted Parties in the management of the support fund;
7. the balance ascertained after all Operations required for decommissioning and abandonment of the Field are conducted shall be for the sole benefit of the Contracting Party.
	1. The provision of a decommissioning and abandonment guarantee does not exempt the Consortium Members from the obligation to execute all Operations required for decommissioning and abandonment of the Field.

Properties to be Returned

Pursuant to arts. 29, XV, and 32, paragraphs 1 and 2, of Law No. 12,351/2010, any and all personal and real properties, principal and ancillary, forming part of the Contract Area and that are necessary to enable continuity of the Operations or use of which is considered of public interest, at the Contracting Party’s sole discretion, based on ANP’s opinion, shall be returned to the Contracting Party’s ownership, and to ANP’s management in case of termination of this Agreement or relinquishment of plots of the Contract Area.

Properties used in the Operations that are subject matter of rental, lease, or charter agreements with useful life shorter than the effectiveness of the Agreement shall not be returned to the Contracting Party’s or ANP’s management’s ownership.

As for properties with useful life greater than the effectiveness of the Agreement, the Contracted Party shall include in the rental, lease, or charter agreement a section that allows its assignment or renewal with a future Contracted Party, aiming at ensuring continuity of the Operations, as provided for in paragraph 14.7.

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

Removal of Non-Returned Properties

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

1. SECTION TWENTY–THREE – PERSONNEL, SERVICES, AND SUBCONTRACTS

Personnel

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

Services

* 1. The Contracted Parties must directly perform, contract, or otherwise obtain, for their own account and risk, all services required for compliance with this Agreement.
		1. The services may be contracted in Brazil or abroad, under the Applicable Laws and Regulations, also regarding the minimum percentage of Brazilian personnel employed.
		2. If it contracts services from its Affiliates, the prices, term, quality, and other terms agreed upon shall be competitive and compatible with the market practices, pursuant to the provisions in Section Twenty-Four.
	2. The Contracted Parties shall enforce the provisions in this Agreement and in the Applicable Laws and Regulations for all their subcontractors and suppliers.
	3. The Contracted Parties shall be fully and strictly liable for their subcontractors’ activities resulting, directly or indirectly, in damages or losses to the environment, the Contracting Party, the Manager, or ANP.
	4. The Contracted Parties shall keep the inventory and the records of all services referred to in paragraphs 23.1 and 23.6 updated, pursuant to the Applicable Laws and Regulations.
1. SECTION TWENTY–FOUR – LOCAL CONTENT

Contracted Party’s Commitment to Local Content

* 1. The Contracted Party shall meet the following minimum mandatory percentages of the Local Content:
1. in the Exploration Phase: Global Local Content of eighteen percent (18%).
2. in the Development Phase or for each Development Module, in case of modular Development, for the following Macro-Groups:
3. Well Construction: twenty-five percent (25%);
4. Production Collection and Outflow System: forty percent (40%);
5. Stationary Production Unit: twenty-five percent (25%).
	1. The Contracted Party shall ensure preference to engage Brazilian Suppliers whenever their bids are, in terms of price, term, and quality, more favorable than or equivalent to the ones submitted by foreign suppliers.
	2. The procedures for contracting goods and services directed to comply with this Agreement shall:
6. include Brazilian Suppliers among the suppliers invited to submit bids;
7. provide, in Portuguese or English, the same specifications to all companies invited to submit bids. If requested by any Brazilian company invited, the Contracted Party shall provide the documentation translated into Portuguese;
8. accept equivalent specifications from Brazilian Suppliers, as long as the Best Practices of the Oil Industry are complied with.
	* 1. The contract for goods and services from Affiliates is also subject to the specifications in paragraph 24.3, except in cases of services that, pursuant to the Best Practices of the Oil Industry, are usually performed by Affiliates.
	1. The Contracted Party 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

* 1. 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.
		1. 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.
	2. 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.
	3. 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.
	1. For purposes of evaluation of the Local Content, the Development Phase shall start on the submission date of the Declaration of Commercial Feasibility and shall end, for each Development Module, upon the first of:
4. the lapse of ten (10) years after the Flow of First Oil;
5. withdrawal, by the Contracted Party, from the Development of the Development Module; or
6. performance of the investments set forth in the Development Plan, except those related to the abandonment of the Field.
	1. In case of the engagements provided for in paragraph 24.1, item “b.3”, expenditures related to the unit operation fee must not be accounted for purposes of assessment of the Local Content.

Excess Local Content

If the Contracted Party 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.

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 following 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 Contracted Party to a penalty, which shall be calculated upon the monetary amount not observed and the following percentage, as the case may be:

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

M (%) = NR (%) – 25%

Where,

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

NR (%): percentage of unused Local Content.

In case of simultaneous failure to honor more than one commitment for the Macro-Groups referred to in item “b” of paragraph 24.1, the amount of the penalty shall correspond to the sum of the penalties for each Macro-Group.

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

1. SECTION TWENTY-FIVE – OPERATIONAL SAFETY AND ENVIRONMENT

Environmental Control

* 1. The Consortium Members shall have a safety and environment management system that complies with the Best Practices of the Oil Industry and the Applicable Laws and Regulations.
	2. The Consortium Members shall, among other obligations:
1. ensure preservation of an ecologically balanced environment;
2. mitigate the occurrence of impacts and/or damages to the environment;
3. ensure safety in the Operations for purposes of protecting human life, the environment, and the Contracting Party’s properties;
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.
	1. 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.
	2. In case of an environmental permitting process in which the applicable authority deems that a public hearing is required, the Consortium Members shall submit to ANP a copy of the studies prepared aiming at obtaining the permits at least thirty (30) business days before the hearing.
	3. The Consortium Members shall submit to ANP a copy of the environmental permits and their relevant renewals, in compliance with the deadlines defined in the specific regulations issued by ANP or sooner, whenever necessary to support an authorization procedure that requires such documents.
	4. During effectiveness of this Agreement, the Consortium Members shall submit to ANP the inventory of greenhouse gas emissions by May 31 of each year. The inventory shall detail the gases by typology of emission source and include their disposal.
	5. The Consortium Members shall submit to ANP and to other competent authorities the contingency plan regarding accidents due to spill of Oil, Gas, and its by-products.
	6. The Consortium Members 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 their 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.
	7. The Consortium Members shall immediately inform the competent authorities about the occurrence of any spill or loss of Oil and Gas and other incidents, as well as the measures taken to solve the problem.

Social Responsibility

* 1. The Contracted Parties shall provide a management system for Social Responsibility and sustainability consistent with the Best Practices of the Oil Industry.
1. SECTION TWENTY-SIX – INSURANCE

Insurance

* 1. The Contracted Parties shall obtain and keep in force, during effectiveness of this Agreement, insurance coverage for all cases required by the Applicable Laws and Regulations, without entailing limitation of their liability under this Agreement.
		1. These insurance policies must cover:
1. properties;
2. personnel;
3. extraordinary expenses for the operation of wells;
4. cleaning, in the event of accidents;
5. decontamination, in the event of accidents; and
6. civil liability for damages to the environment and the Contracting Party’s properties.
	* 1. The Contracted Parties shall include the Contracting Party and ANP as coinsured in the civil liability policies, and it shall not impair the Contracting Party’s and ANP’s right to be fully reimbursed for losses and damages exceeding the indemnification received by virtue of the coverage provided for in the policy.
	1. At ANP’s sole discretion and upon prior authorization thereby, self-insurance may be accepted.
	2. 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.
	3. The Contracted Party’s policies and global insurance programs may be used for the purposes of this Section, upon prior authorization by ANP.
	4. The Contracted Parties 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 26.1, as well as a copy of any and all amendment, change, endorsement, postponement, or extension thereof, and a copy of any and all related loss occurrence, complaint, or report.
7. GENERAL PROVISIONS
8. SECTION TWENTY-SEVEN – CURRENCY AND FOREIGN CURRENCY

Currency

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

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

Accounting

* 1. According to the Applicable Laws and Regulations, the Contracted Parties 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

* 1. ANP may perform an audit, including for the statements of calculation of the Government Shares, under the Applicable Laws and Regulations.
		1. The audit may be performed directly or through agreements and partnerships, according to the Applicable Laws and Regulations.
		2. The Contracted Parties shall be notified at least thirty (30) days before the audits.
		3. ANP shall have comprehensive access to the books, records, and other documents referred to in paragraph 28.2, including the contracts and agreements entered into by the Contracted Parties and related to the acquisition of goods and services for the Operations, for the last ten (10) years.
		4. The Contracted Parties are responsible for the information provided by third parties.
		5. The Contracted Parties shall make available to ANP the respective Local Content certificates, in addition to agreements, tax documents, and other supporting records corresponding to the good or service acquired, for ten (10) years after the milestone of evaluation of the Local Content.
		6. ANP may require from the Contracted Parties any documents required to settle any doubts.
		7. Any absence of audit or omission of its conclusions shall neither exclude nor reduce the Contracted Parties’ liability to fully perform the obligations of this Agreement, nor shall represent implied agreement with methods and procedures contrary to this Agreement or to the Applicable Laws and Regulations.
1. SECTION TWENTY-NINE – ASSIGNMENT OF THE AGREEMENT

Assignment

* 1. The Contracted Parties’ rights and obligations under this Agreement may be subject to Assignment, in whole or in part, subject to prior and express authorization by the Contracting Party, based on ANP’s opinion.
	2. The parties shall keep the Agreement terms and conditions unchanged until execution of the respective addendum, and, before execution, it is prohibited to:
1. transfer or use assets related to the Agreement subject matter of the Assignment;
2. exercise the assignee’s management power over the Agreement and its execution.
	1. Default of provisions in paragraph 29.2 constitutes Assignment without the prior and express approval by the Contracting Party.
	2. In any case of Assignment, the other Contracted Parties’ right of first refusal shall be observed, as provided for in Annex XI.
	3. 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.
	4. The Contracted Parties shall notify ANP about changes in their corporate control within thirty (30) days of filing of the corporate act with the effective registration agency, under the Applicable Laws and Regulations.
		1. The notice provided for in paragraph 29.6 shall include the required documentation, under the Applicable Laws and Regulations.

Undivided Share in Rights and Obligations

* 1. The assignment, in whole or in part, of the Contract Area shall always represent an undivided share in the Contracted Party`s rights, observing the joint liability between the assignor and the assignee under the Applicable Laws and Regulations.

Partial Assignment of Areas during the Exploration Phase

* 1. If the Contracting Party, based on ANP’s opinion, authorizes an Assignment resulting in division of the Contract 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.
		1. The resulting areas shall be independent for all purposes, including for calculation of the government revenues.
		2. ANP shall define a Minimum Exploration Program for each area resulting from the division. The sum of the resulting Minimum Exploration Programs shall be equal to or greater than the original Minimum Exploration Program.

Assignment of Areas in the Production Phase

* 1. The Assignment of a portion of a Field shall not be accepted, except as an alternative to a Production Individualization Agreement not materialized, as long as approved by the Contracting Party under the Applicable Laws and Regulations, based on ANP’s opinion.

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 send to the Contracting Party an opinion on the requested authorization within ninety (90) days of submission of the full documentation, as required under the Applicable Laws and Regulations.

Upon receipt of ANP`s opinion, the Contracting Party shall reply the request within sixty (60) days.

The Assignment of the Agreement shall only be authorized, except in the event of paragraph 31.4.2, when:

1. the Contracted Parties perform the obligations in the Agreement; and
2. the assignor and the assignee, or the guaranteed party, in the events of exemption or replacement of a performance guarantee, perform all their obligations related to the Government and third-party Shares, in compliance with all concession or production sharing agreements 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 29.12.1.

Effectiveness and Efficacy of the Assignment

Upon approval of the Assignment by the Contracting Party, the Agreement shall be amended so that the act is performed, except in the events of exemption or replacement of a performance guarantee, under the Applicable Laws and Regulations.

The addendum to the Agreement shall be effective as 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 filed with the applicable commercial registry.

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

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

New Production Sharing Agreement

In the event of division of the Contract Area for any reason, a new Production Sharing 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, the Contracting Party shall call ANP and the Consortium Members to execute the new Production Sharing Agreements within thirty (30) days.

The new Production Sharing 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 Contracted Parties may create guarantee for the rights arising from this Agreement.

The Contracted Party shall notify ANP about the guarantee operation provided for in paragraph 29.20 and send 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 the transfer of ownership arising from the foreclosure of the guarantee is an assignment and depends on prior and express consent of the Contracting Party, based on ANP’s opinion.

1. SECTION THIRTY – RELATIVE DEFAULT AND PENALTIES

Legal and Contractual Sanctions

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

Lawful Termination

* 1. This Agreement is terminated, by operation of law:
1. upon lapse of the effective period provided for in Section Four;
2. upon completion of the Exploration Phase without performance of the Minimum Exploration Program;
3. at the end of the Exploration Phase, in case there has been no Commercial Discovery;
4. in case the Contracted Party fully relinquishes the Contract Area;
5. in case the Contracted Party exercises its right to withdraw during the Exploration Phase;
6. upon failure to deliver the Development Plan within the term established by ANP;
7. upon non-approval by ANP of the Development Plan provided for in Section Fifteen;
8. upon refusal of the Consortium Members to execute, in whole or in part, the Production Individualization Agreement after ANP’s decision;
9. in case the financial guarantees are not renewed within thirty (30) days before its effective term; or
10. upon adjudication of bankruptcy or non-approval of any Contracted Party’s request for judicial reorganization by the competent court, except as provided for in paragraph 31.4.2.

Rescission by will of the Parties: Bilateral and unilateral termination

* 1. This Agreement may be terminated at any time upon mutual agreement between the Parties, without prejudice to performance of the obligations set forth in Section Ten.
	2. During the Production Phase, the Contracted Parties may terminate this Agreement only upon notice to the Contracting Party at least one hundred and eighty (180) days before the date intended to terminate the Agreement or observing any other term defined in a subsequent regulation.
		1. The Consortium Members may not interrupt or suspend the Production undertaken in the Annual Production Programs during the minimum period of one hundred and eighty (180) days of the date of the notice of intended termination or within any other term defined in a subsequent regulation.

Termination for Absolute Default

* 1. This Agreement shall be terminated upon the following events:
1. failure by the Contracted Parties to perform the contractual obligations, except if they are lawfully waived;
2. judicial or extrajudicial reorganization, with no submission of an approved reorganization plan able to demonstrate to ANP its economic and financial capacity to fully perform all contractual and regulatory obligations.
	* 1. In case of item “a”, before termination of the Agreement, ANP shall notify the Consortium Members to perform the obligation not performed within a term of no less than ninety (90) days, except when extremely urgent.
		2. After confirming the absolute default, the Contracted Party shall be granted a ninety (90)-day period, or shorter, when extremely urgent, to formalize before ANP the request for Assignment of its undivided share in the rights and obligations of this Agreement, subject to imposition of the penalties provided for in this Agreement, in addition to contract termination.
		3. In case of more than one Contracted Party, and if the Assignment provided for in paragraph 31.4.2 is not performed, the Contracting Party shall only terminate this Agreement with respect to the defaulting party, and its undivided share in the rights and obligations of this Agreement is divided between the other non-defaulting Contracted Parties, in the proportion of their shares, upon prior and express approval by the Contracting Party, based on ANP’s opinion.

Consequences of Termination

* 1. In any of the cases of termination provided for in this Agreement or in the Applicable Laws and Regulations, the Contracted Parties shall not be entitled to any reimbursement.
	2. Once this Agreement is terminated, the Contracted Parties shall be liable for losses and damages arising from their default and termination and pay all applicable indemnifications and compensations, as provided by law and herein.
1. SECTION THIRTY-TWO – ACT OF GOD, FORCE MAJEURE, AND SIMILAR CAUSES

Full or Partial Exemption

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

Amendment, Suspension, and Termination of the Agreement

* 1. After the act of God, force majeure, or similar causes are overcome, the Consortium Members 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. the Contracting Party may, based on ANP’s opinion, suspend the course of the contract term regarding the affected portion of this 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

* 1. The Contracting Party, based on ANP’s opinion, may suspend the lapse of the contract term in case of evidenced delay in the environmental permitting procedure.
		1. The lapse of the contract term may be preventively suspended as soon as the regulatory term for decision of the licensing authority in the environmental permitting procedure is exceeded.
		2. The Contracted Party shall request preventive suspension of the contract term from ANP by evidencing that there is a delay in the environmental permitting procedure.
		3. The lapse of the contract term may be preventively suspended during the number of days elapsed between the date on which the delay in the permitting process was communicated and the date of its completion.
		4. The completion of the environmental permitting process shall be promptly informed by the Contracted Party.
		5. The Contracted Party shall evidence that, during the period between the suspension of the contract term and the granting of the environmental permit, it is not involved in the delay in the environmental permitting proceeding and that the delay was exclusively caused by the competent public entities.
		6. If ANP deems it unreasonable, the suspension of the lapse of the contract term shall be interrupted at any time.
	2. As long as requested by the Consortium Members, the suspension of the lapse of the contract term for more than five (5) years may entail contract termination, and the Consortium Members shall have no right to any type of indemnification.
		1. The Consortium Members shall be responsible for evidencing that, in the period between suspension of the lapse of the contract term and request for termination of the Agreement, they have not contributed to the delay of the environmental permitting process.
	3. As long as requested by the Consortium Members, the final denial of the permit essential to the development of the activities by the competent environmental authority may entail contract termination, and the Consortium Members shall not be entitled to any type of indemnification.
	4. The Consortium Members shall be responsible for evidencing that they did not contribute to the denial of the environmental permitting process for such denial to be considered an act of God, force majeure, and similar cause.

Losses

* 1. The Contracted Party shall individually and exclusively assume all losses arising from the situation of act of God, force majeure, or similar causes.
1. SECTION THIRTY-THREE – CONFIDENTIALITY

Obligation of the Consortium Members

* 1. All data and information acquired, processed, produced, developed, or, in any way, obtained as a result of the Operations and the Agreement are confidential.
	2. Data and information referred to in paragraph 33.1 may not be disclosed by the Consortium Members 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 Contracted Parties’ shares are traded;
4. the disclosure is directed to the Affiliate, consultant, or agent of the Contracted Party;
5. the disclosure is directed to the financial institution or insurance company to which the Contracted Party resorts or to a consultant thereof;
6. the disclosure is directed to a potential assignee in good faith or to its Affiliate or consultant;
7. the disclosure is directed to a concessionaire or contracted party of an adjacent area or to its Affiliate or consultant, aiming at the execution of the Production Individualization Agreement; and
8. the disclosure is directed to third parties that will work directly with data, with whom the requesting party has a contractual bond not related to purchase, sale, or assignment of data.
	* 1. Disclosure of data and information referred to in items “d” to “h” shall be conditioned to a previous confidentiality agreement, which shall:
9. include the provisions in paragraphs 33.1 and 33.2;
10. establish that its default shall be subject to the provision in Section Thirty;
11. prohibit the disclosure by the third party of data and information received without ANP’s prior consent.
	* 1. In the events provided for in items “a” to “g”, the Consortium Members shall send ANP a notice within thirty (30) days of the disclosure.
			1. The notice shall be followed by the data and/or information disclosed, the reasons for the disclosure, and the list of third parties who had access to such data and/or information.
			2. In the events provided for in items “d” to “g”, the notice shall also be followed by a copy of the confidentiality agreement referred to in paragraph 33.2.1.
	1. The provisions in paragraphs 33.1 and 33.2 shall remain in effect and shall survive termination of this Agreement.

Contracting Party’s and ANP’s Commitment

* 1. The Contracting Party and ANP undertake not to disclosure data and information obtained as a result of the Operations.
		1. Such provision shall not apply in case the disclosure is due to lawful or legal imposition.
1. SECTION THIRTY-FOUR – NOTICES, REQUESTS, COMMUNICATIONS, AND REPORTS

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

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

Addresses

* 1. The signatories’ addresses are presented in Annex VIII.
		1. In case of change of address, the signatory undertakes to notify the other signatories about the new address upon at least thirty (30)-day notice of the change.

Validity and Efficacy

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

Amendments to the Acts of Incorporation

* 1. The Consortium Members shall notify ANP about any amendments to its acts of incorporation, bylaws, or articles of association by sending copies thereof and copies of the documents for election of its managers or for evidence of the current board of executive officers within thirty (30) days of their effectiveness.
1. SECTION THIRTY-FIVE – LEGAL REGIME

Governing Law

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

Reconciliation

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

Mediation

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

Independent Expert

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

Arbitration

* 1. After the procedure set forth in paragraph 35.2, 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 and capacity to manage arbitration according to the rules of this section, and preferably with its principal place of business or office for management of cases in Brazil;
2. The Parties shall choose the arbitral institution by mutual agreement. If the Parties do not reach an agreement regarding the choice of the arbitral institution, ANP shall indicate one of the following institutions: (i) International Court of Arbitration of the International Chamber of Commerce; (ii) London Court of International Arbitration; or (iii) Hague Permanent Court of Arbitration. If ANP does not indicate an institution within the term established in paragraph 36.2.3, the other party may indicate any of the three institutions referred to in this item.
3. The arbitration shall comply with the rules of the chosen arbitral institution, only with respect to what is in compliance with this section. Only expedited procedures or procedures of a single arbitrator shall be adopted in case of an express agreement between the parties.
4. Three arbitrators shall be appointed. Each Party shall choose 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 is 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 the Contracting Party or ANP shall be paid off by a special judicial order, except in the event of administrative recognition 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 a subsequent rule. 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. ANP may, upon request of the Contracted Party and at its sole discretion, suspend the adoption of enforceable measures such as executing guarantees and enrolling in registers of debtors, provided that the Contracted Party keep the guarantees effective for the terms provided for in this Agreement, for a period sufficient for establishment of the Arbitral Tribunal, as to avoid unnecessary filing of the legal action provided for in the previous 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 disclosure of information to the public, which shall be done preferably online.
	1. The Parties hereby represent to be aware that the arbitration addressed by this section refers exclusively to disputes arising from the Agreement or related thereto and is intended to settle only litigations related to saleable property rights, under Law No. 9,307/1996.
		1. The following are deemed disputes on the equity rights available for purposes of this section:
15. calculation and application of contractual penalties, as well as controversies arising from the performance of guarantees;
16. calculation of indemnifications arising from termination or transfer of the Agreement;
17. failure by any of the Parties to perform contractual obligations; and
18. demands related to contractual rights or obligations.

Jurisdiction

* 1. For the provisions in item “I” of paragraph 35.5 and matters not related to saleable 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

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

Justifications

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

Continuous Application

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

1. SECTION THIRTY-SIX – FINAL PROVISIONS

Performance of the Agreement

* 1. The Contracted Party shall keep all eligibility and qualification conditions required by the bidding process compatible with the obligations undertaken thereby throughout the performance of the Agreement.

Amendments and Addenda

* 1. Omission or forbearance by any of the Parties to require compliance with the provisions of this Agreement, as well as acceptance of performance other than the required in the agreement, shall neither imply novation nor limit such Party’s right to subsequently impose compliance with these provisions or require performance consistent with what is required in the agreement.
	2. Any amendments or addenda to this Agreement shall observe the Applicable Laws and Regulations and shall only be valid if formally made in writing and signed by the representatives of the Parties.

Disclosure

* 1. The Contracting Party 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 [insert the number of counterparts] counterparts of equal form and content for a single effect, in the presence of the witnesses below.

Date, Place, Signatories

ANNEX I – CONTRACT AREA

**CARTOGRAPHIC PARAMETERS USED FOR THE COORDINATES**

(Include information on the Sedimentary Basin and Exploration Block, pursuant to ANP’s Grid standard)

ANNEX II – MINIMUM EXPLORATION PROGRAM

The Exploration Phase shall be effective for «duration»years.

**Minimum Exploration Program and its Financial Guarantees**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Indication of the Block** | **Area (km²)** | **Exploratory Well** | **Minimum Depth of the Well (age)** | **Amount of the Financial Guarantee for the Exploration Phase (R$)** |
|  |  |  |  | XX (insert amount in words) |

ANNEX III – FINANCIAL GUARANTEE OF THE MINIMUM EXPLORATION PROGRAM

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

ANNEX IV – PERFORMANCE GUARANTEE

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

ANNEX V – GOVERNMENT REVENUE

As provided by Law No. 12,351/2010, the Contracted Party shall pay the following Governmental Revenues:

1. Signature Bonus in the amount of (insert the amount in words) (R$XXX);
2. Royalties in the amount corresponding to fifteen percent (15%) of the Total Production Volume of Oil and Gas in the Contract Area.

ANNEX VI – GENERAL INSTRUCTIONS FOR THE EXPLORATION PLAN

General Considerations

* 1. The general instructions for the Exploration Plan define the objective and the content and determine the procedures for its submission to the National Agency of Petroleum, Natural Gas, and Biofuels – ANP.
		1. The Exploration Plan shall encompass, at least, the Minimum Exploration Program.
		2. Development of the activities of the Minimum Exploration Program may start before approval of the Exploration Plan, as long as ANP is previously notified.
		3. The first Exploration Plan shall be submitted by the Consortium Members no later than one hundred and twenty (120) days of the date established in the Agreement so the Operating Committee can be created.
		4. In case the Consortium Members are interested in developing exploration activities additional to the Minimum Exploration Program, they shall submit a revised Exploration Plan to ANP upon at least one hundred-twenty (120)-day notice from the beginning of such activities.
		5. The activities additional to the Minimum Exploration Program shall start upon approval of the Exploration Plan.
		6. At its sole discretion, ANP may authorize the beginning of the activities additional to the Minimum Exploration Program before the Exploration Plan is approved.
		7. ANP shall have sixty (60) days of receipt of the Exploration Plan to approve it or require modifications by the Consortium Members.
			1. If ANP requires such modifications, the Consortium Members shall submit them within sixty (60) days of such request, thus repeating the procedure provided for in paragraph 1.1.7 of this annex.
			2. The development of the Exploration activities already initiated shall be interrupted if reasonably required by ANP.

Purpose

* 1. The Exploration Plan shall:
1. be prepared according to the instructions for its approval contained in this Annex;
2. include information sufficiently comprehensive and detailed for its approval; and
3. allow ANP to know, monitor, and inspect the exploration activities contained therein.

Content of the Exploration Plan

* 1. The Exploration Plan shall include:
1. identification of the Consortium Members and the Operator;
2. identification of the Contract Area;
3. name of the Sedimentary Basin;
4. number of the Agreement;
5. schedule for the exploration activities of the Exploration Plan and expected annual budgets, based on the attached spreadsheet; and
6. executive summary, which shall contemplate the geological context in which the Contract Area is included (including location map) and a description for the expected exploration activities, presenting its justifications.
	1. The approval of the Exploration Plan by ANP does not entail automatic recovery of the costs provided for therein.

Changes in the Exploration Plan

* 1. Any change in the Exploration Plan shall be formally notified to ANP along with the technical justifications that caused it.
	2. ANP shall have sixty (60) days to review and, as the case may be, approve the changes proposed for the Exploration Plan.
	3. ANP may, at any time, request additional information it deems relevant, as well as verbal explanation of the Exploration Plan and its revisions.
	4. Changes in the Exploration Plan do not exempt the Consortium Members from fully complying with the Minimum Exploration Program.
	5. The approval of the completion report of the Exploration Plan by ANP does not entail automatic recovery of the costs provided for therein.

Table 1 – Template for Exploration Plan Spreadsheet

|  **DESCRIPTION** | **UNIT** | **ACTIVITIES – EXPLORATION PLAN** | **BUDGET – EXPLORATION PLAN (R$ THOUSANDS)** |
| --- | --- | --- | --- |
| **YEAR** | **YEAR** |
| **ONE** | **TWO** | **THREE** | **FOUR** | **ONE** | **TWO** | **THREE** | **FOUR** |
| **1 – SURVEYS** |  |  |  |  |  |  |  |  |  |
| **1.1 – GEOPHYSICAL** |  |  |  |  |  |  |  |  |  |
| 1.1.1 – GRAVIMETRY |   |  |  |  |  |  |  |  |  |
| ACQUISITION | km |  |  |  |  |  |  |  |  |
| PROCESSING | mh |  |  |  |  |  |  |  |  |
| INTERPRETATION | mh |  |  |  |  |  |  |  |  |
| 1.1.2 – MAGNETOMETRY |   |  |  |  |  |  |  |  |  |
| ACQUISITION | km |  |  |  |  |  |  |  |  |
| PROCESSING | mh |  |  |  |  |  |  |  |  |
| INTERPRETATION | mh |  |  |  |  |  |  |  |  |
| 1.1.3 – OFFSHORE SEISMIC ACQUISITION | 2D | ACQUISITION | km |  |  |  |  |  |  |  |  |
| PROCESSING | mh |  |  |  |  |  |  |  |  |
| INTERPRETATION | mh |  |  |  |  |  |  |  |  |
| 3D | ACQUISITION | km2 |  |  |  |  |  |  |  |  |
| PROCESSING | mh |  |  |  |  |  |  |  |  |
| INTERPRETATION | mh |  |  |  |  |  |  |  |  |
| 1.1.4 – ONSHORE SEISMIC ACQUISITION | 2D | ACQUISITION | km |  |  |  |  |  |  |  |  |
| PROCESSING | mh |  |  |  |  |  |  |  |  |
| INTERPRETATION | mh |  |  |  |  |  |  |  |  |
| 3D | ACQUISITION | km2 |  |  |  |  |  |  |  |  |
| PROCESSING | mh |  |  |  |  |  |  |  |  |
| INTERPRETATION | mh |  |  |  |  |  |  |  |  |
| 1.1.5 – ELECTROMAGNETIC |   |  |  |  |  |  |  |  |  |
| ACQUISITION | km/receiver |  |  |  |  |  |  |  |  |
| PROCESSING | mh |  |  |  |  |  |  |  |  |
| INTERPRETATION | mh |  |  |  |  |  |  |  |  |
| **1.2 – GEOCHEMICAL (PLEASE SPECIFY)** |   |  |  |  |  |  |  |  |  |
| ACQUISITION |   |  |  |  |  |  |  |  |  |
| PROCESSING | mh |  |  |  |  |  |  |  |  |
| INTERPRETATION | mh |  |  |  |  |  |  |  |  |
| **1.3 – OTHER SURVEYS (PLEASE SPECIFY)** |   |  |  |  |  |  |  |  |  |
| ACQUISITION |   |  |  |  |  |  |  |  |  |
| PROCESSING | mh |  |  |  |  |  |  |  |  |
| INTERPRETATION | mh |  |  |  |  |  |  |  |  |
| **2 – (RE)PROCESSING (PLEASE SPECIFY)** |  |  |  |  |  |  |  |  |  |
|   | mh |  |  |  |  |  |  |  |  |
| **3 – INTERPRETATION (PLEASE SPECIFY)** |  |  |  |  |  |  |  |  |  |
|   | mh |  |  |  |  |  |  |  |  |
| **4 – STUDIES** |   |  |  |  |  |  |  |  |  |
| 4.1 – GEOPHYSICAL (PLEASE SPECIFY) |   |  |  |  |  |  |  |  |  |
| 4.2 – GEOLOGICAL (PLEASE SPECIFY) |   |  |  |  |  |  |  |  |  |
| 4.3 – GEOCHEMICAL (PLEASE SPECIFY) |   |  |  |  |  |  |  |  |  |
| **5 – OTHER (PLEASE SPECIFY)** |   |  |  |  |  |  |  |  |  |
|   |   |  |  |  |  |  |  |  |  |
| **6 – ENVIRONMENT** |   |  |  |  |  |  |  |  |  |
| 6.1 – ENVIRONMENTAL PERMITTING | Units |  |  |  |  |  |  |  |  |
| **7 – WELL** |  |  |  |  |  |  |  |  |  |
| 7.1 – DRILLING |  |  |  |  |  |  |  |  |  |
| 7.2 – WELL ASSESSMENT |  |  |  |  |  |  |  |  |  |
| 7.3 – PETROPHYSICAL ANALYSIS |  |  |  |  |  |  |  |  |  |
| 7.4 – LOGGING |  |  |  |  |  |  |  |  |  |
| 7.5 – FORMATION TESTS |  |  |  |  |  |  |  |  |  |

Completion of the Exploration Plan Spreadsheet

The information shall be included in the header of the Exploration Plan:

1. year in which the program shall be developed;
2. Contract Area in which the program shall be developed;
3. Sedimentary Basin and State where the area is located;
4. name of the Operator of the Contract Area;
5. number of the Agreement;
6. issue date (date on which the document shall be submitted to ANP).

The surveys necessary for terrestrial or marine data acquisition through the gravimetric, magnetometric, and seismic methods shall be indicated in the field ‘geophysical surveys’, sub-item 1.1 of the Exploration Plan spreadsheet.

The measurement units of these works are:

1. gravimetric: kilometer (km);
2. magnetometric: km;
3. 2D seismic: km;
4. 3D seismic: square kilometer (km²).

The surveys necessary for geochemical data acquisition onshore or offshore, on the surface or subsurface (Oil Slick, Piston Core, etc.), shall be indicated in the field ‘geochemical surveys’, sub-item 1.2 of the Exploration Plan spreadsheet.

The measurement unit of these works shall be filled out according to the type of work carried out.

Any other type of survey not specified in other sub-items, such as Ground Penetrated Radar (GPR), Vertical Seismic Profile (VPS), etc., shall be indicated in the field ‘other surveys’, sub-item 1.3 of the Exploration Plan spreadsheet.

The measurement units of these works correspond to each type of survey, namely:

1. Acquisition: when any of the abovementioned surveys are not exclusive, such specification must be indicated next to the survey type, between parentheses.
2. Processing: indicate the processing of data from geophysical, geological, and geochemical surveys conducted during the reference year or in preceding years. The type of processing or reprocessing developed must be specified. The measurement unit of processing or reprocessing shall be km or km².
3. Interpretation: refers to the interpretation of geophysical, geological, and geochemical data already processed or reprocessed. The measurement unit for interpretation shall be man-hour (mh).

Any expected type of geophysical, geological, and geochemical study, such as, for example: AVO, Seismic Modeling, Petrophysical Modeling, Thin-Section or Sample Analysis, Oil Analysis, etc., shall be indicated in the field ‘studies’, item 4 of the Exploration Plan spreadsheet.

The measurement unit of these studies shall be filled out according to the type of study carried out.

Any other type of (physical) service not specified in the preceding items shall be indicated in the field ‘other’, item 5 of the Exploration Plan spreadsheet.

Management fees, support personnel expenditures, indirect costs, etc., shall not be included in this item.

The number of permits to be obtained before environmental authorities to develop the Exploration activities shall be indicated in the field environmental permitting, sub-item 6.1 of the Exploration Plan spreadsheet.

The number of wells to be drilled shall be indicated, with the expected depths specified in parentheses, in the field ‘drilling’, sub-item 7.1 of the Exploration Plan spreadsheet.

The amount and types of petrophysical analyses, the amount and types of logging, and the amount and types of formation tests shall be indicated in the field ‘well assessment’, sub-item 7.2 of the Exploration Plan spreadsheet.

The investments necessary for execution of the Exploration Plan shall be included in the columns related to the Exploration Plan budget.

The amounts in the spreadsheet shall be specified in R$ (Reais).

The exchange rate, for purposes of conversion from U.S. dollars to Reais, shall be the official selling exchange rate (BACEN/Ptax selling), published by the Central Bank of Brazil, of the last business day of the month immediately preceding the month of submission of data and information obtained.

ANNEX VII – PROCEDURES FOR CALCULATION OF COST AND PROFIT OIL

1. SECTION I – PRELIMINARY PROVISIONS
	1. The Contracting Party’s share of the Profit Oil, which shall not be affected by operating losses, shall be determined at the Measurement Point.
	2. The Cost Oil and the Profit Oil shall be calculated per Field in the Contract Area.
2. SECTION II – CALCULATION OF THE GROSS PRODUCTION VALUE

Gross Production Value

* 1. The Gross Production Value, based on which the Profit Oil shall be defined, shall be calculated for the Field or, when applicable, per Development Module, according to the following formula:



Where,

GPV**m**: Gross Production Value for month “m”;

VIP**o, m**: Volume of Inspected Production of Oil for month “m”, in cubic meters;

RPo, m: Reference Price of Oil in month “m”;

VIPg, m: Volume of Inspected Production of Natural Gas for month “m”, in cubic meters;

RPg, m: Reference Price of Natural Gas in month “m”.

Reference Prices of Oil

* 1. The Reference Price of Oil in month “m” shall be calculated as recommended by Decree No. 2,705/1998 or by the laws and regulations that may supersede it.

Reference Prices of Natural Gas

* 1. The Reference Price of Natural Gas in month “m” shall be calculated as recommended by Decree No. 2,705/1998 or by any subsequent laws and regulations.
	2. Up to the fifth business day of each month, as of the month following the one in which the Natural Gas Production Start Date for the Field falls, each Contracted Party shall inform the Manager and ANP the amounts sold, the sale prices, the expenditures incurred with Transportation of the Natural Gas produced, and the amount of the Reference Price of Natural Gas for the previous month.
1. SECTION III – CALCULATION OF THE COST OIL

General Provisions on Cost Oil

* 1. Expenditures incurred by the Contractors in the Contract Area that were approved by the Operating Committee and recognized by the Manager for the following activities compose the Cost Oil:
1. Exploration and Assessment;
2. Development;
3. Production; and
4. decommissioning of the facilities, including the amount deposited to the support fund.
	1. As long as related to the activities listed in paragraph 3.1, the expenditures incurred with the following, among others, shall be likely to be recognized as Cost Oil:
5. acquisition of supplies consumed in the Operations;
6. rental, charter, and financial leasing of properties and equipment used in the Operations;
7. acquisition, processing, and interpretation of geological, geophysical, and geochemical data;
8. properties incorporated into the fixed assets used in the Operations;
9. conservation, maintenance, and repair of properties, equipment, and facilities;
10. replacement and repair of lost or damaged properties or equipment in customary development of the Operations;
11. acquisition and maintenance of insurance policies approved by the Operating Committee;
12. vessel and aircraft operations;
13. inspection, storage, handling, and transportation of materials and equipment;
14. obtaining of permits, easements, and expropriation of real properties and the like;
15. trainings related to the activities listed in paragraph 3.1 of this annex;
16. personnel directly related to the activities listed in paragraph 3.1 of this annex, noting that:
17. such expenditures shall be exclusively composed of the parts defined below:

l.1.1) salaries, including vacation pay, overtime pay, allowances, including vacation, commissions, bonuses, including Christmas bonus, payments to the Contribution to the Government Severance Indemnity Fund for Employees (FGTS), insurance, including medical, life, and health insurance, mandatory and complementary social-security contribution, payroll taxes, and support, including housing and public transportation;

l.1.2) costs of support to the personnel directly related to the activities listed in paragraph 3.1 of this annex, as long as such costs are easily identifiable.

1. expenditures shall be appropriated upon indication of the work hours of the personnel directly related to the activities listed in paragraph 3.1 of this annex, based on the average cost of the expenses listed in sub-item “l.1” per employee, taking into account each category and working arrangements;

l.2.1) the average cost of the expenses listed in sub-item “l.1.2” per employee shall be evidenced upon submission by the Operator, in details and in format approved by the Manager, of the calculation chart of the support cost per job used in the preparation of the man-hour cost table.

1. the man-hour cost table shall be revised every year and, for purposes of recognition of the personnel expenses as Cost Oil, its effectiveness shall be subject to the express approval of the calculation chart by the Manager;

l.3.1) the calculation chart of such costs is confidential information owned by the Operator, and its use, disclosure, and/or access must be exclusive for the Operator and the Manager.

1. without prejudice to the provisions in sub-item “l.2.1”, the Operator shall, during the Audit of the Cost and Profit Oil, provide the statement showing that the average expenditures of the personnel directly related to the activities listed in paragraph 3.1 corresponds exclusively to costs incurred and does not include any element of profit or duplication of costs. Such statement may, at the Manager’s discretion, be prepared by means of a report issued by the external independent auditor on the composition of the man-hour cost.
	* 1. Expenditures incurred by the Operator that are not easily identifiable and not directly associated with the Operations shall be recovered according to the following percentages on the total expenditures recognized as Cost Oil:
2. Exploration Phase:
3. three percent (3%), for expenditures up to R$5,000,000.00 (five million Reais);
4. two percent (2%), for expenditures greater than R$5,000,000.00 (five million Reais) up to R$15,000,000.00 (fifteen million Reais);
5. one percent (1%), for expenditures greater than R$15,000,000.00 (five million Reais).
6. Production Phase:
7. one percent (1%) of the expenditures in the Production Phase.

Exploration and Assessment Activities

* 1. The Exploration and Assessment activities referred to in item “a” of paragraph 3.1 of this annex include:
1. acquisition, processing, reprocessing, and interpretation of geological, geochemical, and geophysical data;
2. drilling, completion, and abandonment of exploration wells;
3. performance of formation tests, Extended Well Tests, and Production Tests for Discovery Assessment; and
4. implementation of facilities used to support the activities listed, including civil engineering services and works.

Development Activities

* 1. The Development activities referred to in item “b” of paragraph 3.1 of this annex include:
1. studies of and projects for implementation of the Production facilities;
2. drilling and completion of the Producing and injection wells; and
3. installation of equipment and vessels for extraction, collection, Treatment, storage, and transfer of Oil and Gas.
	* 1. The installation referred to in item “c” includes, but is not limited to, offshore platforms, pipelines, Oil and Gas Treatment plants, equipment and facilities for measurement of the inspected Production, wellhead equipment, production pipes, flow lines, tanks, and other facilities exclusively intended for extraction, as well as oil and gas pipelines for Production Outflow and their respective compressor and pumping stations.

Production Activities

* 1. The Production activities referred to in item “c” of paragraph 3.1 of this annex include:
1. customary Production Operations, including the Production of Oil and Gas, by both natural and artificial lifting, Treatment, compression, control, measurement, testing, collection, Outflow, storage, and transfer of Oil and Gas; and
2. Interventions in Producing wells and customary injection, maintenance, and repair of Production equipment and facilities.

Decommissioning of Facilities

* 1. The environmental abandonment and rehabilitation, including, but not limited to, plugging, cementing, and other operations necessary for safely plugging the wells, as well as disconnection and removal of lines and removal of stationary and floating Production units, are included in the decommissioning of facilities referred to in item “d” of paragraph 3.1 of this annex.

Rentals, Charters, and Leases

* 1. Expenditures for rentals, charters, and leases, exclusively during the period in which the property or right is effectively used in the Operations, are recoverable as Cost Oil.

Payments to Affiliates

* 1. The expenditures incurred by the Contracted Party in transactions with affiliates, pursuant to the approval and supporting procedures set forth in paragraphs 3.24 to 3.33 of Annex XI, shall be recognized as Cost Oil.

Expenditures not included in Cost Oil

* 1. Expenditures disbursed for the following shall not be recognized as Cost Oil:
1. Royalties;
2. Signature Bonus;
3. commercial Royalties paid to Affiliates;
4. additional information obtained pursuant to paragraph 2.4.3 of Annex XI;
5. financial charges and amortization of loans and financings;
6. research, development, and innovation contracted under Section Seven of this Agreement;
7. fixed assets not directly related to the activities established in paragraph 3.1 of this annex;
8. judicial and extrajudicial costs, reconciliations, arbitrations, expert examinations, attorney’s fees, loss of suit expenses, and indemnifications resulting from court decision or arbitration award, even if merely by judicial settlement approval, as well as extrajudicial settlement, when resulting from litigations involving the Contracting Party, ANP or the Manager, in different capacities;
9. fines, sanctions, and penalties of any kind;
10. replacement of properties, equipment, and supplies lost, damaged, or destroyed due to act of God, force majeure, or similar causes, as well as willful misconduct, malpractice, negligence, or imprudence by the Operator, its agents, contracted parties, Affiliates, or associates and related services;
11. downtime resulting from item “j”;
12. income taxes, as well as taxes encumbering acquisitions and generating credits that may be used by the Contracted Party;
13. commercialization or Transportation of Oil and Gas, except for those related to Production outflow;
14. items covered by the percentage defined in paragraph 3.2.1 of this annex;
15. tax credits arising from the non-cumulative nature aiming at the recovery of the tax burden levied on the previous phase that may be used by the Contractor, except for credits required to be cancelled or reversed.
16. performance guarantees, financial guarantees for compliance with the Minimum Exploration Program and as consideration for the extension of the Exploration Phase, and decommissioning and abandonment guarantees, except for the financial support fund; and
17. reward paid by the Contracted Parties not adhering, at first, to the Operations with Exclusive Risk.
18. SECTION IV – SYSTEMATIZATION OF THE COST OIL
	1. The Cost Oil shall be controlled through an information system, managed and designed by the Manager and fed by the Operator, referred to as Production Sharing Expenditure Management System (SGPP).
	2. The SGPP shall also be the instrument for managing compliance with the Local Content.
	3. The Operator shall feed the SGPP in the format, detail, and frequency determined by the Manager, with all expenditures incurred during the immediately preceding period.
		1. The frequency for feeding the SGPP shall be no more than monthly.
		2. The Operator shall feed the SGPP with such entries by the twenty-fifth (25th) day of the month following the entries.
		3. Monetary data shall be entered into the SGPP in national currency.
		4. In case of purchase of goods and services and other payments in foreign currency, the SGPP shall be fed in national currency, converted at the official buying exchange rates set by the Central Bank of Brazil on the date of the expenditure.
	4. The Manager shall have fifteen (15) days of receipt of the consolidated expenditure database to request additional information to the Operator.
		1. Upon receipt of the information requested, the Manager shall have fifteen (15) days to justify any failure to recognize expenditures as Cost Oil.
		2. Entries not challenged within fifteen (15) days shall be recognized as Cost Oil.
		3. The Contracted Parties may request review of the Manager’s decision as stipulated in the Internal Regulations of the Operating Committee.
	5. At any time, the Manager may request additional information on expenditures already recognized as Cost Oil.
		1. The Operator shall have thirty (30) days of the date of receipt of the request to provide the applicable clarifications.
		2. Failure to provide the requested clarifications within the term shall entail reversal of the expenditures previously recognized as Cost Oil.
		3. In case the Manager does not agree with the clarifications provided, the expenditures previously recognized as Cost Oil shall be reversed.
	6. The Manager’s actions in recognizing the expenditures shall become final after lapse of the five (5)-year period of prescription or upon its verification through Audit of the Cost and Profit Oil.
	7. The Operator shall make available to the Manager and ANP, for ten (10) years after the effectiveness of the Agreement ends, all records supporting the amounts entered into the system.

Calculation of the Federal Government's Profit Oil

* 1. The Operator shall enter into the SGPP, by the fifth (5th) business day of each month, among others, the following Production data for the immediately preceding month:
1. Production volume;
2. Reference Prices of Oil and of Natural Gas;
3. amounts of Royalties due;
4. Production of each producing well, especially wells showing restricted production; and
5. average daily productivity of the wells in the Contract Area, as well as specification of producing wells, except for wells with production restricted due to technical and operational issues and that are incurring losses, at PPSA’s discretion.
	1. The Manager, through the SGPP, shall forward to the Contracted Parties the report on calculation of the Contracting Party’s Profit Oil for month “m” by the last business day of the following month.

The report on calculation of the Profit Oil for month “m” shall include the following information:

1. accrued balance of the Cost Oil account in month “m”: COm;
2. total Royalties payable by the Contracted Parties in month “m”: Roym;
3. Gross Production Value for month “m”: GPVm;
4. Profit Oil in month “m”: POm = GPVm – Roym – LOWEST [COm; NN% \* GPVm]
5. Profit Oil sharing rate in month “m”: Ratem (calculated by reference to the table included in Annex XII of the Agreement);
6. monthly limit for recovery of Cost Oil: NN%;
7. Contracting Party’s Profit Oil in month “m”: GPOm = Ratem \* POm;
8. expected percentage of oil to be produced in month “m+3” to be submitted to the company contracted to sell the Federal Government’s oil, equal to: Sharem+3 = GPOm / GPVm (except for cases in which the Operator communicates the Manager any expected increase or decrease in the Production resulting from a planned operation).

Each month, the Oil and Natural Gas produced in the Contract Area shall be shared in the proportion established in the report on calculation of the Contracting Party’s Profit Oil for the immediately preceding month, and such rule shall be included in the Oil or Gas Production Availability Agreement to be entered into by and between the Consortium Members.

1. SECTION V – ASSET AND AGREEMENTS REGISTER
	1. The Contracted Party shall keep before the Manager:
2. a register of all assets used in the activities listed in paragraph 3.1 of this annex; and
3. a register of all agreements executed for development of the activities listed in paragraph 3.1 of this annex.
	* 1. The content of such registers shall be defined by the manager and shall be included in the SGPP manual.
4. SECTION VI – AUDIT OF THE COST AND PROFIT OIL
	1. The Operator shall keep available to the Manager, for ten (10) years after feeding them to the SGPP, all documents supporting the expenditures incurred.
	2. The Audit of the Cost and Profit Oil shall be performed by the Manager at any time, directly or through specialized consulting services, upon at least thirty (30)-day notice to the Operator.
		1. The maximum frequency for performing the Audit of the Cost and Profit Oil is at every five (5) years.
		2. The minimum frequency for performing the Audit of the Cost and Profit Oil is at every one (1) year.
	3. Regarding expenditures previously recognized as Cost Oil, the Audit of the Cost and Profit Oil shall result in:
5. reversal of expenditures improperly recognized; or
6. final acceptance of the expenditures recognized.
	1. Regarding the Volume of Inspected Production, the Audit of the Cost and Profit Oil shall result in:
7. adjustment of the Volume of Inspected Production improperly calculated; or
8. final acceptance of the Volume of Inspected Production calculated.

ANNEX VIII – ADDRESS

**Ministry of Mines and Energy – MME**

Esplanada dos Ministérios, Bloco U, Zona Cívica

Brasília, DF, 70065-900

**Empresa Brasileira de Administração de Petróleo e Gás Natural S.A. – Pré-sal Petróleo S.A. – PPSA**

SBS Quadra 02, Bloco E, Edifício Prime, nº 206, sala 1404 (Registered Office)

Brasília, DF, 70070-120

Avenida Rio Branco, nº 1, 4º andar, Centro (Main Office)

Rio de Janeiro, RJ, 20090-003

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

Avenida Rio Branco nº 65, 12º ao 22º andar, Centro

Rio de Janeiro, RJ, 20090-004

**[insert the Contracted Party’s corporate name]**

[insert the Contracted Party’s full address]

ANNEX IX – LOCAL CONTENT COMMITMENT

|  |
| --- |
| **Minimum Local Content (%)** |
| Exploration Phase | 18 |
| Development Phase | Construction of Well | 25 |
| Production Collection and Outflow System | 40 |
| Stationary Production Unit | 25 |

ANNEX X – CONSORTIUM AGREEMENT

**CONSORTIUM AGREEMENT**

**[name]**

**REGARDING PRODUCTION SHARING AGREEMENT**

**NO. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**[areas covered by the consortium]**

**BASIN \_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**by and between**

Empresa Brasileira de Administração de Petróleo e Gás Natural S.A. – Pré-Sal Petróleo S.A. – PPSA,

and

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Brasília, DF**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_**

**CONSORTIUM AGREEMENT**

**PARTIES**

The Parties to this Consortium Agreement, hereinafter collectively referred to as Parties or Consortium Members or individually as Party or Consortium Member, are:

**EMPRESA BRASILEIRA DE ADMINISTRAÇÃO DE PETRÓLEO E GÁS NATURAL S.A. – PRÉ-SAL PETRÓLEO S.A. – PPSA**, a company organized under the laws of Brazil, with its principal place of business at SBS Quadra 02, Bloco E, Edifício Prime, nº 206, sala 1404, Brasília, DF, and Main Office at Avenida Rio Branco, nº 1, 4º andar, Centro, Rio de Janeiro, RJ, enrolled in the National Register of Legal Entities of the Ministry of Finance (CNPJ/MF) under No. 18.738.727/0001-36, as the Manager of the Production Sharing Agreement under article 2 of Law No. 12.304/2010, hereinafter referred to as the Manager, herein represented by \_\_\_\_\_.

and

\_\_\_\_\_, a company organized under the laws of Brazil, with its principal place of business at \_\_\_\_\_, enrolled in the National Register of Legal Entities of the Ministry of Finance (CNPJ/MF) under No. \_\_\_\_\_, hereinafter referred to as Contracted Party, herein represented by \_\_\_\_\_.

1. SECTION ONE – CORPORATE NAME OF THE CONSORTIUM
	1. The Consortium shall be referred to as “Consórcio \_\_\_\_\_\_\_\_\_\_.”
2. SECTION TWO – PURPOSE OF THE CONSORTIUM
	1. The subject matter of this Consortium Agreement is the association of the Parties to comply with Production Sharing Agreement for Exploration and Production of Oil and Gas No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, hereinafter referred to as Production Sharing Agreement.
	2. The Consortium Members established and shall establish, in specific documents and without prejudice to documents and commitments undertaken in the Production Sharing Agreement, specific rules and conditions to internally govern individual relations, in their capacity of Consortium Members, as well as the conduct of the Consortium Operations.
3. SECTION THREE – ORGANIZATION OF THE CONSORTIUM
	1. The Consortium shall have its principal place of business in the city of \_\_\_\_\_\_\_\_\_ (Brasília, DF or Rio de Janeiro, RJ), Brazil.
	2. The Consortium, as well as the execution of the subject matter of this Consortium Agreement and the use of the Common Assets, does not constitute a company between the Parties.
4. SECTION FOUR – OPERATIONS MANAGEMENT – OPERATOR AND OPERATING COMMITTEE
	1. The parties elect \_\_\_\_\_\_\_\_\_\_ as leader of the Consortium and Operator, who accepts to work as such.
	2. The Operator is responsible for conducting and performing the Operations, by performing acts, entering into juristic acts, and representing the Consortium before ANP, the Federal, State, and Municipal Governments, as well as to third parties, as of the effective date of this Consortium Agreement.
	3. The Operating Committee shall be responsible for resolutions regarding management of the Consortium, which organization, competence, powers, fields of operation, composition, frequency of meetings, voting procedures, and matters specially subject to its resolution shall be defined in specific documents to be entered into by and between the Parties, as long as not contrary to the terms of the Production Sharing Agreement.
	4. Annex XI of the Production Sharing Agreement is an integral part of this Consortium Agreement.
	5. The Consortium’s decisions shall be approved by vote as established in Annex XI to the Production Sharing Agreement and according to the criteria, forms, and procedures established in specific documents, as long as not contrary to the terms of the Production Sharing Agreement and its annexes.
5. SECTION FIVE – SHARES AND CONTRIBUTIONS OF THE CONSORTIUM MEMBERS
	1. The Consortium Members shall have an undivided share of the rights and obligations arising from the Production Sharing Agreement, in the proportions established below, hereinafter referred to as Proportional Shares or Proportional Share.

|  |  |
| --- | --- |
| **PPSA** | **0%** |
| **\_\_\_\_\_\_\_\_** | **\_\_%** |
|  |  |

* + 1. In case of Operations with Exclusive Risks, the Contracted Parties may agree on different percentages from those mentioned above.
		2. The Consortium Members shall keep their own accounting records and financial statements, with express reference to their Proportional Shares.
	1. The Common Assets shall be used and/or consumed exclusively in the Consortium Operations.
	2. The Manager shall have an undivided share of zero percent (0%) of the Consortium’s rights and obligations and fifty percent (50%) of votes in the resolutions of the Operating Committee, in addition to the casting vote and the veto power, pursuant to the Production Sharing Agreement and its annexes.
		1. The vote of the other Consortium Members’ representatives shall be weighted 50% of the decision, so that each Consortium Member shall have a vote corresponding to half its proportional share, as follows:

|  |  |
| --- | --- |
| **PPSA** | **50%** |
| **\_\_\_\_\_\_\_\_** | **\_\_%** |
|  |  |

1. SECTION SIX – AUDIT AND ACCOUNTING RECORDS
	1. The Operator shall, in an independent and identified way, keep accounting records regarding the Consortium activities, which shall follow the accounting principles usually accepted by the international oil industry practices, according to specific documents entered into by and between the Parties. The accounting principles shall not conflict with the Brazilian laws and regulations, Except for legal or contractual provisions to the contrary, the Consortium’s financial statements shall be prepared every calendar year.
	2. Each Consortium Member shall keep its own accounting records for accounting and tax purposes regarding its Proportional Share. The Consortium Members shall record in their respective accounting books the profits earned with the consortium activity, including amortization/depreciation quotas regarding the capital costs incurred, according to their respective Proportional Shares.
	3. Each Consortium Member shall, at its own cost, be entitled to review, audit, and verify the documentation supporting the Operator’s entries and books related to the Operation and the Consortium operation, pursuant to the applicable legal rules and specific documents entered into by and between the Parties.
2. SECTION SEVEN – OWNERSHIP OF OIL AND GAS
	1. The volumes of Oil and Gas obtained at the Measurement Point shall be distributed between the Contracting Party and the Contracted Parties, according to the percentage of Profit Oil established in the Production Sharing Agreement. The Profit Oil share of the Production of Oil and Gas, plus the volumes regarding the refund of Cost Oil and the volume corresponding to the Royalties payable by each Contracted Party, shall be distributed according to the Contracted Parties’ Shares, as provided for in this Consortium Agreement.
	2. Each Consortium Member shall be responsible for the sale of its share of the Oil and Gas produced. Each Consortium Member is free to sell its share of the Production at the price and under the terms and conditions it deems applicable, pursuant to the provisions of the Production Sharing Agreement and the Applicable Laws and Regulations.
3. SECTION EIGHT – EFFECTIVENESS
	1. This Consortium Agreement shall become effective on its execution date and shall remain so for forty (40) years or until all obligations arising from the Production Sharing Agreement are performed.
	2. The Consortium Members may terminate this Agreement, as long as they have previously reached an agreement and performed their obligations in the Production Sharing Agreement.
	3. Upon termination, the Common Assets shall be orderly settled by the Operator, and the proceeds of the sale of Common Assets not inuring to the benefit of the Contracting Party shall, under the Production Sharing Agreement, be divided among the Consortium Members according to their shares.
	4. Upon termination of this Consortium Agreement, the Parties shall file a termination notice with the competent Commercial Registry.
4. SECTION NINE – FORCE MAJEURE
	1. In case any acts or performance provided for in this Consortium Agreement are delayed, reduced, or hindered by act of God or force majeure, non-performance by the affected Consortium Member shall only be waived if the act of God or force majeure is acknowledged and declared according to the Production Sharing Agreement.
5. SECTION TEN – ARBITRATION AND GOVERNING LAW
	1. Any dispute, controversy, or demand resulting from or related to this Consortium Agreement, including any issue regarding its existence, effectiveness, or termination, shall be addressed according to Section Thirty-Five of the Production Sharing Agreement.
	2. The law applicable to this Consortium Agreement is the Brazilian law.
6. SECTION ELEVEN – OBLIGATIONS AND RESPONSIBILITIES OF THE CONSORTIUM MEMBERS
	1. The Contracted Parties undertake to provide the Operator, to the benefit of the Consortium and in the proportion of their shares, with funds required to achieve the objectives of this Consortium Agreement.
	2. The Operator shall conduct the Consortium Operations in compliance with the objectives of the Production Sharing Agreement and the Consortium Agreement executed herein, neither earning gains nor incurring losses when acting as Operator or due to such capacity.
	3. The activities developed by the Operator, in this capacity and to the benefit of the Consortium, shall not characterize, at any time and for any legal purposes, provision of services, management of third-party businesses, or employment bond of employees or agents of any Consortium Members between one another.
	4. The Contracted Parties are jointly liable for the obligations under this Consortium Agreement before ANP, the Contracting Party, and third parties.
7. SECTION TWELVE – ADDITIONAL PROVISIONS
	1. The Operator shall be that responsible for the assessment, calculation, and payment of taxes derived from the Consortium Operations, and the other Contracted Parties shall contribute with financial resources to such disbursements pursuant to procedures to be established in specific documents entered into by the Parties, according to the share percentages provided for in paragraph 5.1 of this annex.
		1. The Operator shall be responsible for providing a statement of the tax credits likely to be used, along with the respective tax documents, as to enable the other Contracted Parties to use the tax credits as provided for in Section Eight of the Production Sharing Agreement.
8. SECTION THIRTEEN – NOTICES
	1. Notices and communications shall be made in writing and may be sent by email, as long as information security is ensured, or to the addresses below. Notices and communications shall be deemed made when delivered in person or on the first business day after acknowledgement of their receipt.
	2. Any Party is entitled to change its address at any time and/or require that copies of such notices are sent to another person in any other address, as long as it is informed in writing to all other Parties.

**Pré-Sal Petróleo S.A. (COMPANY INFORMATION)**

**<corporate name of the contracted party>**

<address>

<CEP> – <city>, <State>, Brazil

Att.: <representative>

Ph.: <telephone>

Facsimile: <fax>

IN WITNESS WHEREOF, the Parties execute this Consortium Agreement through their legal representatives, on the date below, in \_\_\_\_\_\_\_\_\_\_\_ (\_\_) original counterparts of equal form and content, together with the undersigned witnesses.

Brasília or Rio de Janeiro, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_, 20\_\_.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Representative of Pré-Sal Petróleo S.A.

|  |
| --- |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Name |
| Title |
| Corporate name of the Contracted Party |

Witnesses:

|  |  |
| --- | --- |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Name: | Name: |
| Identity Card: | Identity Card: |
| INDIVIDUAL TAXPAYER’S ENROLLMENT NUMBER (CPF): | INDIVIDUAL TAXPAYER’S ENROLLMENT NUMBER (CPF): |

ANNEX XI – CONSORTIUM RULES

1. SECTION I – OPERATING COMMITTEE

Composition and duties

* 1. The Operating Committee, management and decision-making body of the Consortium, is composed of representatives of the Manager, the Operator, and other Consortium Members.
		1. The Operating Committee shall be composed of one (1) full member of each Consortium Member.
		2. Each full member may be replaced by one (1) alternate member.
		3. Any Consortium Member may appoint or replace their regular and alternate representatives in the Operating Committee at any time.
		4. Each full member shall have the right to be escorted by consultants in any Operating Committee meeting.
	2. The Operating Committee shall be chaired by the Manager’s representative.
	3. The Manager’s performance in the Operating Committee shall be guided by the principles of legality, morality, reasonability, proportionality, economy, efficiency, and impersonality, pursuant to the Best Practices of the Oil Industry.
	4. Acts performed by the Manager that affect the Contracted Parties’ rights shall be justified.
	5. The Operating Committee shall be responsible for:
1. resolving upon the issues listed in the Table of Competences and Resolutions;
2. ensuring full compliance with the clauses of this Agreement;
3. supervising the Operations performed;
4. resolving upon plans, programs, reports, projects, and other matters required for the performance of the Operations subject matter of this Agreement;
5. ensuring compliance with the Local Content contracted, pursuant to Section Twenty-Four of this Agreement, in addition to the provisions in the subsequent paragraphs and in Annex IX.
	1. Expenditures approved by the Operating Committee shall be recognized as Cost Oil, according to Section IV of Annex VII to this Agreement, except for events expressly provided for in this Agreement or made explicit by the Manager in the Operating Committee.

Deadline for establishment

* 1. The Operating Committee shall be installed by the Consortium Members for a period of uo to sixty (60) days after the date of execution of this Agreement
		1. The Operating Committee shall be considered established after its first meeting.
		2. Failure to establish the Operating Committee within the term established shall not entail extension of the deadlines set forth in this Agreement.

Meetings

* 1. The Operating Committee shall meet on an ordinary basis on the date, time, and place established in the Internal Regulations of the Operating Committee.
		1. Frequency of meetings shall be defined in the Internal Regulations of the Operating Committee.

Extraordinary meetings may be requested at any time by any Consortium Member, and the chairman of the Operating Committee shall be notified pursuant to the Internal Regulations of the Operating Committee.

Discussions and resolutions made in the Operating Committee meetings shall be recorded in minutes and in voting records and signed by the full members present at the meeting or their respective alternates, when acting as full members, under the Internal Regulation of the Operating Committee

The meeting minutes and voting records shall be kept by the Operating Committee during the effectiveness of the Agreement.

When the Agreement is terminated, the collection of meeting minutes and voting records shall be submitted to the Manager.

At the meetings, the chairman of the Operating Committee is responsible for, among other duties:

1. setting the agenda, and calling, preparing, and distributing the schedule of the meetings;
2. coordinating and guiding the meetings;
3. coordinating, when applicable, the postal votes set forth in paragraphs 1.26 to 1.29 of this annex.

The Operator shall be responsible for appointing an executive secretary, without voting right, with the following duties, among others:

1. prepare the meeting minutes and voting records;
2. prepare and distribute the drafts of meeting minutes;
3. consolidate the meeting minutes after receiving comments;
4. prepare the voting record;
5. provide copies of the meeting minutes and voting record to the members of the Operating Committee.

Quorum of the meeting

The presence of the chairman of the Operating Committee or his/her alternate is mandatory in meetings.

As long as the provision in paragraph 1.12 is complied with, meetings of the Operating Committee may be held with any quorum.

Voting right in meetings and its influence on the resolutions

Each Consortium Member shall be entitled to one (1) vote, exercised by its representative in the Operating Committee.

The Contracted Party in default after five (5) days of the default notice issued by the Operator shall lose its voting right in meetings of the Operating Committee.

The vote of the Manager’s representative shall be weighted fifty percent (50%) of the decision, and the remaining fifty percent (50%) shall be divided among the other members present at the meeting, in the proportion of each Contracted Party’s Share.

If any member of the Operating Committee present at the meeting refrains from resolving upon a certain matter or is in default, its Share shall be divided among the other members present at the meeting, in the proportion of each compliant Contracted Party’s Share.

The provisions in paragraph 1.17.1 of this annex also apply to the case of refraining from postal voting.

Resolutions

Proposed resolutions shall be sent by the Operator to the Operating Committee.

Any topic that shall be resolved by the Consortium may be raised by the members of the Operating Committee.

Information required to resolve upon the topic proposed shall be sent to the other Parties within no less than fifteen (15) days of the date of the meeting.

The matters included in the Table of Competences and Resolutions shall be resolved upon according to the quorum of Consortium Members present at the meetings and entitled to vote, except as provided for in paragraph 1.14 of this annex.

Percentages to be achieved so that the matter is approved, within the scope of the Consortium, shall be calculated according to the procedures below.

Resolutions for which the column of decisions is checked with “D1” shall have decision percentage equal to ninety-one percent (91%).

Resolutions for which the column of decisions is checked with “D2” shall have decision percentage equal to forty-one percent (41%), without participation of the Manager.

Resolutions for which the column of decisions is checked with “D3” shall have decision percentage equal to 82.5% (eighty-two integers and five tenths percent).

Resolutions for which the column of decisions is checked with “D4” shall have decision percentage equal to 32.5% (thirty-two integers and five tenths percent), without participation of the Manager.

|  |
| --- |
| **Table of Competences and Resolutions** |
| Item | Resolutions | Decision |
| 1 | Commercial Feasibility of the Deposit | D4 |
| 2 | Development Plan and its revisions | D1 |
| 3 | Production Individualization Agreement | D1 |
| 4 | Termination of the Production Sharing Agreement | D2 |
| 5 | Oil or Gas Production Availability Agreement | D3 |
| 6 | Annual Budget and Work Programs | D3 |
| 7 | Annual Production Program | D3 |
| 8 | Facility Decommissioning Program | D3 |
| 9 | Accounting of expenditures incurred | D3 |
| 10 | Authorization for Expenditures | D3 |
| 11 | Contracting of goods and services, pursuant to paragraphs 3.24 through 3.31 | D3 |
| 12 | Creation of subcommittees | D3 |
| 13 | Preparation of and Change in the Internal Regulations of the Operating Committee | D3 |
| 14 | Other matters of its competence | D3 |
| 15 | Early end of the Exploration Phase | D2 |
| 16 | Discovery Assessment Plan and its revisions | D4, D3\* |
| 17 | Exploration Plan and its revisions | D4, D3\* |
| 18 | Acquisition of geological and geophysical data | D4, D3\* |
| 19 | Partial relinquishment of the Contract Areas, including assessment of the respective relinquishment report | D2 |
| 20 | Request for extension of the Exploration Phase | D4, D3\* |
| 21 | Other matters related to the Exploration Phase that may be resolved until, and including, submission of a Discovery Assessment Plan to the Operating Committee | D4 |

\* Decisions that, when made until submission of a Discovery Assessment Plan to the Operating Committee, are subject to D4 resolution and, when made after submission of a Discovery Assessment Plan to the Operating Committee, are subject to D3 resolution.

In D4 resolutions, except for the Declaration of Commercial Feasibility of the Deposit, the chairman of the Operating Committee may exercise his/her veto power as of the moment in which a Discovery Assessment Plan is submitted to the Operating Committee.

In case the chairman of the Operating Committee exercises his/her veto power, a new meeting shall be called to resolve upon the rejected matter, pursuant to the Internal Regulations of the Operating Committee.

In any type of decision, the Consortium Members voting against the approval of the matter shall submit to the others, in up to five (5) days, a report presenting the reasons for their vote.

When the proposals do not obtain the minimum resolution percentage for approval in the scope of the Consortium, the Operator shall prepare a new proposal, necessarily taking into account, when preparing it, the considerations of the Consortium Members who voted against the original proposal.

The new proposal must be available for the Consortium Members within fifteen (15) days of the date of disapproval of the matter and shall be voted within fifteen (15) days of the date of such availability, unless other terms are established in the Internal Regulations of the Operating Committee.

The term for submission and vote of the new proposal may be reviewed by the Operating Committee.

In case the new proposal does not obtain the minimum resolution percentage either, the directors of exploration, or their equivalent, of each Consortium Member, shall meet to examine the matter and submit a new proposal to the Operating Committee within ten (10) days of the last voting date, unless other terms are established in the Internal Regulations of the Operating Committee.

In case the new proposal does not obtain the minimum resolution percentage either, the matter may be:

1. deemed rejected;
2. submitted as Operation with Exclusive Risk, as long as it complies with the provision in paragraph 4.2 of this annex;
3. submitted to the procedure referred to in Section Thirty-Five of the Agreement; or
4. approved, at least, by the vote of the Manager plus the simple majority of the Contracted Parties, in the events involving an obligation with term established by ANP.

Postal voting

In cases in which the resolution needs to be made soon or for convenience of the Consortium Members, the decision may be made through postal voting, under the terms of the notice sent by the secretary of the Operating Committee to the other Consortium Members.

Email shall also be considered a form of correspondence, as long as information security is ensured.

Any Consortium Member may, upon justification, request postal voting to the other Consortium Members.

The request for postal voting shall contain a detailed description on the matter, with technical and financial information necessary for its proper analysis and resolution.

The untimely vote of any Consortium Member shall be deemed abstention, as long as opposed by a Consortium Member.

Voting effects

The resolutions of the Operating Committee bind the Consortium Members, except for cases in which a certain proposal not approved by the Operating Committee is undertaken by the Contracted Party as Operations with Exclusive Risks.

Call for Technical Specialists and Creation of Subcommittees

The Operating Committee may create subcommittees with the purpose of supporting the resolutions, under the Internal Regulations of the Operating Committee.

The Operating Committee may call experts to act as advisors, pursuant to the Internal Regulations of the Operating Committee.

Internal Regulations of the Operating Committee

The Consortium Members shall agree upon the Internal Regulation of the Operating Committee with provisions additional to those in this Annex.

Operating expenses of the Operating Committee

Expenses regarding the operation of the Operating Committee shall be borne by the Contracted Parties proportionally to their Share.

The Manager shall bear with the travel and accommodation expenses of its representatives in the Operating Committee.

Emergency Operations

In cases of Emergency Operations, the Operator is authorized to develop the activities necessary for the protection of human life, the environment, and Consortium’s and third parties’ properties, regardless of prior approval by the Operating Committee.

Expenditures incurred on such activities may be recognized as Cost Oil, and the Operator shall be required to promptly communicate the emergency situation to the Operating Committee and, within ten (10) days, report the works carried out and the expenditures on the Emergency Operations.

1. SECTION II – OPERATOR
	1. The Operator shall be the sole responsible, on behalf of the Consortium, for conducting and developing all activities of Exploration, Assessment, Development, Production, and decommissioning the facilities under the Agreement.
		1. The Operator is the only member of the Consortium that, on its behalf and within the limits defined by the Operating Committee, may execute agreements, enforce or undertake expenditure commitments, and take other actions related to the development of the activities of Exploration and Production of Oil and Gas in the Contract Area.
		2. The Operator shall be that responsible for representing the Consortium before regulatory authorities, inspecting authorities, and other external entities.
		3. The Operator shall represent the Consortium Members judicially and extrajudicially.
		4. The Operator of this Agreement shall have at least a thirty percent (30%)-share in the property rights and obligations of the Consortium in the Contract Area.
		5. The Operator may resign its position, being subject to the conditions required by ANP.
	2. The Operator shall:
2. act in compliance with this Agreement, the Applicable Laws and Regulations, and the orders of the Operating Committee;
3. conduct the Operations in a diligent, safe, and efficient manner, in compliance with the Best Practices of the Oil Industry, pursuant to the “No Gain, No Loss” Principle in its position of Operator;
4. notify the Operating Committee and ANP of any Discovery inside the Contract Area, according to Section Twelve of the Agreement;
5. conduct the Operations with Exclusive Risks pursuant to Section IV of this annex;
6. develop the Budget and Work Programs and other documents to be submitted to examination by the Operating Committee, under this Agreement;
7. develop and send to ANP, when the Operating Committee is defined, the plans, programs, and reports required by the regulatory authority;
8. issue the Authorization for Expenditure to develop the activities approved by the Operating Committee in the Annual Work Program and call for fund contribution to pay the Consortium expenses;
9. render accounts to the Consortium, as established in this Agreement and by the Operating Committee;
10. obtain the relevant legal licenses and permits required to conduct the operations in the Contract Area;
11. provide the non-Operator Consortium Members with access to the facilities and records of the Operations, upon their prior request;
12. assume responsibility for the payment of the Royalties payable on behalf of the Contracted Parties;
13. represent the non-Operator Consortium Members when contacting ANP;
14. in case of emergency, take the necessary measures to protect life, the environment, the facilities, and the equipment;
15. keep the non-Operator Consortium Members informed of the activities in progress arising from performance of this Agreement;
16. propose to the Operating Committee the matters in the Table of Competences and Resolutions;
17. manage the Exploration and Production projects regarding the Agreement using methodology based on the market references and a structure centralized in and coordinated from a project management office, aiming at standardizing the governance processes related to the projects, planning, organization, conduct, control, documentation, and completion of its activities.

Information provided by the Operator

* 1. The Operator shall provide to the other Consortium Members the following data and reports as they are prepared or compiled during conduct of the Operations:
1. copies of all records or researches, including those in electronic format, if any;
2. daily drilling reports;
3. copies of all essential tests and data and of analysis reports;
4. drilling final report;
5. copies of the line interconnection reports;
6. final copies of geological and geophysical maps, seismic sections, and objectives;
7. engineering studies, development projects, and progress reports on the development projects;
8. daily bulletin of the Production of Oil and Gas with a record of production losses and burnings;
9. field data and performance reports, including Reservoir studies and reserve estimates;
10. copies of all reports regarding material of Operations in the Contract Area or provided to ANP;
11. copies of the engineering projects of each well, including any revisions thereto;
12. periodic reports with safety, health, and environment indicators regarding the Operations; and
13. other studies and reports established by the Operating Committee.
	1. The Operator shall promptly notify the Consortium Members of administrative complaints and lawsuits related to the Operations. The Operator shall provide quarterly reports to the Consortium Members with updated administrative complaints and lawsuits related to the Operations.
	2. Additional information arising from conduct of the Operations in the Contract Area may be requested, at any time, to the Operator by the Contracted Parties, at their own expenses.
	3. The Manager shall receive additional information with no costs.

Limit to the Operator’s Liabilities

* 1. The Contracted Parties are jointly liable for any losses and damages caused in the execution of the Operations and to each other, according to their respective shares, except when the Operator, in high managerial level (General Manager of the Operating Unit, Executive Manager, or equivalent, at least), proceed with direct or eventual evidenced willful misconduct, cases in which it shall bear all losses, damages, costs, expenses and liabilities, and general burdens resulting.
1. SECTION III – PLANNING AND DEVELOPMENT OF ACTIVITIES WITHIN THE CONSORTIUM

Budget and Work Program for the First Year of the Agreement

* 1. Within thirty (30) days of the date of the Operating Committee constitution, the Operator shall submit to the other Consortium Members a proposal for the Budget and Work Program detailing the Operations to be conducted for the remainder of the current year and, if necessary, for the following year.
		1. Within no more than thirty (30) days after delivery, the Operating Committee shall meet to analyze and resolve upon the Budget and Work Program.

Budget and Work Program for the Subsequent Years

* 1. By September 1 of each calendar year, the Operator shall submit to the other Consortium Members a proposal for the Budget and Work Program detailing the operations to be conducted in the following year.
		1. Within thirty (30) days after delivery, the Operating Committee shall meet to analyze and resolve upon the Budget and Work Program.
	2. If the Operating Committee does not approve an Operation included in the Work and Budget Program proposed, any Contracted Party may, in the future, propose to execute it as an Operation with Exclusive Risk, pursuant to Section IV of this annex.
	3. In case the Budget and Work Program is approved by the Operating Committee, the Operator shall take the necessary measures to submit it to ANP.
	4. In case ANP requires changes in the Budget and Work Program, the matter shall be submitted again to the Operating Committee for further analysis, following the procedures and deadlines established in the preceding paragraphs.
	5. The Budget and Work Programs in the Exploration Phase shall include at least part of the obligations related to the Minimum Exploration Program, which shall be performed during the following calendar year.
	6. Any Budget and Work Program approved may be revised by the Operating Committee when deemed convenient.
		1. As such reviews are approved by the Operating Committee, the Budget and Work Program shall be amended and, in this event, the Operator shall prepare and submit such restatements to ANP.

Exploration Plan

* 1. The Operator shall submit the proposal for an Exploration Plan to the other Consortium Members in up to sixty (60) days of the date of constitution of the Operating Committee.
		1. The Operating Committee shall analyze and resolve upon the Exploration Plan in up to thirty (30) days as of the date of submission of the proposal.
	2. In case the Exploration Plan is established by the Operating Committee, the Operator shall take the necessary measures to submit it to ANP for analysis and approval.

In case ANP requires changes in the Exploration Plan, the matter shall be submitted again to the Operating Committee for further analysis, following the procedures and deadlines established in the preceding paragraphs.

Notification of Discovery

Any Discovery in the Contract Area shall be formally notified by the Operator to the other Consortium Members and to ANP within no more than seventy-two (72) hours. The notice shall be sent along with all relevant data and information available.

Assessment Plan

In case the Operating Committee deems that a Discovery needs to be assessed, the Operator shall submit to the other Consortium Members a detailed proposal for a Discovery Assessment Plan within sixty (60) days.

During the period of thirty (30) days of submission of the proposal, the Operating Committee shall meet to analyze and resolve upon the proposed Discovery Assessment Plan.

In case the Assessment Plan is established by the Operating Committee, the Operator shall take the necessary measures to submit it to ANP for analysis and approval.

In case ANP requires changes in the Assessment Plan, the matter shall be submitted again to the Operating Committee for further analysis, following the procedures and deadlines established in the preceding paragraphs.

Development

In case the Operating Committee declares the commercial feasibility of a Discovery, the Operator shall, as soon as possible, submit to the other Consortium Members a Development Plan, pursuant to the Agreement.

After receipt of the Development Plan and before any applicable term under the Agreement, the Operating Committee shall meet to analyze and define the Development Plan.

In case ANP requires changes in the Development Plan, the matter shall be submitted to the Operating Committee for new analysis.

Annual Production Program

By September 1 of every calendar year, the Operator shall submit to the other Consortium Members the detailed proposal for the Annual Production Program of the Development Area or Field of the Contract Area, which shall be subsequently submitted to ANP for analysis and approval, in compliance with Section Sixteen of the Agreement.

During the period of thirty (30) days of the submission of the Annual Production Program or sooner, if necessary to meet any applicable deadline under the Agreement, the Operating Committee shall meet to analyze and resolve upon the revision of the Annual Production Program.

In case the Annual Production Program is established by the Operating Committee, the Operator shall take the necessary measures to submit it to ANP for analysis and approval.

In case ANP requires changes in the Annual Production Program, the matter shall be submitted again to the Operating Committee for further analysis, following the procedures and deadlines established in the preceding paragraphs.

Facility Decommissioning Program

In the year before the expected beginning of the Facility Decommissioning activities, the Operator shall submit to the other Consortium Members a proposal for a Facility Decommissioning Program, detailing the Operations to be conducted in the Contract Area and the construction and financial schedule expected for the following year.

The Operating Committee shall analyze and resolve upon the Facility Decommissioning Program within a thirty (30)-day period of the submission thereof.

In case the Facility Decommissioning Program is established by the Operating Committee, the Operator shall take the necessary measures to submit it to ANP for analysis and approval.

In case ANP requires changes in the Facility Decommissioning Program, the matter shall be submitted again to the Operating Committee for further analysis, following the procedures and deadlines defined in the preceding paragraphs.

Contracting of Goods and Services

The following are ordinary procedures for contracting goods and services required for the Operations:

**Procedure A**: Direct engagement of suppliers of goods and services is accepted up to the amount of USD50,000.00 (fifty thousand U.S. dollars), and payment in installments is prohibited for the acquisition of the same good or service.

**Procedure B**: The Operator shall contract the most capable supplier of goods and services according to cost and quality criteria, and the Operating Committee shall be informed of the engagement.

When the supplier winning an engagement procedure B is an Affiliate of any of the Contracted Parties, the Operating Committee’s prior approval is required.

Under any circumstance, the Operator shall promote the engagement procedure with participation of at least three qualified suppliers.

In case the Operator verifies a market situation where there are less than three (3) suppliers for contracting an item or service, the matter shall be taken to the Operating Committee for resolution, as provided for in Procedure C.

Any Consortium Member may have access to a copy of the agreements executed by the Operator upon request.

**Procedure C**: The Operator shall contract the most qualified supplier of goods and services according to cost and quality criteria, and the Operating Committee shall previously approve the engagement.

The preliminary approval by the Operating Committee is required for beginning the engagement procedure, which shall ensure advantage of the winning proposal and count on at least three qualified suppliers.

The Operator shall ensure that the preliminary approval will be timely for any change in the contracting strategy with no impact on the project schedule.

The Operator shall provide to the other Consortium Members a preliminary list of participants of the contracting procedure, which shall be filled out with indications of any Consortium Member upon request to the Operator in no later than fifteen (15) days of receipt of this preliminary list.

Before the agreement is executed, the Operator shall submit to the Operating Committee an engagement report, which shall include the competitive analysis of the bidding process and the reasons for choosing the supplier.

The Operator shall finish the engagement procedure after approval by the Operating Committee.

Any Consortium Member may have access to a copy of the agreements executed by the Operator upon request.

The amount limits for determining the ordinary engagement procedure to be used by the Operator, which may be reviewed every five (5) years by the Operating Committee, are the following:

|  |  |  |  |
| --- | --- | --- | --- |
| **Type of Operation** | **Procedure A** | **Procedure B** | **Procedure C** |
| Exploration and Assessment | Up to USD 50 thousand | Between USD 50 thousand and USD 5 million | Above USD 5 million |
| Development | Up to USD 50 thousand | Between USD 50 thousand and USD 10 million | Above USD 10 million |
| Production | Up to USD 50 thousand | Between USD 50 thousand and USD 5 million | Above USD 5 million |

The use of U.S. dollar in the table above is for reference only and does not imply any possibility of recognition of expenditures in foreign currency.

To determine the procedure, the exchange rate for purchase in the first business day of the month, which shall establish the amount in the table for such month referred to in section 3.28, shall be taken into account. As guidance to define the procedure to be adopted, the following shall be considered: (i) the date on which the agreement or the purchase order for Procedure A was issued, (ii) the date on which a request for proposal to the suppliers for procedure B was sent, and (iii) the date on which the engagement strategy for preliminary approval of the Operating Committee for procedure C was sent, pursuant to paragraph 3.27.1 of Annex XI.

Joinder to goods and services supply agreements previously executed by the Contracted Parties, or by Consortiums in which they participate, and the purchase of goods from the inventories of Contracted Parties, or of Consortiums in which they participate, are extraordinary procedures of contracting of goods and services required for the Operations.

Extraordinary engagement procedures may only be adopted in situations in which the impossibility of adopting ordinary procedures and the competitiveness of the prices are evidenced.

Engagements through extraordinary procedures shall be previously approved by the Operating Committee.

The Operator shall ensure that the preliminary approval will be timely for any change in the contracting strategy with no impact on the project schedule.

The contracting of services typically performed by the Operator, directly, through a third party, or its Affiliates, characterizes special procedures of contracting of goods and services required for the operations.

The special engagement procedure shall be regulated according to the Internal Regulation of the Operating Committee.

Contracting of goods and services by means of a foreign legal entity established by the Contracted Parties aiming at using the tax benefits of the special customs regime for export and import of goods and services intended for the activities of Exploration and Production in the Oil and Gas Deposits – REPETRO, is a specific procedure.

The engagement procedure referred to in paragraph 3.33 of this annex shall ensure the Manager’s participation in the procedure of definition of strategy and acquisition of goods and services eligible for the benefit of REPETRO.

The specific engagement procedure shall be regulated in the Internal Regulation of the Operating Committee.

The execution of contract amendments follows the procedure provided for in the original engagements.

Nonetheless, if the amendment is equal or lower than twenty-five percent (25%) of the original amount of the agreement, the prior approval of the Operating Committee for its execution is waived, when originally requested.

When the sum of the original contract amount with the amended amount changes the engagement procedure, the procedure provided for the engagement corresponding to the sum of the amount applies.

Authorization for Expenditure

Before incurring a commitment or expenditure provided for in the previously approved Budget and Work Program, the Operator must issue for the Operating Committee an Authorization for Expenditure in case the amounts involved are greater than USD 7 million, pursuant to paragraphs 3.29 and 3.30 of this annex.

The amounts may be reviewed by the Operating Committee with minimum frequency of five (5) years.

The Authorization for Expenditure may be resolved upon in ordinary and extraordinary meetings of the Operating Committee or through postal voting, as provided for in the Internal Regulations of the Operating Committee.

The preparation of the Authorization for Expenditure shall be based on the Budget and Work Program previously determined by the Operating Committee, and an additional authorization for expenditure shall be required in case the total amount exceeds five percent (5%) of the approved budget.

If the amount of a certain line item exceeds ten percent (10%) of the initially authorized amount, a new Authorization for Expenditure shall be required.

The Operator is not required to issue an Authorization for Expenditure related to general and administrative expenses listed as individual items of the approved Work and Budget Program.

Each Authorization for Expenditure proposed by the Operator shall:

1. identify the Operation to be conducted according to the applicable line item in the Budget and Work Program;
2. describe the Operation in details;
3. include the best estimate of the Operator for the total funds required to conduct the Operation;
4. outline the proposed construction and financial schedule;
5. include additional information to support the Operating Committee’s resolution.

Expenditures Above the Expected

For the expenses of the approved Budget and Work Program, the Operator shall be entitled to incur an additional expense for each line item of up to ten percent (10%) of the respective approved amount, with no need of new approval by the Operating Committee, as long as the total accrued expenses above the expected for the current calendar year do not exceed five percent (5%) of the total Budget and Work Program.

In case the Operator anticipates that the defined limits may be exceeded, a revision of the Budget and Work Program shall be submitted to the Operating Committee.

The restrictions in paragraph 3.35 shall apply without prejudice to the Operator’s obligation of incurring expenses arising from Emergency Operations without prior approval by the Operating Committee.

1. SECTION IV – OPERATIONS WITH EXCLUSIVE RISKS

Limitation of Applicability

* 1. Operations with Exclusive Risks may be proposed by any Contractor as long as the interested party or parties undertake all risks, being responsible for costs and investments and undertaking liability for any damages related to the conduct of the Operations and its consequences.
		1. No Operations with Exclusive Risk may be proposed by the Manager.
		2. The Contracted Parties choosing not to participate in an Operation with Exclusive Risk shall neither undertake risks, nor be responsible for costs and investments, nor undertake liability for any damages related to the conduct of the Operation and its consequences.
	2. Only the following Operations may be proposed and conducted as Operations with Exclusive Risks:
1. drilling and/or testing in exploratory wells and assessment wells, except for Operations required for performing the obligations of the Minimum Exploration Program;
2. continuity of the Exploration Phase after the Operating Committee’s decision of early conclusion;
3. deepening, lateral deviation, secondary cementation, and/or recompletion of wells;
4. acquisition of geological and geophysical data, except for Operations required for performing the obligations of the Minimum Exploration Program.

Procedure for proposing Operations with Exclusive Risks

* 1. As provided for in paragraphs 4.1 and 4.2, in case any Contracted Party proposes to conduct an Operation with Exclusive Risk, the Contracted Party shall submit such proposal to the Manager for approval, which shall only be vetoed in case its execution entails delay in the approved Budget and Work Program or poses any risk to the other Operations provided for this Agreement.
		1. The proposal shall specify the exclusive nature of the Operations and include the work to be carried out, as well as the location, objectives, and estimated cost thereof.
		2. After approval by the Manager, the proposing Contracted Party shall immediately notify the other Contracted Parties so that they express if they will adhere or not to the proposed Operation with Exclusive Risk.
		3. The Contractors intending to adhere to the Operation with Exclusive Risk shall notify the proposing Contractor and the Operator within ten (10) days of receipt of the notice proposing the Operation with Exclusive Risk.
	2. The Contracted Party’s absence of expression regarding adherence to a proposed Operation with Exclusive Risk by the deadline established in paragraph 4.3.3 shall be interpreted as a refusal.

Costs of the Operation with Exclusive Risk

* 1. The operating costs and risks of the Operation with Exclusive Risk shall be exclusively assumed by the proposing Contracted Parties or those adhering to it, in the proportion of their share in the Consortium, and considering only the Contracted Parties participating in such Operation or as agreed by them.
	2. The Contracted Parties shall previously agree on the reward to be paid by the Contracted Parties not participating in the Operation with Exclusive Risk in case the success of the Exclusive Operation is evidenced and results in expansion in the recoverable volume of hydrocarbons in the Contract Area, or in reduced expenses for the Consortium.
		1. The Manager shall not pay the reward.
		2. The operating costs of the Operation with Exclusive Risk, in case the success thereof is evidenced, measured based on the expansion in the recoverable volume or on the reduced expenses, shall be recoverable as Cost Oil.
		3. The reward to be paid by the Contracted Parties later adhering to the Operation with Exclusive Risk shall not be recoverable as Cost Oil.

Other Conditions for Operations with Exclusive Risks

* 1. The proposal for and the execution schedule of the Operations with Exclusive Risks shall be subject to approval by the Operating Committee.
		1. The remaining conditions for Operations with Exclusive Risks shall be addressed by the Contracted Parties in a specific instrument.

ANNEX XII – COST OIL RECOVERY LIMIT AND PROFIT OIL SHARING PERCENTAGE

During the Production Phase, the Contracted Party shall, every month, receive the Production share corresponding to the Cost Oil, observing the limit of [insert number in words] percent ([insert number] %) of the Gross Production Value.

|  |
| --- |
| **Federal Government's Profit Oil Share (%)** |
| **Production per****Production Well** **(bbl/d)🡺****Barrel price****(USD/bbl)🡻** | **<Prod1** | **Between Prod1 and Prod2** | **Between Prod3 and Prod4** | **> Prod4** |
| **< P1** |  |  |  |  |
| **Between P1 and P2** |  |  |  |  |
| **Between P2 and P3** |  |  |  |  |
| **Between P3 and P4** |  |  |  |  |
| **>P4** |  |  |  |  |