

FEDERAL REPUBLIC OF BRAZIL
MINISTRY OF MINES AND ENERGY



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

No. _____

BY AND BETWEEN

**AGÊNCIA NACIONAL DO PETRÓLEO, GÁS NATURAL E
BIOCOMBUSTÍVEIS – ANP**

And

BRAZIL

2008

WHEREAS 9

CHAPTER I – BASIC PROVISIONS..... 11

CLAUSE ONE: DEFINITIONS 11

Legal Definitions 11

Contractual Definitions 11

CLAUSE TWO: OBJECTIVE..... 17

Operations 17

Costs and Risks Associated to the Performance of the Operations 17

Ownership of Oil and/or Natural Gas..... 18

Other Natural Resources..... 18

Data Survey on a Non-exclusive Basis 18

CLAUSE THREE: CONCESSION AREA 18

Identification..... 18

Area Occupation or Retention Fees 19

Relinquishment..... 18

Relinquishment by Termination of the Contract..... 19

Conditions for Relinquishment..... 19

Disposition of the Relinquished Areas by the ANP 20

CLAUSE FOUR: TERM OF THE AGREEMENT 20

Effective Date..... 20

Total Term 20

CHAPTER II – EXPLORATION AND EVALUATION..... 20

CLAUSE FIVE: EXPLORATION PHASE..... 20

Duration 21

Minimum Exploratory Program..... 23

Options Subsequent to the Completion of the Minimum Exploratory Program 25

Relinquishment of the Concession Area in the Exploration Phase 26

CLAUSE SIX: DISCOVERY AND EVALUATION 27

Discovery Notice 27

Other Natural Resources..... 27

Evaluation of the New Pool..... 27

Approval and Modifications to the Evaluation Plan..... 28

CLAUSE SEVEN: DECLARATION OF COMMERCIALITY 29

Concessionaire’s Option..... 29

Postponement of the Declaration of Commerciality..... 29

Relinquishment of the Area of Discovery 31

Continuation of Exploration and/or Evaluation..... 31

CHAPTER III – DEVELOPMENT AND PRODUCTION 32

CLAUSE EIGHT: PRODUCTION PHASE..... 32

Duration..... 32

Extension by the Concessionaire..... 33

Extension by the ANP..... 33

Consequences of the Extension..... 33

Rescission..... 33

Relinquishment of the Fields..... 34

CLAUSE NINE: DEVELOPMENT PLAN..... 35

Contents..... 35

Development Area..... 35

Approval and Performance of the Development Plan..... 36

Revisions and Amendments..... 36

Constructions, Facilities and Equipment..... 37

CLAUSE TEN: PRODUCTION START-UP DATE AND ANNUAL PRODUCTION PROGRAMS..... 37

Production Start-up Date..... 37

Annual Production Programs..... 37

Modifications by the ANP..... 38

Revision..... 39

Authorized Variation..... 39

Temporary Stoppage of Production..... 39

CLAUSE ELEVEN: MEASUREMENT, DELIVERY AND DISPOSITION OF PRODUCTION..... 40

Measurement..... 40

Transference of Ownership..... 40

Monthly Bulletins..... 40

Free Disposal..... 40

Supply to the National Market..... 41

Consumption in the Operations..... 41

Trial Production..... 41

Associated Natural Gas..... 42

Losses..... 42

CLAUSE TWELVE: UNIFICATION OF OPERATIONS..... 42

Agreement for the Unification of Production..... 42

Adjacent Areas without Concession..... 43

Rights and Obligations of the Interested Concessionaires..... 44

Agreement Approval and Continuation of the Activities..... 44

Continuation of the Production Activities..... 45

Termination..... 45

CHAPTER IV – PERFORMANCE OF OPERATIONS..... 46

CLAUSE THIRTEEN: PERFORMANCE BY THE CONCESSIONAIRE..... 46

Exclusive Rights and Responsibility of the Concessionaire46

Diligence in the Conduction of the Operations48

Licenses, Authorizations and Permits49

Free Access to the Concession Area.....49

Drilling and Abandonment of Wells50

Additional Work Programs.....50

Data Survey outside the Concession Area.....50

CLAUSE FOURTEEN: OPERATION CONTROL AND ASSISTANCE BY THE ANP ... 51

Operation Follow-up and Inspection by the ANP51

Access and Control.....51

Assistance to the Concessionaire52

Exoneration of Liability of the ANP52

CLAUSE FIFTEEN: SECURITIES FOR THE MINIMUM EXPLORATORY PROGRAM 52

Securities.....53

Estimation of Activities.....53

Changes to the Amounts53

Adjustment of the Securities54

Execution of the Securities55

Sanctions55

CLAUSE SIXTEEN: ANNUAL PROGRAMS AND BUDGETS 55

Submitting to the ANP55

Revisions and Amendments56

CLAUSE SEVENTEEN: DATA AND INFORMATION 56

Provided by the Concessionaire to the ANP56

Processing or Analysis Overseas 57

CLAUSE EIGHTEEN: ASSETS 57

Goods, Equipment, Facilities and Materials.....58

Licenses, Authorizations and Permits58

Expropriations and Easements.....58

Facilities and Equipment outside the Concession Area58

Relinquishment of the Areas and Reversion of Assets59

Inactivation and Abandonment Guarantees60

Assets to be Reverted.....61

Removal of Non-reverted Assets.....61

CLAUSE NINETEEN: PERSONNEL, SERVICES AND SUBCONTRACTS 62

Personnel62

Services.....62

CLAUSE TWENTY: LOCAL CONTENT	63
<i>Commitment of the Concessionaire to the Local Content</i>	63
CLAUSE TWENTY-ONE: THE ENVIRONMENT	68
<i>Environmental Control</i>	68
<i>Liability for Damages and Losses</i>	69
CLAUSE TWENTY-TWO: INSURANCE.....	69
<i>Insurance</i>	69
CHAPTER V – GOVERNMENTAL PARTICIPATION AND INVESTMENTS	
IN RESEARCH AND DEVELOPMENT	70
CLAUSE TWENTY-THREE: PARTICIPATIONS.....	70
<i>Third-Party and Governmental Participations</i>	70
CLAUSE TWENTY-FOUR: INVESTMENT IN R&D	70
<i>Qualified Expenses in R&D</i>	71
CLAUSE TWENTY-FIVE: TAXES.....	72
<i>Tax Regime</i>	72
<i>Certificates and Proof of Compliance</i>	72
CLAUSE TWENTY-SIX: CURRENCY AND FOREIGN EXCHANGE	72
<i>Currency</i>	72
<i>Foreign Exchange</i>	73
CLAUSE TWENTY-SEVEN: ACCOUNTING AND AUDIT.....	73
<i>Accounting</i>	73
<i>Audit</i>	73
CHAPTER VI – GENERAL PROVISIONS	74
CLAUSE TWENTY-EIGHT: ASSIGNMENT.....	74
<i>Assignment</i>	74
<i>Undivided Participation in the Rights and Obligations</i>	75
<i>Partial Assignment of Areas in the Exploration Phase</i>	75
<i>Assignment of areas in the Production Phase</i>	76
<i>Participation of the Concessionaire</i>	76
<i>Required Documentation</i>	76
<i>Nullity of the Assignment</i>	78
<i>Approval of the Assignment</i>	78
<i>Effective Date of the Assignment</i>	79
<i>Amendment to the Concession Agreement</i>	79
<i>New Concession Agreement</i>	79
<i>Merger, Spin-Off and Takeover</i>	80
<i>Necessity of Prior and Explicit Approval</i>	80
CLAUSE TWENTY-NINE: BREACH AND PENALTIES	80
<i>Administrative, Civil and Penal Sanctions</i>	80

CLAUSE THIRTY: BREACH, RESCISSION AND TERMINATION OF THE AGREEMENT 81

Rescission..... 81

Consequences of the Rescission 81

Sanctions at ANP’s Discretion 81

CLAUSE THIRTY-ONE: LEGAL REGIME 82

Applicable Law 82

Conciliation..... 82

Suspension of the Activities 82

“Ad Hoc” Arbitration..... 83

Jurisdiction..... 83

Performance of the Agreement..... 84

Justifications..... 84

Continuing Application 84

CLAUSE THIRTY-TWO: FORCE MAJEURE 84

Total or Partial Exoneration..... 84

Notice of Occurrence..... 85

Suspension of the Course of the Term of the Agreement 85

Amendment to or Termination of the Agreement..... 85

Losses 86

CLAUSE THIRTY-THREE: CONFIDENTIALITY 86

Obligation of the Concessionaire..... 86

Undertaking of the ANP 87

CLAUSE THIRTY-FOUR: NOTICES AND REPORTS 88

Plans, Programs and Reports 88

Validity 88

Amendments to the Articles of Incorporation..... 88

Communications to the ANP 88

Addresses..... 88

CLAUSE THIRTY-FIVE: FINAL PROVISIONS 89

Renewal..... 89

Amendments..... 89

Headings..... 89

Public Notice 89

ANNEX I – CONCESSION AREA 92

ANNEX II – OBJECT: WORK AND INVESTMENT PROGRAM..... 93

ANNEX III – SECURITIES RELATED TO THE MINIMUM EXPLORATORY PROGRAM..... 95

ANNEX IV – GUARANTEE OF PERFORMANCE.....	96
ANNEX V – GOVERNMENTAL AND THIRD-PARTY PARTICIPATION.....	97
ANNEX VI – IDENTIFICATION OF THE CONCESSION AGREEMENT BLOCKS... 	98
ANNEX VII – PAYMENT OF THE SIGNATURE BONUS	99
ANNEX VIII – APPOINTMENT OF OPERATOR.....	100
ANNEX IX – ADDRESSES.....	101
ANNEX X – COMMITMENT TO LOCAL CONTENT	102
ANNEX XI – TEMPLATE OF STANDARD SCHEDULE FOR THE RECORD OF EXPENSES INCURRED IN THE OPERATIONS OF EXPLORATION AND PRODUCTION – E&P	103

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

by and between

The AGÊNCIA NACIONAL DO PETRÓLEO, GÁS NATURAL E BIOCOMBUSTÍVEIS – ANP, a special autarchy created by Law 9,478, dated August 6th, 1997, an integral part of the Indirect Federal Administration, entailed to the Ministry of Mines and Energy, with Central Office at the SGAN Quadra 603, Módulo I, 3^o Andar, Brasília, DF (hereinafter called the “ANP”), herein represented by its Director-General, Haroldo Borges Rodrigues Lima,

and

_____, a company existing under the laws of Brazil, with Central Office at _____, enrolled at the Taxpayer’s Registry (CNPJ/MF) under the number _____, (hereinafter called “the Concessionaire”), herein represented by _____, _____.

WHEREAS

Pursuant to Article 177, item I of the Constitution of the Federal Republic of Brazil (hereinafter called “Federal Constitution”), and Article 4 of Law no. 9,478/97 (hereinafter called “Petroleum Law”), constitute the Union’s monopoly the Research and the Production of the Oil and Natural Gas, as well as other liquid hydrocarbons existing in the national territory;

that, in accordance with the Articles 176, *caput*, of the Federal Constitution, and 3 of the Petroleum Law, the pools of Oil, Natural Gas and other liquid hydrocarbons existing in the National Territory, including the inland, the territorial sea, the continental shelf and the exclusive economic zone, belong to the Federal Government;

that, pursuant to Article 176, paragraph I of the Federal Constitution, the Research and Production of mineral resources may only be undertaken through authorization or concession granted by the Federal Government, taking the national interest into account;

that, pursuant to the paragraph I of the aforementioned Article 177 of the Federal Constitution and the Articles 5 and 23 of the Petroleum Law, the Federal Government may authorize that State and private companies incorporated under the Brazilian Law and with Central Offices in the country, to perform activities of Exploration and Production of Oil and Natural Gas through Concession Agreements preceded by a bidding process;

that, pursuant to Articles 8 and 21 of the Petroleum Law, all rights to the Exploration and Production in the National Territory, including the inland, the territorial sea, the continental shelf and the exclusive economic zone belong to the Federal Government, being the ANP responsible for its administration;

that the ANP (as a representative of the Federal Government) is responsible for the execution of Concession Agreements with the Concessionaire for the activities of Exploration, Development and Production of Oil and Natural Gas in Blocks which comply with the provisions of the Articles 23 and 24 of the Petroleum Law, being it also in charge of the integral and permanent supervision of such activities, aiming at looking after the Federal Government's patrimony, in view of the national interest;

that, in accordance with Articles 25 and 26 of the Petroleum Law, and having complied with the requisites set forth in Section I of the aforementioned Law, the ANP and the Concessionaire are authorized to execute this Concession Agreement which will be governed, when it is the case, by the general rules set forth in the Section I and by the provisions of the Section VI, both in Chapter V of the referred Law;

that, in accordance with the Articles 36 to 42 of the Petroleum Law, the Concessionaire has participated in the bidding process for the granting of this Concession Agreement, having been ratified as winner for the Block(s) defined in the ANNEX VI;

that, the Concessionaire shall pay the Participations foreseen in the Article 45 to 52 of the Petroleum Law to the Federal Government and third-parties, where applicable;

that, pursuant to Article 46 of the Petroleum Law, the Concessionaire has effected the payment of the Signature Bonus to the ANP in the amount set forth in the ANNEX VII.

Now therefore, the ANP and the Concessionaire shall execute this Concession Agreement for the Exploration, Development and Production of Oil, Natural Gas in the Block(s) identified in the ANNEX I – Concession Area, in conformity with the following clauses and conditions.

CHAPTER I – BASIC PROVISIONS

CLAUSE ONE: DEFINITIONS

Legal Definitions

1.1 The definitions contained in Article 6 of the Petroleum Law and in Article 3 of Decree No. 2,705, dated August 3rd, 1998 (hereinafter called “Participation Fees”) are hereby incorporated to this Agreement and, as a result, shall be valid for all means and effects of this Agreement whenever the following words and expressions are used herein, whether in singular or plural form:

Sedimentary Basin	Research of Exploration
BDEP – ANP’s E&P Databank	Oil
Block	Production Metering Points
Oil or Natural Gas Field	Reference Price
Standard Metering Condition	Production
Production Start-up Date	Prospect
Basic By-products	Production Gross Revenue
Oil By-products	Production Net Revenue
Commercial Discovery	Refining or Refinement
Development	Reservoir or Deposit
Distribution	Resale
Pipeline Distribution of Gas	Transfer
Stockpiling of Natural Gas	Transportation
Natural Gas or Gas	Treatment or Processing of Natural Gas
Oil Industry	Oil Equivalent Volume
Pool	Supervised Production Volume
Production	Total Production Volume
Governmental Participation	

Contractual Definitions

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

1.2.1 “Unification of Operations Agreement” means an Agreement foreseen in the Article 27 of the Petroleum Law.

- 1.2.2 “Affiliate” means any controlled and parent corporation in the provisions set forth in the Article 1,098 of the Civil Code, as well as societies directly or indirectly controlled by the same juridical entity.
- 1.2.3 “Concession Area” means the Block limited by the polygon defined in ANNEX I or the portions of this Block which remain under this Agreement after the relinquishments provided herein are done. References to this Concession Area shall include, therefore, all Development Areas and Fields, established and retained by the Concessionaire pursuant to this Agreement.
- 1.2.4 “Development Area” means any part of the Concession Area which is separated for Development pursuant to paragraph 9.2.
- 1.2.5 “Evaluation” means a set of Operations which, as an integral part of the Exploration, aims at verifying the commercial potential of a Oil or Natural Gas Discovery or a group of Discoveries within the Concession Area.
- 1.2.6 “Exploration and Production Databank (BDEP)” is the entity responsible for the organization, administration, maintenance and display of technical data generated by the activities of Exploration and Production of Oil and Natural Gas in Brazil, which are legal attributions of the Agência Nacional de Petróleo, Gas Natural e Biocombustíveis – ANP.
- 1.2.7 “Field” has the same meaning as “Oil or Natural Gas Field”, as defined in the Petroleum Law.
- 1.2.8 “Assignment” means any sale, assignment, transfer or any other kind of disposition by any means of all or any part of the rights and obligations of the Concessionaire under this Agreement.
- 1.2.9 “Concessionaire” means, individually or collectively, the operating company and any other companies integrating the consortium, as well as any of its eventual assignees, pursuant to the Clause Twenty-eight, all of them equally responsible without prejudice to the right or obligation of the Concessionaire or of each of such assignees to individually perform the acts they are obliged to or granted by the Law or this Agreement.
- 1.2.10 “Local Content in the Development Phase” means the proportion expressed as a percentage between: (i) the sum of the amounts of the National Production Assets

and the Services Rendered in Brazil acquired, directly or indirectly, by the Concessionaire, related to the Development Operations in all the Development Areas and (ii) the sum of the amounts of goods and services acquired, directly or indirectly, by the Concessionaire, related to investments in the Development Operations in all of the Development Areas, calculated at the end of the last Development Phase, pursuant to paragraph 20.2(b).

1.2.11 “Local Content in the Exploration Phase” means the proportion expressed as a percentage between: (i) the sum of the amounts of the National Production Assets and the Services Rendered in Brazil, acquired, directly or indirectly, by the Concessionaire, related to investments in the Exploration Operations in the Concession Area and (ii) the sum of the amounts of goods and services, acquired directly or indirectly by the Concessionaire, related to investments in the Exploration Operations in the Concession Area, pursuant to the paragraph 20.2(a).

1.2.12 “Agreement” means the main body of this Agreement, as well as its ANNEX I – Concession area, ANNEX II – Object: work and investment program, ANNEX III – Securities related to the minimum exploratory program, ANNEX IV – Guarantee of performance, ANNEX V – Government and third-party participation, ANNEX VI – Identification of the agreement blocks, ANNEX VII – Payment of the signature bonus, ANNEX VIII – Appointment of operator, ANNEX IX – Addresses, ANNEX X – Commitment to local content, ANNEX XI – Template of standard schedule for the record of expenses incurred in the operations of exploration and production – E&P.

1.2.13 “Consortium Agreement” means the contractual instrument that rules the rights and obligations of the Concessionaires to each other, as far as this Agreement is concerned.

1.2.14 “Effective Date” means the date of execution of this Agreement, pursuant to paragraph 4.1.

1.2.15 “Declaration of Commerciality” means the written notice from the Concessionaire to the ANP declaring one or more Pools as a Commercial Discovery in the Concession Area, pursuant to paragraph 7.1.

- 1.2.16 “Discovery” means any occurrence of Oil, Natural Gas, other hydrocarbons, minerals and, in general, any other natural resources in the Concession Area, regardless of quantity, quality or commercial potential, verified, at least, by two detection or evaluation methods.
- 1.2.17 “Qualified Expenses with Research and Development” means the expenses with Research and Development activities concerning technological services related to the Discovery, testing or use of new products, processes or techniques in the Oil and Natural Gas sector, or to the adaptation of products, processes or existing techniques to the new scenario in the Oil and Natural Gas sector, pursuant to paragraph 24.1.
- 1.2.18 “Production Development Phase” means, with regard to any field, the period beginning with the date of delivery of the Declaration of Commerciality to such Development Area and ending at (i) the completion of the work and activities comprised in the Development, as described in the Development Plan, or (ii) the abandonment of the Development in such Field in accordance with the paragraph 8.9, whatever happens first.
- 1.2.19 “Exploration Phase” means the term defined for Exploration in the paragraph 5.1.
- 1.2.20 “Production Phase” means, for each Field, the term defined for Production in the paragraph 8.1.
- 1.2.21 “Brazilian Supplier” means any manufacturer or supplier of a National Production Asset or of a Service Rendered in Brazil, through companies incorporated under the Laws of Brazil.
- 1.2.22 “Associated Gas” means the Natural Gas produced in the Pool where it is found dissolved in the Oil or in contact with the underlying Gas-saturated Oil.
- 1.2.23 “Non-Associated Gas” means the Natural Gas which produced from a dry Gas Pool or from a Condensate Gas Pool.
- 1.2.24 “The Best Practices of the Oil Industry” means the practices and procedures generally adopted in the Oil industry worldwide by prudent and diligent Operators under conditions and circumstances similar to those experienced in connection with relevant aspect or aspects of the Operations aiming mainly at ensuring: a) the

conservation of the Oil and Gas resources, which implies the use of adequate methodologies and processes to maximize the recovery of hydrocarbons in a technically and economically sustainable way, with the corresponding control of the decline in the deposits, and to minimize losses at the surface; b) the operational safety, which imposes the use of methodologies and processes which ensure the occupational safety and the prevention of operational accidents; c) the preservation of the environment and the respect for the populations, which imposes the adoption of technologies and procedures associated to the prevention and relief of environmental damage, as well as the environmental control and monitoring of the operations of exploration and production of Oil and Gas.

1.2.25 “Operations” means all and any activities or Operations, being them of Exploration, Evaluation, Development, Production, Inactivation or abandonment, performed in sequence, altogether or isolated from one another by the Concessionaire, under and for the purposes of this Agreement.

1.2.26 “Operator” means the party appointed by the Concessionaire to conduct and execute all operations and activities defined in this contract on behalf of the Concessionaire, according to the described in ANNEX VIII, as well as any substitute or successor.

1.2.27 “Annual Budget” means a detailed statement of expenses and investments to be made by the Concessionaire in the performance of the respective Annual Work Program within any calendar year, pursuant to Clause Sixteen.

1.2.28 “Party” means the ANP or the Concessionaire and “Parties” means the ANP and the Concessionaire.

1.2.29 “Exploration Term” has the meaning foreseen in the paragraph 5.1.

1.2.30 “Evaluation Plan” means the document prepared by the Concessionaire containing the work program and the respective necessary investment to the Evaluation of a Discovery or a set of Discoveries of Oil or Natural Gas in the Concession Area, pursuant to Clause six.

1.2.31 “Development Plan” means the document prepared by the Concessionaire containing the work plan and the respective necessary investment to the

Development of a Discovery or set of Discoveries of Oil or Natural Gas in the Concession Area, pursuant to Clause Nine.

1.2.32 “Production” means the set of activities for the extraction of Oil or Natural Gas, as defined in the Petroleum Law, or, still, the volume of Oil or Natural Gas, depending on how it is construed from the text, in each case.

1.2.33 “Annual Work Program” means the set of activities to be performed by the Concessionaire within any calendar year, pursuant to Clause Sixteen.

1.2.34 “Annual Production Program” means the program in which the forecast for the Production of Oil, Natural Gas, water, fluids and residues originated from the process of Production of each Field is discriminated, as well as the set of forecast activities of processing, treatment, outflow and transport of the production, pursuant to Clause Ten.

1.2.35 “Minimum Exploratory Program” means the work program set forth in the ANNEX II – Work and Investment Program, to be mandatorily accomplished by the Concessionaire within the Exploration Phase, pursuant to paragraph 5.9.

1.2.36 “Program of Inactivation of Facilities” has the meaning foreseen in the paragraph 8.6.1.

1.2.37 “Rules of the International Chamber of Commerce – ICC Rules” means the Rules of Conciliation and Arbitration of the International Chamber of Commerce, currently in force.

1.2.38 “Final Evaluation Report on Oil and/or Natural Gas Discoveries” means the document prepared by the Concessionaire describing the set of operations carried out for the Evaluation of the Discovery of Oil and/or Natural Gas, and delivering the results of such Evaluation.

1.2.39 “Sector” means a subdivision of an area of a Sedimentary Basin.

1.2.40 “Long-Term Test” means tests on wells carried out during the Exploration Phase, aiming exclusively at collecting data and information so as to get to know the reservoirs, with a total flow time superior to 72 (seventy-two) hours.

1.2.41 “Work Unit” means a conversion unit for different exploratory works, used for the purpose of measurement of the performance of the Minimum Exploratory Program foreseen in ANNEX II – Work and Investment Program.

CLAUSE TWO: OBJECTIVE

Operations

2.1 The objective of this Agreement is the performance, by the Concessionaire, of the Operations described in ANNEX II – Work and Investment Program, and any other additional activity of Exploration the Concessionaire might decide to undertake within each Block of the Concession Area aiming at enabling Oil and Natural Gas to be produced in commercial conditions in the Concession Area, and, in the event of any Discovery, the Evaluation, the Development and the Production of the Hydrocarbons, all in the terms defined herein.

Costs and Risks Associated to the Performance of the Operations

- 2.2 The Concessionaire shall always assume, in an exclusive manner, all costs and risks related to the performance of the Operations and its consequences, bearing, in return, the sole, exclusive ownership of the Oil and Natural Gas which might be effectively produced and received by it at the Production Metering Point, pursuant to this Agreement, being subject to the charges related to the taxes and financial compensation set forth in the ANNEX V - Governmental and Third Party Participation, and in the applicable Laws of Brazil.
- 2.3 The provisions of paragraph 2.2 includes the obligation from the Concessionaire to bear all losses it may incur, without being entitled to any payment, reimbursement or indemnification, in the event of no Commercial Discovery in the Concession Area or in the event that the Oil and Natural Gas to be received at the Production Metering Point is insufficient to cover the investment made and the reimbursement of the expenses incurred directly or indirectly. Besides, the Concessionaire shall be the only Party to be fully criminally liable for its own acts and those of its employees and subcontractors, as well as for the indemnification of all and any damages inflicted by the Operations and its performance thereof, regardless of the

existence of fault, and shall reimburse the ANP and the Federal Government for any burden that they might have to bear as a consequence of possible claims motivated by actions the Concessionaire shall be accounted for.

Ownership of Oil and/or Natural Gas

2.4 The Oil and Natural Gas Deposits existing in the Brazilian national territory belong to the Federal Government, in accordance with Article 20, item IX of the Federal Constitution and Article 3 of the Petroleum Law. The Concessionaire shall only be entitled to the ownership of the Oil and Natural Gas that might be effectively produced and received at the Production Metering Point, pursuant to paragraph 2.2.

Other Natural Resources

2.5 This Agreement refers exclusively to the Exploration, Development and the Production of Oil and Natural Gas, and it shall not be extended to any other natural resources which may be found in the Concession Area. The Concessionaire must not, therefore, use, usufruct or dispose, in any way and for any purpose, totally or partially, of these resources, except when duly authorized in accordance with the applicable Laws of Brazil, provided that the provisions of the paragraphs 6.1 and 6.2 are observed.

Data Survey on a Non-exclusive Basis

2.6 The ANP may, at its exclusive discretion and whenever it deems convenient, authorize third parties to perform, within the Concession Area, geological, geochemical and geophysical services and other services of the same nature, aiming at collecting technical data for the purpose of commercialization on a non-exclusive basis, pursuant to Article 8, item III of the Petroleum Law. The Concessionaire shall have no liability in relation to these services and their performance, which by no means may affect the regular course of the Operations.

CLAUSE THREE: CONCESSION AREA

Identification

- 3.1 The Operations shall be performed within the Concession Area, which is described, detailed and set in the ANNEX I – Concession Area.

Area Occupation or Retention Fees

- 3.2 The Concessionaire shall make the payments for area occupation or retention specified in ANNEX V – Governmental and Third-Party Participation, in accordance with applicable law.

Relinquishment

- 3.3 The Concessionaire shall effect, observing the provisions of the paragraphs 3.5 and 3.6, the mandatory relinquishment of the Blocks pertaining to the Concession Area set forth in paragraphs 5.22 and 5.23, where applicable, being also entitled, at any time during the Exploration Phase, make voluntary relinquishments of Blocks pertaining to the Concession Area through written notice to the ANP, without prejudice to the obligation to perform the activities and make the mandatory investments foreseen in this Agreement. Once the Exploration Phase is complete and as long as this Agreement is still in force, the Concessionaire may only retain as a Concession Area, the Development Area or Areas which might have been established pursuant to paragraphs 5.20, 7.3, 7.5 and 9.2 provided that the mandatory relinquishments pursuant to paragraphs 7.7, 8.10 and 9.4 are observed.

Relinquishment by Termination of the Agreement

- 3.4 The termination of this Agreement, for any cause or motive, shall oblige the Concessionaire to return to the ANP all of the Concession Area still under its possession, in accordance with what is set forth in paragraphs 3.5 and 3.6.

Conditions for Relinquishment

- 3.5 All and any Relinquishment of Blocks or Fields within the Concession Area, as well as the resulting reversion of assets pursuant to paragraph 18.18, shall be definitive

and performed by the Concessionaire without burden of any nature to the Federal Government or to the ANP, pursuant to the provisions of the Article 28, paragraphs 1 and 2 of the Petroleum Law, being the Concessionaire obliged to comply rigorously with the provisions set forth in the paragraphs 18.8 to 18.18, in Clause Twenty-One hereof or the applicable Laws of Brazil.

Disposition of the Relinquished Areas by the ANP

3.6 The Concessionaire shall not have any rights regarding the Relinquished Blocks, pursuant to Clause Three, being the ANP entitled, from the date of the Relinquishment on, to dispose of the same Blocks at its own discretion, including for the purpose of new bidding process.

CLAUSE FOUR: TERM OF THE AGREEMENT

Effective Date

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

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

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

Total Term

4.4 The Total Term of this Agreement, for each section of the Concession Area which might become a Field in the terms provided herein, shall be equal to the sum of the term starting at the Effective Date until the respective Declaration of Commerciality, added by a period of 27 (twenty-seven) years, as defined in paragraph 8.1. To this Total Term, Extended periods shall be automatically added upon authorization, pursuant to paragraphs 7.3 and 7.5, being these two cases exclusively related to the Development Area referred thereto, and the paragraphs 8.4 and 8.5 related to the Field referred thereto.

CHAPTER II – EXPLORATION AND EVALUATION

CLAUSE FIVE: EXPLORATION PHASE

Duration

- 5.1 The Exploration Phase shall begin at the Effective Date of this Agreement and shall have the maximum duration specified in ANNEX II – Work and Investment Program. The Exploration Phase shall be divided in two Terms (“Exploration Terms”), whose duration shall be indicated in ANNEX II – Work and Investment Program. The Second Exploration Term, if applicable, shall begin at the completion of the First Exploration Term. The Exploration Phase may be extended pursuant to paragraphs 5.3, 5.6, 6.2, 7.3, 7.5 and 12.10.
- 5.2 At the end of the First Exploration Term, the Concessionaire must relinquish the total area of each Block to the ANP, exception made to the Area(s) retained for Evaluation or Development, or proceed to the Second Term, undertaking the obligations set forth in ANNEX II – Work and Investment Program.
- 5.3 At the end of the Exploration Phase, the Concessionaire may only keep the Development Area(s) approved by the ANP and must relinquish all remaining Areas, except as follows:
- 5.3.1 If the Concessionaire has submitted one or more Development Plans pursuant to paragraph 9.1 which had not yet been approved by the ANP under the terms of paragraph 9.6, the Concessionaire may retain the Areas covered by such Development Plans until a final decision over them is made, but it may not carry out any work or conduct any Operation in such Areas without prior approval by the ANP, under penalty of having the applicable sanctions ascribed, pursuant to paragraph 29.1.
- 5.3.2 If the Concessionaire has submitted a Declaration of Commerciality under the terms of paragraph 7.1, but has not yet submitted the Development Plan related to the Discovery, the Concessionaire may retain an Area approved by the ANP, covered by the Evaluation Plan, for the remaining time foreseen in paragraph 9.1, for submission of the Development Plan and for the required additional time under the provisions of paragraph 9.6 for review of such Development Plan, but may not

do any work or conduct any Operation in the Area without prior approval by the ANP.

5.3.3 If the Concessionaire has made and notified a Discovery so close to the end of any of the Periods of the Exploration Phase that it is not possible to complete the Evaluation of the Discovery and to deliver the Declaration of Commerciality before the end of the Exploration Phase in accordance with the Best Practices of the Oil Industry, the Exploration Phase term may be extended by means of prior approval by the ANP of an Evaluation Plan, which must be concluded within the term approved by the ANP, which will also be the final term for the submission of the Declaration of Commerciality arising from this Evaluation. The extension which is dealt with in this paragraph is limited exclusively to the Area covered by the Evaluation Plan approved by the ANP. The entire remaining Area shall be returned to the ANP. The remaining area for the performance of the Evaluation Plan must be circumscribed by a sole polygonal line drawn in accordance with a network compatible with a geological map sheet in the scale 1:500, according to the International Map of the World 1:1 Million – IMW. This network shall comply with the dimensions of 9,375” (nine seconds and three hundred and seventy-five millionths of seconds) of latitude and 9,375” (nine seconds and three hundred and seventy-five millionths of seconds) of longitude. If such Evaluation leads to a Declaration of Commerciality, the Concessionaire may retain the approved Area, pursuant to paragraph 5.3.2.

5.4 In the event of the aforementioned above, the course of the Term of the Concession Agreement shall be automatically suspended until the ANP decides upon the request for extension of the Exploration Phase being, in any hypothesis, the fees for occupation or retention of the Area (paragraphs 5.8 and 8.3) payable. The Concessionaire may only perform any exploratory activity by means of prior and exclusive approval by the ANP.

5.5 If the Concessionaire had already started to drill an exploratory well and the drilling had not reached its stratigraphic objective by the end of the Exploration Phase, the ANP may extend the Exploration Phase for the time the ANP judges necessary for the well to reach such stratigraphic objective. A substantiated request for term extension must be forwarded by the Concessionaire to the ANP at least 72 hours in

advance. In the event of a Discovery, the Concessionaire may submit an Evaluation Plan pursuant to paragraphs 6.3 and 6.8.

- 5.6 As a condition for moving on to the Second Exploration Term of some Block of the Concession Area, the Concessionaire shall be obliged (before the end of the First Exploration Term) to provide the ANP with securities in compliance with what is set forth in the Clause Fifteen with respect to the Minimum Exploratory Program for the Second Exploration Term. If the Concessionaire fails to produce securities by the end of the First Exploration Term, the Exploration Phase shall be automatically terminated and the Concessionaire shall relinquish the Block(s) in the Concession Area pursuant to paragraph 5.1.2.
- 5.7 The Concessionaire may voluntarily terminate the Exploration Phase at any time, by means of a written notification forwarded to the ANP pursuant to paragraph 5.22. Such termination shall not release the Concessionaire from integrally completing the Minimum Exploratory Program with respect to the Exploration Term in course.
- 5.8 The suspension of the activities in the Terms of this Agreement shall not release the Concessionaire from the payments due to Third-Parties and Governmental Participations pertaining to the performance of the Phase this Clause is referring to.

Minimum Exploratory Program

- 5.9 During the First Exploration Term, the Concessionaire shall integrally perform the Work Units correspondent to the Minimum Exploratory Program for the First Exploration Term as per ANNEX II – Work and Investment Program, having, for such, to disburse the necessary amounts, observing what is set forth in paragraphs 5.13, 5.14, 5.16 and 5.17 (specially in the cases of terrestrial Blocks classified as exploratory model of New Border).
- 5.10 Failure to comply with the provisions of paragraph 5.9 shall entitle the ANP to execute the security, as provided in Clause Fifteen, without prejudice to other suitable measures.
- 5.11 The Concessionaire may, at its discretion, perform exploratory works in addition to those included in the Minimum Exploratory Program for the Exploration Term in course, by providing the ANP with the proper program of the additional exploratory

work prior to the beginning of its performance. The ANP may, at its own exclusive discretion, grant credit of such additional exploratory work to the subsequent Exploration Term. However, in each Exploration Term there shall always be a Minimum Exploratory Program to be fulfilled by the Concessionaire, which must be previously approved by the ANP.

5.12 In accordance with the technical justification submitted by the Concessionaire, the ANP may accept, at its exclusive discretion that the Block neighboring the Block where the well shall be drilled shall also move forward to the Second Exploration Term, without any commitment of drilling a well in the Block, provided that such Block contains the same composition of Concessionaires.

5.13 In order to comply with the Minimum Exploratory Program pursuant to paragraph 5.9, and observing the provisions of paragraph 5.18, only the following non-exclusive data may be utilized, in the terms of paragraph 2.6, surveyed in the Block which had been bought by the Concessionaire – Onshore Basins: 2D and 3D seismic, potential methods (gravimetric and magnetometric methods), gamma spectrometry, electromagnetic, geochemistry and 2D and 3D seismic reprocessing with time or depth migration in the pre-stack phase. The activity of seismic reprocessing shall only be considered, in order to comply with the Minimum Exploratory Program, if it is performed over seismic acquisition that has not been previously reprocessed.

5.14 In order to comply with the Minimum Exploratory Program pursuant to paragraph 5.13, only those surveys which were carried out in observance of all the defined requirements in the technical standards established by the ANP.

5.15 For the acquisition of exclusive data the Concessionaire may subcontract data survey companies, provided that the requirements in the regulatory rules edited by the ANP are previously fulfilled, and that such companies are duly registered and regularized with the ANP.

5.16 All well drilled in order to comply with the Minimum Exploratory Program must reach the minimum goal defined in ANNEX II - Work and Investment Program, and may only be accounted for fulfillment of the Minimum Exploratory Program purposes after the ANP verifies that such acquisition has met all the defined requirements in the established technical standards. Besides, such data must be

delivered to the ANP, which shall issue a quality control report of refusal or acceptance of the data received, within 150 (one hundred and fifty) days to be counted from the date of delivery of such data by the Concessionaire to the ANP .

5.17 The gamma spectrometry, gravimetric and magnetometric data which cover the Area of the Block under concession acquired by the Concessionaire itself or which might have been acquired in non-exclusive basis, pursuant to paragraph 2.6, or which might have been acquired by the Concessionaire, may be utilized to comply with the Minimum Exploratory Program set forth in paragraph 5.9, observing the provisions of paragraph 5.18, besides the compliance with the requirements of the requisites defined in the ANP's technical standards, pursuant to paragraph 5.14, whichever is more suitable.

5.18 In relation to the exploratory works performed under the terms of paragraph 2.6 to be taken into account for the compliance of the Work and Investment Program indicated in the ANNEX II, a reduction factor shall be applied to the number of Work Units which shall be calculated in accordance with the time elapsed between the date of the request for withdrawal from the Minimum Exploratory Program and the date of conclusion of the operation of data acquisition. If the operation of data acquisition is carried out up to one year prior to the date of the request for withdrawal from the Minimum Exploratory Program, the exploration work shall be considered in its totality, increased by a reduction factor of 10% (ten per cent) to the number of Work Units calculated for each additional year elapsed. Data acquired over ten years from the date of the request for withdrawal from the Minimum Exploratory Program shall not be calculated for compliance with the Work and Investment Program.

Options Subsequent to the Completion of the Minimum Exploratory Program

5.19 After having integrally complied with the work obligations established in the Minimum Exploratory Program for any Exploration Term of any of the Blocks object of this Agreement, pursuant to paragraph 5.9, the Concessionary may, for the Block(s) where the Minimum Exploratory Program had been fulfilled, at its discretion and by means of a written notice to the ANP, until the date of conclusion of the Exploratory Term in force:

- (a) until the end of the first Exploration Term, declare it completed and move on to the Second Exploration Term, in which case the Concessionaire shall present securities as a warrant for the Minimum Exploratory Program, pursuant to paragraph 5.6; or
 - (b) consider the Exploration Phase ended, retaining only some casually established Areas pursuant to paragraphs 5.3, 5.20, 7.3, 7.5 and 9.2, in which case all the other parts of the Block shall be immediately relinquished by the Concessionaire to the ANP, as defined in paragraphs 3.5 and 3.6; or
 - (c) Notify that there had been no Discoveries in the Block(s) which, at the Concessionaire's discretion, justify the continuation of the Operations under this Agreement, which shall imply in the exclusion of the Block(s) within the Concession Area or the termination of the Concession Agreement, in case the Concession Area comprises only one Block as of the date of receipt of the respective notification and the immediate relinquishment of such Block(s), observing the provisions in paragraphs 3.5 and 3.6.
- 5.20 Every time that, at the end of the Exploration Phase, the deadline stated in paragraph 9.1 is not expired in relation to the Declaration of Commerciality issued by the Concessionaire, it will be obliged, for the purposes of paragraph 5.19 (b), to anticipate, in the respective notice, and for the approval of the ANP, the definition of the Development Area to be retained, in accordance with the provisions in paragraph 9.2.
- 5.21 In the event that the Concessionaire fails to deliver the notice pursuant to paragraph 5.19, the corresponding Block shall be excluded from the Concession Agreement, or this Agreement shall be dully terminated, in case the Concession Area comprises only one Block, at the end of the Exploration Phase. The Concessionaire shall be obliged to relinquish the Area of the Block immediately, or the entire Concession Area, whenever the case, in accordance with the provisions in paragraphs 3.5 and 3.6.

Relinquishment of the Concession Area in the Exploration Phase

- 5.22 Within a period of 60 (sixty) days after the termination of the Exploration Phase, the Concessionaire must forward the ANP a report of Relinquishment of Areas, elaborated in accordance with the applicable Laws of Brazil.
- 5.23 The delivery of the relinquishment report does not imply any kind of acknowledgement or relief from the part of ANP, nor does it exempt the Concessionaire from complying with the liabilities pursuant to Clause Twenty-One.

CLAUSE SIX: DISCOVERY AND EVALUATION

Discovery Notice

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

Other Natural Resources

- 6.2 In the event of Discovery of any natural resources other than Oil or Natural Gas, over which the Concessionaire shall reserve no rights pursuant to paragraph 2.5, the Concessionaire shall be obliged to comply with the instructions and allow the performance of the suitable measures which shall be opportunely delivered by the ANP or any other competent authorities. While awaiting for the instructions, the Concessionaire shall refrain from taking measures which might put at risk or in any way jeopardize the natural resources discovered. The Concessionaire shall not be obliged to interrupt its activities, except in the case that it might put the natural resources discovered at risk, and any interruption of the activities due exclusively to the Discovery of other natural resources shall have its term computed and acknowledged by the ANP for the purposes of the extension referred to in paragraph 5.1.

Evaluation of the New Pool

- 6.3 The Concessionaire may, at its discretion, evaluate a new Oil or Natural Gas Pool, in accordance with paragraph 6.1, at any time within the Exploration Phase. The Evaluation of the Discovery shall be carried out mandatorily and integrally during the Exploration Phase, which shall by no means be extended, except as provided for in paragraphs 5.1, 7.3 and 7.5.
- 6.4 In the event that the Concessionaire decides to evaluate the Discovery, it shall so notify the ANP and deliver the respective Evaluation Plan prepared in accordance with the applicable Laws of Brazil, before the beginning of the Evaluation activities. The Concessionaire is authorized to commence the execution of the Evaluation Plan immediately after its approval by the ANP.
- 6.5 In the event that the Evaluation Plan involves the execution of Tests in long-term wells, the Concessionaire shall not commence such tests without prior authorization by the ANP.
- 6.6 In the event that the provisions in paragraph 5.3.3 are applicable, any exploration activity in the areas where the Evaluation Plan has not been approved by the ANP will be prohibited until a decision is announced by the ANP on the duration of the Exploration Phase, under penalty of having the suitable sanctions imposed, as provided by paragraph 29.1.
- 6.7 The condition described in paragraph 6.6 shall not release the Concessionaire from paying for the Surface Rental Fees, as established in Articles 45 and 51 of the Petroleum Law.

Approval and Modifications to the Evaluation Plan

- 6.8 The ANP will have up to 60 (sixty) days, from the receipt of the Evaluation Plan, to approve or request justifiable modifications in the Evaluation Plan from the Concessionaire. In the event the ANP requests such modifications in the Evaluation Plan, the Concessionaire shall present them within 30 (thirty) days from such request, repeating the procedure described in this paragraph 6.8. Any amendments to the Evaluation Plan, which are suggested by the Concessionaire, are subject to

the prior written communication to the ANP, applying to such amendments the procedure contemplated in this paragraph 6.8.

CLAUSE SEVEN: DECLARATION OF COMMERCIALITY

Concessionaire's Option

- 7.1 Prior to the end of the Exploration Phase, the Concessionaire may, by means of notification to the ANP, at its own discretion, issue a Declaration of Commerciality for the Discovery in accordance with the Evaluation Plan approved by the ANP. If a Final Evaluation of Discovery Report has not already been submitted to the ANP, justifying the proposal for the area to be retained for Development, it must accompany the Declaration of Commerciality.
- 7.2 The decision to issue a Declaration of Commerciality for the evaluated Discovery shall be decided by the Concessionaire, at its sole discretion, using for this the notification referred to in paragraph 7.1.

Postponement of the Declaration of Commerciality

- 7.3 In accordance with the provisions of paragraphs 7.4 and 7.5, the Concessionaire may plead to the ANP for the postponement of the Declaration of Commerciality.
- 7.4 Before the ANP and in accordance with paragraph 7.1, the Concessionaire may justify that the quantity and/or the quality of the discovered and evaluated Natural Gas are such that (i) its commercial viability depends on the creation of the market for Natural Gas or the installation of Transportation infrastructure to handle simultaneously the Concessionaire's and/or other Concessionaires' Production and also that (ii) the creation of such market or installation of such infrastructure will be possible within a period of no later than 5(five) years. In this case, the Concessionaire shall be entitled to request to the ANP, and the ANP may, at its sole discretion, taking into consideration the effective prices and costs levels in the Brazilian market, grant a maximum period of 5 (five) years, from the notice made by the Concessionaire pursuant to paragraph 7.1, to issue or not the relevant Declaration of Commerciality. In the event such Declaration is issued, the

Concessionaire is obliged to present, attached to the Declaration of Commerciality, a supported proposal for the use of the Natural Gas, accompanied by the relevant Development Plan. At the ANP's sole discretion, with technical justification and for each specific case, the above mentioned period of up to five (5) years may be extended to more five years, in a total maximum of 10(ten) years from the date of the notification from the Concessionaire under the terms of paragraph 7.1. When presenting the request contemplated in this paragraph 7.3, the Concessionaire shall simultaneously submit for the ANP's approval the delimitation of the Development Area to be retained, in accordance with the provisions of paragraph 9.2. The extension for the period contemplated herein shall be applied exclusively to such Development Area, and for all other parts of the Concession Area the terms and conditions applicable in accordance with the other clauses of this Agreement shall prevail.

7.5 Before the ANP and in accordance with paragraph 7.1, the Concessionaire may justify that the quantity and the quality of the discovered and evaluated Oil are such that (i) due to draining issues because of the density, viscosity or other factors related to the Reservoirs, or Refining problems, due to the acidity of the Oil, its commerciality depends on the development of new production technologies and that the application of such technologies could be viable within a period of up to 5 (five) years, or (ii) because of the quantity of Oil discovered, its commerciality depends on the discovery of additional Oil in the same Block or in adjacent Blocks, for the joint Development of these discoveries, and that the Concessionaire has, according to its Plans and Programs, prospects of making discoveries of additional Oil. In this case, the Concessionaire shall be entitled to request the ANP, and the ANP may, at its sole discretion, taking into consideration the effective prices and costs levels in the Brazilian market, and after analysis of the reasonable technical justification presented by the Concessionaire, grant a maximum period of 5 (five) years, from the notice made by the Concessionaire pursuant to paragraph 7.1, to issue or not the relevant Declaration of Commerciality. In the event that such Declaration is issued, the Concessionaire is obliged to present the relevant Development Plan attached to the Declaration of Commerciality. At the ANP's sole discretion, with technical justification and for each specific case, the above mentioned period of up to five (5) years may be extended to ten (10) years, from

the date of the notification from the Concessionaire under the terms of paragraph 7.1. When presenting the request contemplated in this paragraph 7.5, the Concessionaire shall simultaneously submit for the ANP's approval the delimitation of the Development Area to be retained, in accordance with the provisions of paragraph 9.2. The extension for the period contemplated herein will be applicable exclusively to such Development Area, and for all other parts of the Concession Area the terms and conditions applicable in accordance with the other clauses of this Agreement shall prevail.

7.6 In rebuttal, if the existence of an internal demand to absorb the production of Non-associated Gas in economical conditions determined and declared by the ANP is identified, the Concessionaire shall be bound to continue or resume the activities, as applicable, and shall not have the right to any extension. In this event, the ANP may cancel the extension conceivably granted.

Relinquishment of the Area of Discovery

7.3 In the case the Concessionaire decides not to issue the Declaration of Commerciality for an evaluated Discovery pursuant to this Clause Seven, or if, having issued the Declaration of Commerciality, fails to deliver,, within the proper period of time, the Development Plan to the ANP pursuant to paragraphs 7.3 and 9.1, then the Area concerned shall be entirely relinquished.

Continuation of Exploration and/or Evaluation

7.4 The fact that the Concessionaire has issued one or more Declarations of Commerciality, pursuant to this Clause Seven, shall not cause the reduction or amendment of the obligations stated in the Appendix II – Work and Investment Program, which will continue in full force and effect in accordance with the term and conditions defined in this Agreement.

CHAPTER III - DEVELOPMENT AND PRODUCTION

CLAUSE EIGHT: PRODUCTION PHASE

Duration

- 8.1 The Production Phase of each Field shall start at the date of delivery, by the Concessionaire to the ANP, of the respective Declaration of Commerciality, pursuant to Clause Seven, and shall last for a 27 (twenty-seven) year term, which can be reduced or extended, according to the provisions of paragraphs 8.4, 8.6 and 8.9.
- 8.2 As each Field has a different Production Phase under the provisions of paragraph 8.1, all references to extension or termination of this Agreement contained in paragraphs 8.2 through 8.10 refer to the extension or termination of this Agreement exclusively with respect to each Field separately.
- 8.3 In the event of discontinuance of the terms of this Agreement, the Concessionaire shall not be exempted from the payment referring to Governmental Participations and to third parties with respect to Phase execution to which this provision refers to.

Extension by the Concessionaire

- 8.4 The Concessionaire may request the extension of the term established in paragraph 8.1. In order to do so, the Concessionaire shall send, at least 12 (twelve) months prior to the end of this term, a written request to the ANP duly accompanied by a Supplemental Development Plan or by a Production Program, if additional investments in the Field are not requested by the ANP in accordance with paragraph 8.5.
- 8.5 The ANP shall, within a maximum period of 3 (three) months from the receipt of the request from the Concessionaire, inform its decision to the Concessionaire, provided that the ANP shall not unreasonably withhold the Concessionaire's proposal, being able to refuse it *in totum* or request amendments, including additional investments in the Field subject to extension. Likewise, the

Concessionaire shall not unreasonably withheld requests by the ANP for additional investments in the Field subject to extension.

Extension by the ANP

- 8.6 By written notice given at least 8 (eight) months before the end of the term established in paragraph 8.1, the ANP may request the Concessionaire to continue operating in a Field for such additional time that the ANP may consider convenient, with the consequent extension of this Agreement. The Concessionaire may only refuse the ANP's request with justification and shall not be obliged to continue with the operation under conditions considered to be uneconomical.
- 8.7 Lack of response from the part of the Concessionaire, within a period of 3 (three) months from the date of the ANP's request, shall be considered as an acceptance of the ANP's request by the Concessionaire.

Consequences of the Extension

- 8.8 If the extension of the Production Phase is carried out, pursuant to paragraphs 8.4 or 8.6, the Parties shall remain bound under the exact terms and conditions of this Agreement, except for the amendments agreed due to, and for the purposes of, such extension. At the end of such extension, the referred paragraphs 8.4 and 8.6 shall be applied, *mutatis mutandis*, for the purposes of any new extension.

Rescission

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

Relinquishment of the Fields

8.10 Once the Production Phase is finished, as contemplated in paragraph 8.1, the Field shall be relinquished to the ANP. The ANP may, if it deems convenient, adopt the applicable measures to proceed with its operation, including the arrangements for the bid of the area during the last 6 (six) months of Production or upon receipt of the notice described in paragraph 8.5. In this case, the Concessionaire shall use all its best efforts and adopt all suitable measures in order to, during the last 6 (six) months of Production, or from the notice described in paragraph 8.9, properly transfer the Operations to the new Operator, in order not to impair the administration and Production of the Field. Under no circumstance, however, shall the Concessionaire be bound to comply with the provisions of paragraphs 3.5 and 3.6.

8.11 At least one hundred and eighty (180) days before the end of Production, the Concessionaire must submit an Installations Deactivation Program to the ANP, describing in details the proposal of plugging and abandoning the wells, the deactivation and removal of plant, equipment, other assets and all other relevant considerations. The Installations Deactivation Program must strictly comply with applicable Laws of Brazil and must be in accordance with the Best Practices of the Oil Industry and be consistent with the provisions in Clause Twenty-One of this Agreement and the provisions related to the reversion of property according to Clause Eighteen.

8.12 The ANP shall have 30 (thirty) days from the receipt of the Installations Deactivation Program, to approve it or request the Concessionaire to modify it as the ANP may deem appropriate. If the ANP request modifications, the Concessionaire shall have 60 (sixty) days from the date of receipt of the notification, to discuss them or to present them to the ANP, then repeating the procedure described in this paragraph. The ANP may request the Concessionaire not to plug and abandon wells and/or not deactivate or remove certain facilities and equipment, making the ANP responsible for such wells, facilities and equipments after the Concessionaire's withdrawal.

- 8.13 The implementation of the Installations Deactivation Program approved pursuant to paragraph 8.12 shall not commence before one hundred and eighty (180) days from the date of its submission, unless otherwise expressly authorized by the ANP.
- 8.14 The termination of this Agreement with respect to a specific Development Area or Field shall only occur after the fulfillment of the Installations Deactivation Program approved by the ANP, with the immediate relinquishment of the corresponding area, according to the provisions of paragraphs 3.5 and 3.6 and the Concessionaire shall not be entitled to any compensation for the investments carried out.

CLAUSE NINE: DEVELOPMENT PLAN

Contents

- 9.1 Within 180 (one hundred and eighty) days from the date of delivery of the Declaration of Commerciality pursuant to paragraph 7.1 and except as provided for in paragraph 12.1, in the case of paragraphs 7.3, 7.4 or 7.5, the Concessionaire shall deliver the relevant Development Plan to the ANP, prepared in compliance with the rationalization of the production and the control of the reserve's decline in accordance with applicable Brazilian legislation and the Best Practices of the Oil Industry. The Development Plan must contemplate the performance of the minimum established percentage of the Local Content pursuant to paragraphs 1.2.10 and 20.2 b).
- 9.1.1 During the creation of the Development Plan, the ANP may, at its sole discretion, be represented in the Technical Meeting for the creation of the Plan.

Development Area

- 9.2 The Development Area will be circumscribed by a sole line drawn according to the applicable Brazilian legislation, in order to include not only a surrounding zone of technical security of a maximum 1 (one) kilometer, but also the whole Pool or Pools to be produced, determined based on the data and information obtained

during the execution of Exploration and Evaluation activities, and in accordance with the Best Practices of the Oil Industry.

9.3 If, over the course of the Development, it is proved that the Pool or Pools contained in the Development Area defined pursuant to paragraph 9.2 are extended through this area, the Concessionaire may request its amendment to the ANP, in order to incorporate in such area other portions of the original Concession Area, provided that such portions have not yet been relinquished in compliance with the applicable provisions of this Agreement related to the relinquishment of the portions of the Concession Area.

9.4 Once the Development is concluded, the Concessionaire shall retain from the Development Area only the area of the Field which results from the Development, immediately relinquishing all the other parts to the ANP, in accordance with paragraphs 3.5 and 3.6.

9.5 The Area of each Field referred to in paragraph 9.4 shall be circumscribed by a sole closed polygon, drawn in accordance with the applicable Brazilian legislation.

Approval and Performance of the Development Plan

9.6 The ANP shall have up to 180 (one hundred and eighty) days from the receipt of the Development Plan to approve it or request the Concessionaire to make any amendments the ANP deems appropriate. In the event the ANP does not respond within such period, the Development Plan will be considered approved. If the ANP requests modifications, the Concessionaire shall have 60 (sixty) days from the date of receipt of the notification, to discuss them with the ANP and submit them to the ANP, repeating the procedures outlined in this paragraph 9.6

9.7 The Concessionaire shall conduct all Operations with respect to the Development Area concerned in accordance with such Development Plan.

Revisions and Amendments

9.8 In the event of a change in the technical or economical conditions used in the preparation of the Development Plan, the Concessionaire may submit revisions or

amendments to the ANP, accompanied by supporting reasons, and in accordance with the applicable Brazilian legislation and with the Best Practices of the Oil Industry. If, at any time, the Development Plan ceases to comply with the applicable Brazilian legislation or with the Best Practices of the Oil Industry, the Concessionaire shall be bound to amend it so that it so complies. Amendments shall be subject to the ANP's review and approval applying, *mutatis mutandis*, the provisions in paragraph 9.6. If the ANP considers that a Development Plan has ceased to comply with the applicable Brazilian legislation and the Best Practices of the Oil Industry, it may require the Concessionaire to make appropriate amendments.

Constructions, Facilities and Equipment

9.9 All construction, installation and the supply of equipment for extraction, treatment, lifting, storage, metering and Transfer of the Production, under the terms of this Agreement, shall be at the sole responsibility of the Concessionaire. Regarding the Treatment or Processing of Natural Gas, Storage and Transportation of Natural Gas, the Articles 53, 54, 56 and 59 of the Petroleum Law shall be applied. The resolution of such matters by the Concessionaire, including the investment of necessary resources, will be required in order to establish the commerciality and to develop a Discovery.

CLAUSE TEN: PRODUCTION START-UP DATE AND ANNUAL PRODUCTION PROGRAMS

Production Start-Up Date

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

Annual Production Programs

- 10.2 No later than October 31 of each calendar year, the Concessionaire shall deliver the Annual Production Program for each Field to the ANP, in accordance with the Development Plan for the Field, the applicable Brazilian legislation and the Best Practices of the Oil Industry. The Annual Production Program shall also have the appropriate explanations whenever the total annual Production indicated therein undergo a variation equal to, or greater than, 10% (ten percent), when compared to the relevant total annual Production expected in the Development Plan in force and applicable to the Field.
- 10.3 The Concessionaire shall deliver the Annual Production Program to the ANP related to the calendar year in which the Production has commenced at least 60 (sixty) days prior to the expected Production Start-Up Date.
- 10.4 In the event that the ANP has approved the Production proceed without being interrupted, the Annual Production Program must be delivered up to five days after the end of this Test.
- 10.5 Once the Annual Production Program is delivered, and notwithstanding the provisions of paragraph 8.9, the Concessionaire shall be obliged to comply with it and any amendments to it shall be subject to paragraphs 10.6 and 10.8, as well as the provisions of paragraph 10.9.

Modifications by the ANP

- 10.6 The ANP shall have 30 (thirty) days from the receipt of the Production Program to request that the Concessionaire make any amendments the ANP deems advisable, whenever the Production Program does not comply with the provisions of paragraph 10.2. In the event the ANP requests such amendments, the Concessionaire shall have 30 (thirty) days, from the date of receipt of the notification to discuss them with the ANP and submit the Production Program with the agreed modifications to the ANP. In accordance with paragraph 8.9, the Concessionaire shall be obliged to comply with the Production Program submitted to the ANP, with such modifications it determines, according to the provisions herein, applying to such amendments the procedure contemplated in this paragraph 10.6, as well as in paragraph 10.9.

10.7 If, at the beginning of the period to which the Production Program refers, the Parties are in dispute due to the application of paragraph 10.6, the lower Production level between the one proposed by the Concessionaire and the ANP shall be used, in any month and until this dispute is resolved.

Revision

10.8 At any time, the parties may agree upon the revision of the Production Program in progress, provided that such revision meets the standards set forth in paragraph 10.2. When a proposed revision is at the ANP's initiative, duly justified and in accordance with the Best Practices of the Oil Industry, the Concessionaire shall have 30 (thirty) days, from the date of receipt of the notification to discuss it with the ANP and to present a revised Production Program. All revisions shall apply, *mutatis mutandis*, to the provisions outlined in paragraph 10.6.

Authorized Variation

10.9 The volume effectively produced in each Field, each month, cannot vary more than 15% (fifteen percent) in relation to the Production level expected for that month in the Production Program in progress, except when this variation is for technical reasons, acts of God or force majeure, according the justification presented to the ANP until the fifteenth day of the following month

Temporary Stoppage of Production

10.10 In accordance with the Best Practices of the Oil Industry, the Concessionaire may request the approval of the ANP by means of a prior and expressed request for the interruption of Production in a Field, for a maximum period of one year, except in the cases of emergency or force majeure, when the interruption shall be immediately notified.

10.11 The ANP shall evaluate the request within a period of sixty (60) days, or shall request further clarification to the Concessionaire, in which case the period for analysis shall be extended by the same period.

CLAUSE ELEVEN: MEASUREMENT, DELIVERY AND DISPOSITION OF PRODUCTION

Measurement

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

Transference of Ownership

11.2 The Concessionaire shall receive and assume, at the Production Metering Point, the ownership of the volumes of Oil and Natural Gas measured in accordance with this Clause Eleven, according to the provisions of paragraphs 2.2, 2.3 and 2.4. The quantification of such volumes shall be subject, at any time, to the corrections in accordance with paragraph 11.1.

Monthly Bulletins

11.3 Until the 15th (fifteenth) day of each month, and as from the month following that in which the Production Start-Up Date occurs in each Field, the Concessionaire shall deliver to the ANP a monthly Production bulletin for that Field conforming to the applicable Brazilian legislation.

Free Disposal

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

Supply to the National Market

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

Consumption in the Operations

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

Trial Production

11.7 The results, data and interpretation of any formation or production tests made by the Concessionaire during the execution of Operations under this Agreement,

including the produced volumes of Oil, Natural Gas and Water, shall be notified to the ANP immediately after their conclusion, or, in the case of trials of long duration, in accordance with the period set forth in the approved Evaluation Plans. The Oil and Natural Gas volumes obtained during such trials shall belong to the Concessionaire and be considered for the purposes of payment of Government and Third-Party Participation Fees, as contemplated in Clause Twenty-Three.

Associated Natural Gas

11.8 The volumes of Associated Natural Gas produced under this Agreement may be used by the Concessionaire in accordance with the terms of 11.6, however for flaring such use will be subject to both the prior written approval of the ANP, pursuant to the Best Practices of the Oil Industry and the applicable Brazilian legislation, and the Article 47, paragraph 3, of the Petroleum Law.

Losses

11.9 Any loss of Oil or Natural Gas that occurs under the responsibility of the Concessionaire will be included in the Total Production Volume to be calculated for purposes of payment of Government and Third Party participation fees, provided for in Clause Twenty-Three, pursuant to Article 47, paragraph 3 of the Petroleum Law, without prejudice to the application of the provisions of Clauses Twenty-Nine and Thirty.

CLAUSE TWELVE: UNIFICATION OF OPERATIONS

Agreement for the Unification of Production

12.1 If the Concessionaire discovers that a Pool extend outside the Concession Area, the Concessionaire shall officially inform this fact to the ANP up to 10(ten) days from the time the Concessionaire becomes aware of such extension, according to the provision 34.4 of this Agreement.

- 12.2 If the adjacent areas to which the Pool is extended are under concession, the ANP shall notify the interested parties so that an Agreement for the Individualization of production can be executed.
- 12.3 Prior to the approval of the Agreement for the Individualization of Production, Evaluation Operations must be carried out, in order to evaluate the unification of the operations, in accordance with a common Development or Evaluation Plan.
- 12.4 For the presentation and approval of the Development or Evaluation Plan(s) as per paragraph 12.3 the Clause Six and the Clause Nine shall be applied, as applicable.
- 12.5 The Concessionaires involved in the Agreement for the Individualization of Production shall notify the ANP of the negotiations schedule. The ANP may request to attend the negotiations in relation to the execution of the Agreement for Individualization of Production. In that case the Concessionaires shall bear the costs of all travel, meals and accommodation for the ANP representatives, if the negotiations do not take place in the City of Rio de Janeiro.
- 12.6 After the completion of the Evaluation Operations, the ANP will establish the terms of the Agreement for the Individualization of Production, regarding the obligations related to the Concession Agreements and the Government Participations and those of third parties, within a period of 60 days after the delivery of the Final Report of Evaluation of Discovery of Oil and/or Natural Gas.
- 12.7 The ANP shall use, for determining the contractual terms mentioned in paragraph 12.6, the available technical information on the Pool, taking into account the contractual terms in accordance with the extension of the Discovery and the forecast for the Oil and Gas volumes in each Block, as per the principle of proportionality and according to the Best Practices of the Oil Industry.

Adjacent Areas without Concession

- 12.8 If the adjacent area is not under concession, and if the ANP at its sole discretion considers that the Evaluation of the Pool has been done in order to allow the ANP to make a decision regarding the Individualization of Production, the ANP must negotiate the Agreement provided in paragraph 12.1, for the sole purpose of determining and establishing the contractual terms to the Agreement for the Individualization of Production.
- 12.9 The ANP may, at any time, bid the relevant Block(s) to the adjacent(s) area(s), so that the prospective Concessionaire of such area(s) shall take over the obligations under this Clause Twelve and shall comply with the Agreement for Individualization of Production signed by the ANP, in case that it was executed.

Rights and Obligations of the Interested Concessionaires

- 12.10 If the periods of the Exploration and Production Phases for the areas to which the Pool extends or the negotiations for the unification of the Operations that are ongoing by the end of the Exploration Phase are different, the ANP may, at its sole discretion, exclusively to allow the signing of the Agreement for Individualization of Production, extend the Exploration or Production Phase, exclusively in the area to be unified.
- 12.11 The ANP may act as a mediator in the negotiations of the Agreement for the Individualization of Production, in order to seek the conciliation of the Concessionaires' interests, including establishing terms for the execution of this Agreement.

Agreement Approval and Continuation of the Activities

- 12.12 When the Concessionaires engage into Agreement for the Individualization of Operations, the ANP shall have 60 (sixty) days from the receipt of the Agreement duly signed by all interested Concessionaires, to request any reasonable amendments. In the event the ANP requests amendments, the Concessionaire and the other interested parties shall have 60 (sixty) days from the date of the request

to discuss them and submit them, repeating the procedures contemplated in this paragraph 12.12.

12.13 Before the completion of the Exploration Phase, the Concessionaires may, under the terms of Clause Seven, issue the Declaration of Commerciality for the unified area.

12.14 If the continuation of Operations in the unified area provides a better understanding of the extension of the Pools, the ANP may, at its own initiative or by justified request from the Concessionaires, decide a revision of the contractual terms, in accordance with the provisions of paragraph 12.7.

12.15 Any amendment in the Agreement mentioned in the paragraph 12.8 that imply in the amendment of the obligations of the Parties shall depend on the previous approval by the ANP.

Continuation of the Production Activities

12.16 While the Agreement for the Individualization of Production contemplated herein pursuant to Clause Twelve is not approved by the ANP, the Development and Production of the relevant Pool will be suspended, unless one of the areas involved has already been through the Production Phase or otherwise authorized by the ANP, at its sole discretion. Such suspension may be not applied in case of Areas of mature basin, always at the ANP's own discretion,

Termination

12.17 If no agreement is reached by the parties, in a maximum period set by the ANP, it shall be responsible for deciding, based on an arbitration award, how the rights and obligations of each Concessionaire shall be equitably distributed, based on the general principles of the applicable Law.

12.18 The refusal by any of the parties to sign the Agreement for the Individualization of Production shall imply the termination of the Agreement. After the termination, the ANP may act in accordance with the paragraph 12.8.

CHAPTER IV - PERFORMANCE OF OPERATIONS

CLAUSE THIRTEEN: PERFORMANCE BY THE CONCESSIONAIRE

Exclusive Rights and Responsibility of the Concessionaire

13.1 During the effective period of this Agreement and according to its terms and conditions, the Concessionaire shall have, except as contemplated in paragraph 2.6, the exclusive right to perform the Operations in the Concession Area, for this purpose being obliged to, at its own account and risk, make all investments and bear all necessary expenses, to supply all necessary equipment, machines, personnel, service and proper technology and to assume and respond for losses and damages caused, directly or indirectly, by the Operations and their performance, regardless of pre-existing fault, before the ANP, the Federal Government and third-parties, according to paragraphs 2.2, 2.3 and other applicable provisions of this Agreement.

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

13.3 The initial Operator, specified in the ANNEX VIII, has executed this Agreement on the Effective Initial Date. A new Operator may be designated as provided

herein, if it was established in the Agreement of Joint Operations entered into the members of the consortium.

- 13.4 The Operator shall, at all times, hold at least a 30% (thirty percent) of the participation interest in each Exploration Area or Field for which it is acting as Operator, constituting a breach of this Agreement when the Operator hold a lower participation, except in case of the Agreement for the Individualization of Production, if necessary, in which event the Operator may hold a participation of less than 30% (thirty percent).
- 13.5 The Concessionaire may appoint, among its participants, an Operator other than the original Operator to act as Operator, provided that such participant demonstrates adequate experience, technical qualifications related to the concession, required in the Final Tender Protocol and financial capacity, as well as the person must hold the minimum percentage interest established in paragraph 13.4 and have such appointment approved by the ANP.
- 13.6 The Operator may resign as Operator at any time upon notice to the other Parties at least ninety (90) days prior to the effective date of such resignation.
- 13.7 The Operator may be deposed by the ANP if the Operator fails to comply with any provision of this Agreement and if the Operator fails to cure such breach within ninety (90) days of receipt of a notice from the ANP detailing the alleged breach.
- 13.8 In the event of the resignation or deposal of an Operator, the Concessionaire shall appoint a new Operator that meets the requirements of this paragraph, and shall submit it to the ANP's approval.
- 13.9 Only after the appointment of the Operator by the Concessionaire and approval by the ANP, shall the Operator succeed to all duties, rights and authority prescribed in this Agreement, and the former Operator shall transfer to the new Operator the custody of all property used in the Operations, accounting books, records and other documents maintained by the Operator pertaining to those parts of the Concession Area and to those Operations concerned.

- 13.10 After the transfer of the property and data which is referred to in paragraph 13.9, in the event of resignation or deposal, the former Operator shall be released and discharged from all obligations and responsibilities as Operator after the date of the transfer. However, the former Operator shall remain responsible for any acts, occurrences or circumstances that take place at such date, including in the environmental field.
- 13.11 The Concessionaires acknowledge that the ANP may, as a condition to approve the appointment of a new Operator, require, among other things, that the new Operator and the original Operator agree to take all the necessary measures for the complete transfer of all information and all the other aspects related to this Agreement, and that an audit or inventory can be held until the transfer to the new Operator. The Concessionaire shall pay the costs of such audit or inventory.

Diligence in the Conduction of the Operations

- 13.12 The Concessionaire shall plan, prepare, perform and control the Operations in a diligent, efficient and appropriate manner, in accordance with the applicable Brazilian legislation and the Best Practices of the Oil Industry, always in accordance with all provisions of this Agreement, and not performing any act which would or could constitute a violation of the economic order. According to such principle, and without limiting its application, the Concessionaire shall be obliged to adopt, in all Operations, the necessary actions for the conservation of the oil resources and other natural resources, for the safety of people and property, and the protection of the environment, in accordance with Clause Twenty-One, and to comply with the relevant technical, scientific and safety rules and procedures, including as for the recovery of fluids, aiming at the rationalization of the Production and the control of the reserve's decline.
- 13.13 The Concessionaire undertakes to use most advanced technical experience and technology, whenever they are appropriate and economically justified, for the performance of the Operations, including those which could enhance the economic income and the Production of the Pools.

Licenses, Authorizations and Permits

- 13.14 It will be the Concessionaire's responsibility to obtain, at its own account and risk, all licenses, authorizations, permits and rights required by law, the competent authorities or by reason of third-party rights, whether referred to or not in this Agreement, and which are necessary for the performance of the Operations, including, *inter alia*, the free entry, egress, import, export, customs clearance, movement, construction, installation, possession, use or consumption whether in respect to the Country or the Concession Area, of any persons, services, procedures, technologies, equipment, machines, materials and goods in general, as well as for the use of natural resources, installation or operation of communication and data transmission media, and the transportation by land, river, lake, sea or air.
- 13.15 In the case that the licenses, authorizations, permits and rights referred to in paragraph 13.14 depend on the agreement of third parties, such as land owners, urban, country or native communities, local governments or other entities or persons with legal rights, the negotiation and execution of such agreement will be the sole responsibility of the Concessionaire, and the ANP may provide the assistance described in paragraph 14.6.
- 13.16 The Concessionaire shall be liable for the violation of rights over the use of materials and performance procedures protected by trademark, intellectual property or other rights, bearing the payment of any burdens, fees, indemnifications or other expenses resulting from the referred violation, including judicial ones.

Free Access to the Concession Area

13.17 While this Agreement is in full force and effect, and according to the provisions of paragraphs 13.4 and 13.15, the Concessionaire shall have free access to the Concession Area and the installations located therein.

Drilling and Abandonment of Wells

- 13.18 The Concessionaire shall provide the ANP with prior written notice concerning the commencement of drilling of any well in the Concession Area, in this event, submitting a work program to the ANP, with detailed information about the expected drilling Operations, as well as about the equipment and materials to be used.
- 13.19 The Concessionaire may interrupt the drilling of a well and abandon it before reaching the expected geological goal, in accordance with the applicable Brazilian laws and the Best Practices of the Oil Industry. If the well represents part of the Minimum Exploration Program and it does not reach the expected goal, the well shall not taken into account in the compliance with the Minimum Exploration Program unless the ANP, at its sole discretion, determines otherwise.

Additional Work Programs

- 13.20 At any time, the Concessionaire may propose the performance of additional work in the Concession Area, in addition to those included in any plans or programs have already approved under the terms of this Agreement. The relevant program, specifying the proposed additional works and the necessary investments shall be submitted to the ANP, consistent with paragraphs 6.3, 6.8, 9.6, 9.8, 10.6, 10.8, 16.3 and 16.4.

Data Survey outside the Concession Area

- 13.21 Upon written request from the Concessionaire, accompanied by the detailed technical explanation, the ANP may authorize the Concessionaire to acquire geological, geochemistry, geophysical data and other surveys of the same nature outside the Concession Area.

13.22 The data acquired outside the Concession Area and the survey that shall be carried out, in accordance with the provision of paragraph 13.21, shall be considered of public domain immediately after the acquisition.

13.23 The data acquired and/or the survey carried out by the Concessionaires contemplated in the paragraph 13.21 must comply with the established criteria by the regulatory rules published by the ANP, related to term, form and quality and they shall be stored at the Exploration and Production Database.

CLAUSE FOURTEEN: OPERATION CONTROL AND ASSISTANCE BY THE ANP

Operation Follow-up and Inspection by the ANP

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

14.2 The action or omission in the follow-up or supervision mentioned in paragraph 14.1 shall not exclude or reduce the responsibilities of the Concessionaire regarding the performance of its obligations assumed herein.

Access and Control

14.3 At any time, the ANP shall have free access to the Concession Area and the Operations in process, as well as to the equipment and installations referred to in paragraph 18.5, and all available technical records and data, in order to follow-up and supervise as referred to in paragraph 14.1, as well as to inspect the installations and equipment, including, but not limited to, those cases expressly referred to in other paragraphs of this Agreement. The ANP shall provide the

Concessionaire with notice of such inspections with reasonable advance and shall make sure that such inspections shall not interfere in the regular performance of the Operations.

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

14.5 In addition, whenever provided for in the applicable Brazilian legislation, the Concessionaire shall provide the relevant information and allow the free access of the authorities which are liable for any of its activities.

Assistance to the Concessionaire

14.6 The ANP may, whenever required to, and always within strict legal limits of its competence and attributions, provide assistance to the Concessionaire in obtaining the licenses, authorizations, permits and rights referred to in paragraph 13.14. In addition, the ANP shall, if requested, instruct the process aiming at the declaration of public interest, dealt with in paragraph 18.4.

Exoneration of Liability of the ANP

14.7 Under no circumstances the ANP shall assume any responsibility for the performance or not of any activity to which its assistance has been required pursuant to paragraph 14.6. Such responsibility shall remain entirely with the Concessionaire, at its own account and risk.

CLAUSE FIFTEEN: SECURITIES FOR THE MINIMUM EXPLORATORY PROGRAM

Securities

15.1 The Concessionaire shall, at its own cost and risk, provide the ANP one or more securities for the Minimum Exploratory Program, in the form of irrevocable letters of credit, guarantee insurance or Oil pledge Agreement in the manner and conditions established in the Final Tender Protocol for the Block(s) which are the object of this Concession Agreement, , in the value mentioned in the ANNEX II with respect to the Minimum Exploratory Program(s) for the First Exploration Term of Blocks within the Concession Area.

Estimation of Activities

15.2 At least 90 (ninety) days prior to the beginning of the Second Exploration Term, the Concessionaire shall notify the ANP of the estimated fair market cost of the drilling of the exploratory well of the Minimum Exploratory Program for the Second Exploration Term, providing the basis for such estimate. The ANP will have 30 (thirty) days to reasonably respond to the Concessionaire's cost estimate or allocations and to submit a different estimate or allocation to the Concessionaire. Prior to the beginning of the Second Exploration Term, the Concessionaire shall, at its own cost and risk, provide the ANP one or more securities for the Minimum Exploratory Program, in the form of irrevocable letters of credit, guarantee insurance, mortgage agreement and Oil Pledge Agreement in the manner and conditions established in the Final Tender Protocol for the Block(s) which are the object of this Concession Agreement.

Changes to the Amounts

15.3 During the First Period of Exploration, the value of the financial guarantee to the Minimum Exploratory Program for such Period shall decrease upon the Concessionaire's request performed, at least, each 3 (three) months. This decrease shall be based on the allocable amount to the activities actually performed by the Concessionaire up to the date of the request (or a pro rata share of such amount, based on the participation of the Concessionaire that provided the financial guarantee in a Consortium, if more than one financial guarantee is provided by the Concessionaires), upon certification by the ANP that such activity has been

properly performed. The total allocable amount to each Work Unit is indicated in ANNEX II - Work and Investment Program with respect to the First Exploration Term and shall be determined as provided in paragraph 15.2 with respect to the Second Exploration Term. Decrease related to the allocable amounts to drilling costs will be only performed when a well actually reaches the prescribed minimum target horizon and is complete. Decrease for allocable amounts to seismic survey, geochemistry or potential methods costs, when applicable, will be made progressively as data is acquired, processed and delivered to the ANP in accordance with the applicable Brazilian legislation.

15.4 The decrease contemplated in paragraph 15.13 shall be performed in proportion to the total obligation of the Minimum Exploratory Program with a minimum of twenty percent (20%) in relation to the obligation in the Work Units.

15.5 Any letter of credit shall be repaid after a certification is supplied by the ANP stating that the entire Minimum Exploratory Program required for the Exploration Period has been carried out. If there is no conflict in relation to the completion of the work, or the fulfillment set forth in paragraph 5.14 and other outstanding obligation related to the Contract Phase, the ANP shall issue these certifications within a period of thirty (30) days after the presentation of the documentation certifying such completion by the Concessionaire.

15.6 To comply with the gradual decrease of values according to the paragraph 15.3, the maximum value of Work Units to be calculated by Block shall be the Work and Investment Program presented in ANNEX II – Work and Investment Program.

Adjustment of the Securities

15.7 If there is a variation of the estimated costs to fulfill the Minimum Exploratory Program, the ANP may request, in no less than one (1) year, that the Concessionaire adjusts the amounts of the presented guarantee. In that case, the Concessionaire must present, up to 60 (sixty) days after the notice provided by

the ANP, new financial guarantee(s), sufficient to the coverage of the adjusted amount, according to the Clause 15.

Execution of the Securities

15.8 If the Concessionaire fails to comply with the Minimum Exploratory Program as specified in Clause Five, the ANP shall entitle to execute such financial guarantees as a compensation for such failure, without prejudice to other obligations and duties that the Concessionaire must comply with or to the ANP's right to pursue all other available remedies.

Sanctions

15.9 The execution of the referred guarantee in this Clause Fifteen, in the terms defined herein, shall be carried out without prejudice to the application of the provisions of Clauses Twenty-Nine and Thirty.

CLAUSE SIXTEEN: ANNUAL PROGRAMS AND BUDGETS

Submitting to the ANP

16.1 Before October 31(thirty-first) of each year, the Concessionaire shall present the Annual Work Program and its relevant Annual Budget to the ANP, pursuant to the applicable Brazilian legislation, in compliance with the requirements of paragraph 34.1. The Annual Work Programs and their relevant Annual Budgets shall be in strict conformity with the Work and Investment Plans and Programs required and approved under the terms of this Agreement.

16.2 The first Annual Work Program and its relevant Annual Budget, shall cover the rest of the current year and will be submitted by the Concessionaire within 60 (sixty) days from the Effective Date of this Agreement. In the event that the end of the year is in less than 90 (ninety) days, the first Annual Work Program and its

relevant Annual Budget shall also separately contemplate the immediate following year.

Revisions and Amendments

- 16.3 The Concessionaire may, upon prior reasonable notice to the ANP, amend the Annual Work Program and its relevant Annual Budget in progress, in order to adapt them to a possible entry of a subsequent phase or the inclusion of amendments or the Operations contemplated in the respective plans, programs and amendments adopted pursuant to this Agreement.
- 16.4 The presentation of the Annual Work Programs and their relevant Annual Budgets, as well as their revisions and amendments, in accordance with Clause Sixteen, shall not impair, invalidate or decrease the obligations assumed by the Concessionaire pursuant to this Agreement.

CLAUSE SEVENTEEN: DATA AND INFORMATION

Provided by the Concessionaire to the ANP

- 17.1 According to the paragraph 34.1, the Concessionaire shall maintain the ANP constantly informed about the progress and results of the Operations, in accordance with the Best Practices of the Oil Industry and in compliance with the applicable Brazilian legislation including frequency, deadlines and format. Based on such principles and without limiting its application, the Concessionaire shall deliver to the ANP, not only the other documents required in other Clauses of this Agreement, but also copies of maps, sections and profiles, acquired data, geological, geochemical and geophysical surveys and information, including interpretations, well records and trials, as well as reports or any other documents defined in specific regulations, which might contain the necessary information for the characterization of the work process, obtained as a result of the Operations and this Agreement.

- 17.2 Under the terms of Article 22 of the Petroleum Law, the geological, geophysical and geochemical data and information are an integral part of the national oil resources and shall be delivered to the ANP, to be filed at the BPED, in the terms and conditions established in the regulatory rules issued by the ANP (rules, standards, resolutions, administrative rules and regulations), which shall ensure the compliance with the confidentiality terms defined by the applicable legislation.
- 17.3 The quality of the copies and other reproduction of data and information according to the paragraphs 17.1 and 17.2 shall have total fidelity and have an equivalent standard to their originals, including with regard to color, size, legibility, clarity and consistency with any other relevant characteristics.

Processing or Analysis Overseas

- 17.4 In compliance with the provisions of Clause Thirty-Three, the Concessionaire may send overseas, upon the prior and express authorization of the ANP, for the exclusive purpose of analysis or data processing, and then returning them to the country, rock samples and fluids, or other geological, geophysical and geochemical data, and it is obliged to keep a copy of the equivalent information or data or equivalent sample in the national territory, under the applicable legislation, and to provide the results of the processing or analysis carried out to the ANP, immediately after receiving them, in order to register at BDEP.
- 17.5 The request for shipment of data overseas to be delivered to the ANP, must include detail information related to the data, the processing to be submitted, including the estimated date of its return to the country.

CLAUSE EIGHTEEN: ASSETS

Goods, Equipment, Facilities and Materials

18.1 The Concessionaire shall directly supply, buy, rent, lease or, by any means, obtain, at its own account and risk, all goods, real estate or not, including, but not limited to the facilities, constructions, equipment, machines, materials and supplies, which might be necessary for the Operations and their performance, being authorized to do it in Brazil or abroad, consistent with the provisions of the applicable Brazilian legislation and those defined in paragraph 19.6 in this Clause Eighteen and in this Agreement.

Licenses, Authorizations and Permits

18.2 Pursuant to paragraphs 13.14 and 13.15, all necessary licenses, authorizations and permits required for the acquisition and use of the goods referred to in paragraph 18.1, shall be obtained at exclusive responsibility of the Concessionaire.

Expropriations and Easements

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

18.4 Upon written request by the Concessionaire, including the necessary justification, the ANP will instruct the process in order to declare public use for purposes of expropriation and creation of public easement with respect to the real estate properties referred to in paragraph 18.3.

Facilities and Equipment outside the Concession Area

18.5 Provided that within the limits of its attributions, the ANP may, upon the receipt of a written request from the Concessionaire, pursuant to paragraph 18.4, authorize, previously and in written form, the positioning or construction of the facilities or

equipment outside the Concession Area, in order to complement or optimize the logistics related to the Operations.

- 18.6 The request pursuant to paragraph 18.5 must include the relevant technical and economic justification, as well as the project of positioning or construction, as applicable.
- 18.7 The provisions of Clauses Eighteen and Twenty-One shall also be applied to equipment and installations, pursuant to paragraph 18.5

Relinquishment of the Areas and Reversion of the Assets

- 18.8 When performing all and any relinquishment of the Blocks within the Concession Area, the Concessionaire shall rigorously comply, not only with the provisions of paragraphs 3.5, 18.11 to 18.19 and Clause Twenty-One, but also with all other legal provisions and instructions of the ANP, in accordance with the Best Practices of the Oil Industry, regarding the relinquishment and abandonment of areas and removal and reversion of assets.
- 18.9 In accordance with the applicable Brazilian legislation, the relinquishment mentioned herein shall not exempt the Concessionaire from the fulfillment of all outstanding obligations, nor for any liabilities, irregularities or infractions occurring at a later date.
- 18.10 In the event of a pre-existing well or production infrastructure in the Concession Area that the Concessionaire may, at any time during the life of this Agreement, use or dispose of for any purpose, the Concessionaire shall assume the responsibilities of the obligations and has no right to waiver or any kind of indemnification in relation to the ANP or Union, pursuant to Clause Eighteen and Twenty-One.
- 18.11 The Planning and performance of any Inactivation and Abandonment Operations, including areas, wells, structures, fields, transfer lines, parts or units of surface or sub-surface facilities, offshore or onshore, shall be made in accordance with the applicable Brazilian legislation and the Best Practices of the Oil Industry and also according to Clause Twenty-One.

18.12 When it refers to a field, the inactivation planning and abandonment and the organization to provide the necessary funds shall be contemplated in the respective Development Plan, pursuant to paragraph 9.1 and periodically reviewed, during the Production Phase. Such revisions will be subject to paragraph 9.8.

18.13 The costs of the Inactivation and abandonment Operations in a field shall be established, in order to cover the activities of definitive well abandonment, the inactivation and removal of lines and facilities and the recovery of areas, pursuant to the applicable Brazilian legislation.

Inactivation and Abandonment Guarantees

18.14 Upon request by the ANP, the Concessionaire shall deliver an inactivation and abandonment guarantee, by means of insurance, letter of credit, provisional guarantee fund, or other form of acceptable guarantee to the ANP, in conformance with the applicable Brazilian legislation;

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

18.16 If the inactivation and abandonment guarantee is constituted by a provisional guarantee fund, the calculated balance after the completion of all the necessary operations to inactivate and abandon the Field will revert exclusively to the Concessionaire.

18.17 The presentation of the inactivation and abandonment guarantee does not discharge the Concessionaire's obligation to complete, at its own cost and risk, all of the Operations necessary to inactivate and abandon the Field.

Assets to be Reverted

18.18 As a result of and by applying Article 28, paragraphs 1 and 2, and Article 43, item VI of the Petroleum Law, all and any assets, real estate or not, main or ancillary, existing in the Concession Area, whose acquisition costs are deductible in accordance with the applicable rules for calculating the Special Participation and which, at the sole discretion of the ANP, are necessary to allow the continuance of the Operations or are object of the public interest, shall revert to the possession and ownership of the Federal Government, and to the administration of the ANP, by the time of the exclusion of the Block(s) from the Concession Area or by the termination of this Agreement, if the Concession Area comprises of only one Block. However, if the Concessionaire is sharing assets for the Operations of two or more Fields in the same Concession Area, it shall have the right to retain such assets until all such Operations are completed. To fulfill the obligations established in this and in paragraph 18.9, the Concessionaire is obliged to observe the applicable Brazilian legislation, as well as adopting and executing, at its own account and risk, all legal, operational and administrative actions which may be necessary, also according to paragraphs 3.5, 18.8 and 18.11 and Clause Twenty-One.

Removal of Non-reverted Assets

18.19 The assets which shall not be reverted, under the paragraph 18.18, including the unserviceable ones, shall be removed and disposed of by the Concessionaire, at its own cost and risk, pursuant to the provisions of this Agreement and the applicable Brazilian legislation.

CLAUSE NINETEEN: PERSONNEL, SERVICES AND SUBCONTRACTS

Personnel

19.1 The Concessionaire, directly or by any other means, shall recruit and hire, at its own cost and risk, being, for all purposes, the only and exclusive employer responsible for arranging all the work force necessary for the performance of the

Operations, being allowed to do it in Brazil or abroad, and according to its exclusive selection criteria, respecting, however, the provisions of the Brazilian legislation in effect, including with regard to maximum and minimum percentages of Brazilian and foreign workforce used. In any event, the Concessionaire shall be exclusively and entirely responsible, in Brazil and abroad, for all arrangements regarding the entry, exit and permanence of its foreign personnel in the Country.

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

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

19.4 The Concessionaire shall provide, without any charge to the ANP, the removal and replacement of any of its technicians or staff member who, at any time, is required by the ANP due to misconduct, technical deficiency or for poor health conditions.

Services

19.5 The Concessionaire shall directly perform, hire, or otherwise obtain, at its own cost and risk, all services necessary for the performance of this Agreement, being allowed to do it in Brazil or abroad, always pursuant to the applicable Brazilian legislation or the provisions of this agreement.

19.6 The Concessionaire will ensure that all of its subcontracted and goods and services suppliers are in compliance with the provisions of the applicable Brazilian legislation and of this Agreement, particularly, but not limited to, those referring to personnel, consumer and environmental protection. The Concessionaire shall

be wholly and directly responsible for damages or losses to the ANP or the State that might result, directly or indirectly, from the activities of its subcontracts.

19.7 In the event the Concessionaire hire with its Affiliates for the supply of goods and services, the prices, periods, quality and other agreed terms must be consistent with those available in the market, according to the paragraph 20.1.

19.8 The Concessionaire shall maintain the inventory and the register of all services referred to in paragraph 19.1 and 19.5 updated, in accordance with applicable Brazilian legislation, provided that possible balance of stock not used in other Concession Areas, authorized by the ANP, must be considered as a deduction from the Operations cost.

CLAUSE TWENTY: LOCAL CONTENT

Commitment of the Concessionaire to the Local Content

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

- (a) Include Brazilian Suppliers in the companies invited to submit proposals;
- (b) Grant access to a Portuguese or English version of the same technical specifications for all companies invited to submit proposals, being disposed to accept equivalent specifications where in accordance with the Best Practices of the Oil Industry, in such a way that does not restrict, inhibit or impair the participation of Brazilian Suppliers. All of the non-technical documents and correspondence shall be sent to Brazilian Suppliers in Portuguese.
- (c) Ensure that all the invited companies shall have equal and adequate time consistent with the requirements of the Concessionaire, both in the preparation of proposals and in the delivery of goods and services, in accordance with the Best Practices of the Oil Industry, so as not to exclude potential Brazilian Suppliers.
- (d) Require no technical qualifications or certifications of Brazilian Suppliers besides those required from foreign suppliers.

(e) The acquisition of goods and services supplied by Affiliates is equally subject to the other items in this clause, except in case of services that, in accordance with the Best Practices of the Oil Industry, are usually carried out by Affiliates.

(f) Keep track of the Brazilian Suppliers which are able to offer supplying services and seek, whenever applicable, updated information on the universe of suppliers at the trade associations and entities with renowned knowledge on the subject.

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

(a) For each Block within the Concession Area, during the Exploration Phase, purchase an amount of goods and services from Brazilian Suppliers so that the Local Investment Percentage is _____ (_____ percent) onshore. To the fulfillment of the global percentage of the contracted Local Content in the Exploration Phase, it becomes mandatory the performance of Local Content Percentage of the Items and Sub-items specified in the spreadsheet of the ANNEX X, subject to penalty according to paragraph 20.7.

(b) For each Block within the Concession Area, during the Development Phase, purchase an amount of goods and services from Brazilian Suppliers so that the Local Investment Percentage is _____ (_____ percent) onshore. To the fulfillment of the global percentage of the contracted Local Content in the Exploration Phase, it becomes mandatory the performance of Local Content Percentage of the Items and Sub-items specified in the spreadsheet of the ANNEX X, subject to penalty according to paragraph 20.7.

(c) For the purpose of calculating the percentage defined in paragraphs 20.2(a) and 20.2(b), use the defined criteria in the Regulatory Rules established by the ANP.

(d) For the purpose of calculating the percentage defined in the paragraphs 20.2(a) and 20.2(b), the goods and services that present Local Content inferior to 10% shall be considered as integrally imported goods and services, i.e., 0% (zero percent) of Local Content. As an exception to this rule, only the sub-item “bits” shall be considered.

(e) If the Concessionaire receives a proposal of excessively high prices for the acquisition of local goods and services (specific items and sub-items) when compared to international market conditions, the ANP may, with prior request from the Concessionaire, on an exceptional basis, previously and expressly authorize the procurement of the goods and services abroad, and exceptionally exempt it from the obligation of performing the respective percentage of Local Content.

(f) In case of receiving a term proposal for the delivery of goods and the performance of local services (specific items and sub-items) which is higher than the international market conditions, so that it may compromise the proposed activities schedule, the ANP may, as prior request of the Concessionaire, on an exceptional basis, previously and expressly authorize the procurement of the goods and services abroad, and exceptionally exempt it from the obligation of performing the respective percentage of Local Content.

(g) In case of electing to use a new technology, during the Exploration and Development Plan, which is not available in the moment of the bidding and it is not mentioned in the spreadsheet in ANNEX X, ANP may, upon previous request of the Concessionaire, on an exceptional basis, previously and expressly authorize the replacement of the old technology and exempt the Concessionaire from the obligation of performing the percentage of Local Content, referring to the activities that are being replaced by this new technology (specific items and sub-items), in case it is not being provided by the local suppliers.

(h) During the Exploration and Development Phase, by justifiable reasons, make any necessary adjustments related to the performance of the Local Content of specific items of the spreadsheet, ANNEX X, the Concessionaire may request possible amendments to the ANP, taking into account the Local Content Percentage that appears in the other items of the spreadsheet, ANNEX X.

(i) In the Exploration Phase, if performing Local Investments that result in a Local Content Percentage superior to that offered in the bidding to the ANP, the same may, on request and on an exceptional basis, previously and expressly authorize the transfer of this difference, the bigger, of the Local Content to the

Development Stage, according to the minimum percentage of the Local Content of each item of the spreadsheet of ANNEX X.

(j) To the actions contemplated in the items (e), (f), (g), (h) and (i) of this paragraph 20.2, remain obliged to comply with the global percentage of the Local Content offered in the bidding to the Exploration Phase and the Development Stage.

(k) For the determination of Local Investment Percentage in the Exploration Phase and in the Production Development Stage, have the values corresponding to the acquisitions of goods and services that were performed in the various years, updated for the last year, by using the General Price Index - Índice Geral de Preços de Mercado (IGP-M) of the “Fundação Getúlio Vargas”.

(l) Be liable for all information related to the Local Content and set forth in its Purchase of Goods and Services Agreement that the suppliers certify their products and record all the necessary information to calculate the Local Content. This certification shall appear in paragraphs 20.3 and 20.6.

20.3 The Concessionaire’s commitment related to the local acquisition of goods and services shall be corroborated to the ANP by means of the presentation of certification of the Local Content.

20.4 The Concessionaire must request to the suppliers of goods and services the appropriate certifications of their goods. In addition, the suppliers may, at its own initiative, previously provide for the certification of their goods.

20.5 The activities of certification shall be performed by entities duly qualified and accredited by the ANP, based on criteria previously defined by the Agency.

20.6 The ANP shall set up a certification system of the Local Content and shall perform a periodical audit in the authorized entities.

20.7 At the conclusion of the Exploration Phase of any Block(s) within a Concession Area or by the end of any Production Development Stage of any field within the Concession Area, if the acquisitions of goods and services from Brazilian Suppliers during such Phase or Stage fail to achieve the relevant percentages established in paragraphs 20.2(a) and 20.2(b), calculated pursuant to the regulatory rules enacted by the ANP, the Concessionaire shall pay a fine to the

ANP within 15 (fifteen) days from the notice. This fine shall be applied as follows: if the Non-realized Local Content Percentage (NR %) is inferior to 65% of the offered value, the fine (M %) shall be 60% on the value of Non-realized Local Content. If the Non-realized Local Content Percentage (NR%) is equal to or superior to 65% of the offered value, the fine shall be cumulative, beginning with 60% up to 100% of the offered value of the Local Content, in case the Non-realized Local Content is 100%. The proposed penalty method is summarized as follows:

$$\text{If } 0 < \text{NR}(\%) < 65\% \quad \Rightarrow \quad \text{M}(\%) = 60(\%)$$

$$\text{If } \text{NR}(\%) \geq 65\% \quad \Rightarrow \quad \text{M}(\%) = 1,143 \text{NR}(\%) - 14,285$$

The same method shall be applied when someone fails to comply with the minimum percentage of the Local Content proposed to specified items of the spreadsheet of the ANNEX X, even if the contracted global percentage of the Local Content is accomplished.

- 20.8 The Concessionaire shall ensure the preference to hiring Brazilian Suppliers whenever their proposals present price, delivery time and quality conditions equal to the other suppliers invited to present the proposals.

CLAUSE TWENTY-ONE: THE ENVIRONMENT

Environmental Control

- 21.1 The Concessionaire shall adopt, at its own cost and risk, all the necessary measures for the conservation of reservoirs and other natural resources and for the protection of the air, soil and water in the surface or in the subsurface, subject to the Brazilian legislation and rules about the environment and, in their absence or lack, adopting the Best Practices of the Oil Industry in this regard. Within this principle, and without limiting its application, the Concessionaire is obliged to, as a general rule, and not only in respect to the performance of the Operations, but also the relinquishment and abandonment of areas and removal and reversion of

assets, to preserve the environment and protect the balance of the ecosystem in the Concession Area, to avoid the occurrence of damages and losses to the fauna, flora and the natural resources, to consider the safety of persons and animals, to respect the historic and cultural heritage, and to repair or indemnify the damages resulting from the its activities and to perform the environmental recovery acts determined by the competent agencies.

- 21.2 The Concessionaire shall also act so that the Operations do not cause any damages or losses which might affect other economic or cultural activities in the Concession Area, such as agriculture, cattle breeding, forest industry, gathering, mining, archeological, biological and oceanographic research, as well as tourism, or which disturb the well-being of native communities and rural and urban settlements.
- 21.3 The Concessionaire shall send, whenever requested by the ANP, copies of studies carried out aiming at obtaining environmental licenses.
- 21.4 The Concessionaire shall immediately inform the ANP and the competent State and Municipal authorities about the occurrence of any Oil or Natural Gas spill or loss, as well as the actions taken to remedy the problem.

Liability for Damages and Losses

- 21.5 Without prejudice and according to the provisions of paragraph 21.1, the Concessionaire shall assume full and objective responsibility, for all damages and losses to the environment and third parties which might result, directly or indirectly, from the Operations and their performance, as well as from their relinquishment and the removal and reversion of assets pursuant to paragraphs 18.8 to 18.19, being obliged to repair them and to indemnify the Federal Government and the ANP, pursuant to paragraphs 2.2 and 2.3, for all and any action, appeal, lawsuits or court injunctions, arbitration, auditing, inspection, investigation or disputes of any kind whatsoever, as well as any indemnifications, compensations, punishments, fines or penalties of any nature whatsoever, related to or resulting from such damages or losses.

CLAUSE TWENTY-TWO: INSURANCE**Insurance**

- 22.1 The Concessionaire shall provide and maintain in effect, during the whole term of this Agreement, and without causing any limitation of the Concessionaire's liability, insurance coverage executed with a qualified company, for all cases requested by the applicable legislation, as well as to comply with the determination by any competent authority or the ANP regarding assets and personnel relating to the Operations and its performance, protection of the environment, relinquishment, inactivation and abandonment of areas, removal and reversion of assets.
- 22.2 The Concessionaire shall obtain from the insurance companies the inclusion, in all of its policies, of a clause by which they expressly waive any rights, implicit or explicit, of subrogation in eventual rights against the ANP or the Federal Government. In addition, the Concessionaire shall include the ANP as a beneficiary, being, however, expressly understood that the receipt by the ANP of any indemnification as a result of the coverage foreseen herein shall not prejudice, in any way, the ANP's right to full recovery of losses and damages which exceed the value of the received indemnification.
- 22.3 When requested, the Concessionaire shall deliver copies of the policies and agreements to the ANP regarding the insurances referred to in paragraph 22.1, as well as all and any of their amendments, endorsements or extensions, and of all and any related occurrences, claims or notices of damage.
- 22.4 The Self-Insurance or insurance through Affiliates, provided that rendered by authorized companies to the exercise of this activity by Superintendência de Seguros Privados (SUSEP), shall only be admitted when previously approved in writing by the ANP, at its sole discretion. However, the Concessionaire shall be allowed to use, for the purposes of this Clause Twenty-Two, its policies and global insurance programs, with previous written approval from the ANP.

CHAPTER V – GOVERNMENTAL PARTICIPATION AND INVESTMENTS IN RESEARCH AND DEVELOPMENT

CLAUSE TWENTY-THREE: PARTICIPATIONS

Third-Party and Governmental Participations

23.1 The Concessionaire shall pay to the Federal Government and to Third-Parties, pursuant to the applicable Brazilian legislation, the following participations: (i) Royalties, (ii) Special Participation, (iii) Payment for the Occupation and Withholding of Areas, and (iv) Landowner Use, as indicated in Annex V - Governmental and Third Party Participation.

CLAUSE TWENTY-FOUR: INVESTMENT IN R&D

Qualified Expenses in R&D

24.1 In the event that the Special Participation is due to a Field in any given calendar quarter, the Concessionaire shall be obliged to pay Qualified Expenses on Research and Development an amount equal to 1% (one percent) of the Production Gross Revenue for such Field.

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

24.3 Qualified Expenses on Research and Development that are paid by the Concessionaire after the Effective Date either when it has no obligation to pay such Expenses as provided in paragraph 24.1 or in excess of such obligation may be transferred as a credit against such obligation in respect of a future term; provided that such transferences may not be used to satisfy more than 25% (twenty-five percent) of the total obligation (i.e., 0.25% of the Production Gross Revenue) for any given Field for any given quarter. At the ANP's discretion, the

background of the qualified personnel may be considered as a Qualified Expense for purposes of this Agreement.

24.4 Up to 50% (fifty percent) of the Qualified Expenses on Research and Development may be paid through development activities in the Concessionaire's own facilities or its Affiliates', located in Brazil, or contracted with national companies, regardless of whether those activities are involved or related to the Operations of this Agreement. The remainder must be used for contracting these activities with universities or research institutions and to develop national technology that has been accredited for this purpose by the ANP, regardless of whether such activities are involved or related to the Operations of this Agreement.

24.5 When the expenses are made on the Concessionaire's own or Affiliates' facilities, as specified in paragraph 24.4, only those expenses related to the acquisition of equipment, instruments, materials used in experiments and construction of prototypes or pilot facilities shall be considered, as well as the gross salary of personnel that take part in the activities outlined in this paragraph, but specifically excluding proration of costs in administration, infrastructure, and costs related to routine tests, technical assistance and services and solutions of operational problems, services and taxes of licenses and patents or any other not directly linked to those activities.

24.6 For purposes of granting the accreditation referred to in paragraph 24.4, the ANP will take into account the areas of interest and relevant subjects for the sectors of Oil and its products, Natural Gas, the environment and energy.

CLAUSE TWENTY-FIVE: TAXES

Tax Regime

25.1 The Concessionaire shall be subject to the tax regime at the Federal, State and Municipal levels, being obliged to comply with their dispositions, terms and conditions defined by the applicable Brazilian legislation.

Certificates and Proof of Compliance

25.2 When requested by the ANP, the Concessionaire shall disclose to the ANP the originals or provide the certified copies of all certificates, registries, authorizations, proofs of regular enrollment in the taxpayers' list, tax regularity, good standing with social taxes created by law, enrollment with professional entities or associations, and any other similar documentation or certificates.

CLAUSE TWENTY-SIX: CURRENCY AND FOREIGN EXCHANGE

Currency

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

Foreign Exchange

26.2 The entry and remittances of foreign exchange shall comply with the Brazilian laws, including with the rules issued by the Country's monetary authorities.

CLAUSE TWENTY-SEVEN: ACCOUNTING AND AUDIT

Accounting

27.1 The Concessionaire shall keep all documents, books, papers, registers and other elements, as well as all the necessary corroborative documentation to the calculation of the Local Content and give support to its accounting, provide all relevant charges and submit the financial statements in accordance with the applicable Brazilian legislation and in accordance with the fundamental principles of accounting and this Agreement.

27.2 The accounts and financial statements pursuant to paragraph 27.1. shall indicate, on a segregated basis, the expenses for Exploration, Development and Production, in the determined format to the Quarterly Expenses Report, discriminating, for each of these activities, the expenses related to the respective work plans and

programs contemplated in this Agreement, as well as the acquisitions from Brazilian Suppliers dealt with in Clause Twenty.

- 27.3 Without prejudice to the obligations included in the relevant legislation, the Concessionaire is obliged to fulfill and deliver to the ANP, on a quarterly basis, the Standard Statement for the Record of Expenses incurred in the Operations of Exploration and Production - E&P (see the template in ANNEX XI), according to the date of delivery of the Quarterly Expenses Report.

Audit

- 27.4 In addition to the provisions of paragraphs 14.1 and 14.3, the ANP may, whenever it deems necessary, perform an accounting and financial audit of the Agreement and the Assessment Records of the Governmental Participations pursuant to Article 43, item VII, of the Petroleum Law, auditing directly or upon association, pursuant to article 8 of the Petroleum Law. For this purpose, the ANP shall notify the Concessionaire at least 30 (thirty) days in advance. The audit shall not prejudice the efficient performance of the Operations in progress.
- 27.5 In order to perform the audit provided herein, the ANP shall have full access to the documents, books, papers, registers and other elements referred to in paragraph 27.1, including agreements and contracts signed by the Concessionaire and related to the acquisition of goods and services for the Operations, related to the last 5 (five) complete calendar years.
- 27.6 For the purpose of auditing the Local Content, the Concessionaire is responsible for the validity of the information delivered by the supplier. Such information must be in accordance with the regulatory rules enacted by the ANP. The Concessionaire must keep certifications and declarations issued by its Suppliers, during 5 (five) calendar years. The Concessionaire shall be responsible for any information issued by third parties. The ANP may demand any documentation which might be necessary to clear up any doubts on the suppliers.
- 27.7 The act or omission of the audit referred to in paragraph 27.4, shall in no way eliminate or reduce the Concessionaire's responsibility for the compliance with the obligations assumed herein.

CHAPTER VI – GENERAL PROVISIONS

CLAUSE TWENTY-EIGHT: ASSIGNMENT

Assignment

- 28.1 With the prior agreement of the ANP, in accordance with Article 29 of the Petroleum Law, the Blocks within the Concession Area may be assigned, according to the provisions of this Clause Twenty-Eight, which defines the conditions to be observed by the assignor and its assignees.
- 28.2 All and any transfer of ownership under this contract, even in the event of merger, spin-off, and incorporation of a company belonging to the Concessionaire shall be considered an Assignment.
- 28.3 Under the terms of this Clause Twenty-Eight, the Assignment may result in a change to the composition of the Concessionaire or in the division of area of one or more blocks.
- 28.4 The Assignment to companies that not meet the economical, legal and technical requirements, by itself and/or its affiliates, required the companies qualified to be concessionaires shall not be granted, pursuant to Article of the Petroleum Law.
- 28.5 In relation to the Assignment that implies in a change of Operator, the ANP shall require the same requirements related to the legal, financial and technical qualifications established in Section 3 of the Final Tender Protocol (Article 25 of the Law n° 9.478/97), as a condition for its agreement.

Undivided Participation in the Rights and Obligations

- 28.6 The Assignment of one or more Blocks of the Concession area, hereby allowed in full or in part, shall always be of an undivided participation of any of the

Concessionaire's members in rights and obligations for one or more Blocks of the Concession Area, strictly respecting the principle of joint liability required by law.

Partial Assignment of Areas in the Exploration Phase

- 28.7 If the Assignment implies the division of the area of a Block, the area to be assigned and the remaining area must be circumscribed by a sole polygonal line drawn in accordance with a network compatible with a geological map sheet in the scale 1:10,000, according to the International Map of the World 1:1 Million – IMW. This network shall comply with the of dimensions of 2'30" (two minutes and thirty seconds) of latitude and 3'45" (three minutes and forty-five seconds) of longitude and the ANP may, for technical reasons justified by the Concessionaire, accept different networks.
- 28.8 In the event of the application of the provision of paragraph 28.7, the ANP shall define an additional Minimum Exploratory Program for the areas to be divided. The sum of the resulting Programs shall always be greater than the original Minimum Exploratory Program, and each of the divided areas must have a Minimum Exploration Program associated to it.
- 28.9 In the event of the application of the provisions of paragraph 28.7, the resulting areas shall become totally independent for all resulting effects, including the calculation of Governmental Participations and those of Third Parties.

Assignment of Areas in the Production Phase

- 28.10 The Assignment of part of an area of a Field shall not be permitted, except to make an Agreement for the Unification of Production viable, at the sole discretion of the ANP. The Assignment of a Field under the Agreement shall be for the total area, defined in accordance with the terms of paragraph 9.4

Participation of the Concessionaire

28.11 Without prejudice to paragraph 13.4, each Concessionaire's member must at all times hold no less than 5% (five percent) of the participation in each Field or Block and it shall be a breach of this Agreement for any member to hold a lesser percentage, except that in the event of the Unification of Production, when such minimum percentage may be of less than 5% (five percent) in each Field.

Required Documentation

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

(a) Documents which corroborate the compliance, by each of the assignees, with the technical, legal and economical requirements established by the ANP, in order to meet the provisions of Articles 5, 25 and 29 of the Petroleum Law;

(b) Exclusive statement, executed by the assignees to rigorously respect and comply with the terms and conditions of this Agreement, as well as be responsible for all obligations and liabilities resulting from it, including those incurred after the date of the Assignment;

(c) The Consortium Agreement executed between the assignor and the assignees, or between all assignees (in the case of the total Assignment). This Consortium Agreement shall mandatorily contain the appointment of the Operator and the joint liability of its members before the ANP and the State or, if a Consortium Agreement already exists as a result of a prior Assignment, the agreement for amendment to such Consortium Agreement, in order to include the new assignees;

(d) At its sole discretion, the ANP may require as a condition for the Assignment, the execution and delivery of a performance guarantee of the appropriate Affiliate, pursuant to ANNEX IV – Guarantee of Performance, which shall be kept in force throughout the term of this Agreement or until the Effective Date of an Assignment of all interests acquired hereby, if this occurs first, and must not be replaced in the case of any amendments to the composition of referred assignee's control, except if the ANP expressly agrees with such replacement;

(e) Notwithstanding the provisions of paragraph 28.12(d), (i) the Concessionaire whose obligations are secured in accordance with ANNEX IV – Guarantee of Performance may execute an Assignment to any Affiliate of the guarantor, upon confirmation by such guarantor in form and substance satisfactory to the ANP that the guarantee remains in effect as to the obligations of the assignee, and (ii) any Concessionaire may execute an Assignment to any Affiliate of such Concessionaire, upon execution by the Concessionaire of a guarantee in accordance with the template of ANNEX IV – Guarantee of Performance hereto with respect to the obligations of such Affiliate;

(f) For purposes of Clause Twenty-Eight, if any Concessionaire's obligations are secured in accordance with ANNEX IV – Guarantee of Performance, any alteration to the entity that, if consummated, would result in the guarantor ceasing to be an Affiliate of such Concessionaire, such alteration shall be considered an Assignment, subject to the ANP's consent pursuant to Clause Twenty-Eight;

(g) In the event of an Assignment of an entire right, when there is an inactivation and abandonment guarantee and constituted of fund has been required pursuant to paragraph 18.7, the ANP may require that the fund be transferred to the new Concessionaire;

(h) In the event of an Assignment where paragraph 28.12 (g) is not applicable, the ANP may require, as a condition for the approval of the Assignment, the presentation of guarantees that, at the ANP's sole discretion, are in conformance with paragraph 18.13;

(i) For Assignments that imply a division of areas, the Concessionaire shall submit all Plans, Programs and Reports arising from this Agreement, related to each separated area and with retroactive effect to the Effective Date.

28.13 The documents referred to in paragraph 28.12 (a) shall not be necessary when the assignee is already qualified as Concessionaire of the same modality as required for this agreement, provided that such documentation is updated or when it is an Affiliate of the assignor.

Nullity of the Assignment

28.14 Any Assignment that does not comply with this Clause Twenty-Eight shall vest no rights.

Approval of the Assignment

28.15 The ANP has ninety (90) days from the date of receipt of the request and documents referred to in paragraph 28.12(a), to approve or not the Assignment pursuant to the terms of Article 29 of the Petroleum Law or to request additional documents, which the ANP deems necessary, considering the provisions of this Agreement and the applicable Brazilian legislation. In case the ANP requests amendments or additional documents, such requirements shall comply with and the Assignment request re-submitted within a maximum of 30 (thirty) days from the said request, repeating the procedure contemplated in this paragraph 28.15. Within 30 (thirty) days from the approval of the Assignment, the Concessionaire shall deliver copies of the duly executed the Consortium Agreement or the Amendment to the Consortium Agreement to the ANP, all duly signed, as well as a copy of the publication of the Consortium registration certificate with the competent Board of Trade.

Effective Date of the Assignment

28.16 Any Assignment executed pursuant to this Clause Twenty-Eight shall become effective on the date of its formal approval by the Board of Directors of the ANP and shall become effective from the date of the register of the assignment request before the ANP, provided that the submitted documentation is complete. In the event that the documentation is pending, the Assignment shall only be effective from the date of the register of the last required documents.

Amendment to the Concession Agreement

28.17 In the event that the assignment does not result in the inclusion of a new company and/or exclusion of a company member of the current composition of the Concessionaire within 30 (thirty) days from the approval of the Assignment, the

Parties must execute the respective amendment in order to constitute the new composition of the Concessionaire and the appointment of the Operator.

New Concession Agreement

28.18 Except for the cases provided in paragraph 28.17, if the Assignment implies modification in the composition of the Concessionaire or the Operator, in such a way that this composition or the Operator are not identical for all the Blocks within the Concession Area or when the Assignment results in the division of areas, the Parties must execute a new Concession Agreement with the ANP within thirty (30) days from the date of approval of the Assignment, maintaining the same terms, obligations, Programs, and Terms of this Agreement, except for the provisions of paragraph 28.8 and formalizing, in this new Concession Agreement, the situation of the Blocks object of the Concession, the composition of the Concessionaire, and the appointment of the Operator.

Merger, Spin-Off and Takeover

28.19 In the event of merger, spin-off and take-over of a company member of the Concessionaire, the assignor shall require authorization from the ANP for the assignee to become the holder by submitting the documents listed in paragraph 28.12, in addition to the relevant acts of incorporation.

Necessity of Prior and Explicit Approval

28.20 The Assignment of the Agreement, by any means, without the prior and explicit approval of the ANP, shall constitute a breach subject to sanctions in accordance with what is set out in Clause Twenty-Nine.

CLAUSE TWENTY-NINE: BREACH AND PENALTIES

Administrative, Civil and Penal Sanctions

29.1 In the event that any Concessionaire breaches any obligations under this Agreement, or under ANP Directive No. 234/2003, the ANP may, by the terms of paragraph 30.5 and based on Article 8, item VII, of the Petroleum Law, apply administrative sanctions and fines, all in accordance with the applicable Brazilian legislation and specifically with the aforementioned ANP Directive, where they are defined, including among other things, in cases of warnings and fines, the procedure for its application through infraction notice, the period for correcting the faults and paying the fines, interest on arrears and other consequences of their non-payment and petitions for appeal and reconsideration assuring the adversary system and the full defense.

CLAUSE THIRTY: BREACH, RESCISSION AND TERMINATION OF THE AGREEMENT**Rescission**

- 30.1 This Agreement shall be terminated if the Concessionaire fails to comply with the fixed Term by the ANP for the performance of any pending contractual obligation, which may not be less than ninety (90) days, except in cases of extreme urgency and with the exception of the provisions of paragraph 30.5.
- 30.2 The rescission shall have effect only in relation to the defaulting, and its participation in the rights and obligations of this Agreement may be transferred to other members of the Concessionaire, in accordance with the terms of Clause Twenty-Eight.
- 30.3 The Termination of this agreement shall also occur in the event that the Concessionaire or any of its members are declared bankrupt, insolvent or require legal recovery. In these cases, the Concessionaire or its members, shall have 90 (ninety) days as of the date of such an event, to transfer its undivided participation in the rights and obligations of this Agreement, pursuant to Clause Twenty-Eight. If the Concessionaire or its members does not execute the Assignment within the referred term, the ANP may terminate the Agreement related to the

Concessionaire or the individual members of the Concessionaire concerned, without prejudice, in this case, to the rights of the other members.

Consequences of the Rescission

30.4 Once this Agreement is rescinded by the ANP, pursuant to paragraph 30.1, the Concessionaire shall be liable for losses and damages resulting from its default and the rescission, bearing all applicable indemnifications and compensations, in the form of the law and this Agreement, also respecting the provisions of paragraphs 3.4 and 3.5 with regard to the return of the Concession Area.

Sanctions at ANP's discretion

30.5 The ANP may choose to apply the sanctions indicated in Clause Twenty-Nine, instead of the rescission, when failure by the Concessionaire to comply with this Agreement is not serious, or reiterated, or a demonstration of malpractice, imprudence or negligence, or if it is proven that there was diligent action to cure the breach.

CLAUSE THIRTY-ONE: LEGAL REGIME

Applicable Law

31.1 This Agreement will be executed, governed and construed in accordance with the Brazilian legislation, whose provisions shall be rigorously fulfilled by the Concessionaire in the exercise of its rights and performance of its obligations.

Conciliation

31.2 The Parties shall use their best efforts to amicably resolve, between themselves, all and any dispute or controversy arising from this Agreement or related hereto. The Parties may also, as long as there is a unanimously signed written agreement,

resort to an international expert in order to obtain a legally based opinion to resolve the dispute or controversy.

- 31.3 Having executed an agreement for intervention by an international expert, under the terms of paragraph 31.2, the appeal to arbitration, as provided in paragraph 31.5, shall only be performed after the expert has presented his/her legally based opinion.

Suspension of the Activities

- 31.4 In the event of a dispute or controversy, the ANP shall decide whether to suspend the activities involved in the dispute or controversy, until its solution, using as a criterion for this decision the necessity to avoid personnel or property risk of any nature, particularly in respect to the Operations.

“Ad hoc” Arbitration

- 31.5 If, at any time, any Party considers that there are no conditions for the amicable resolution of a dispute or controversy as referred to in paragraph 31.2, it must submit this dispute or controversy to “ad hoc” arbitration, using as a parameter the rules established by the Regulations of the International Chamber of Commerce Arbitration and in accordance with the following principles:

(a) The choice of arbitrators shall be in accordance with that established by the Regulations of the International Chamber of Commerce Arbitration;

(b) There shall be three arbitrators. Each Party shall choose one arbitrator. The two arbitrators chosen shall appoint the third arbitrator, who shall act as president;

(c) The City of Rio de Janeiro, Brazil, shall be the location of the arbitration and the place of the delivery of the award;

(d) The language to be used in the arbitration procedure shall be Portuguese. The parties may, however, submit testimonies or documents in any other language if the arbitrators so decide, without the need for official translation;

(e) Regarding the merits, the arbitrators shall decide based on the substantive Brazilian laws;

(f) The arbitration award shall be final and its content shall be binding on the Parties.

(g) If it is necessary to use preparatory or incidental writ of prevention, , or other precautionary measures, the interested Party may require them directly to the Judiciary, based on the applicable Brazilian legislation.

Jurisdiction

31.6 For compliance with Law 9,307/96, in questions not related to available property rights, the Parties agree that the Federal Courts Jurisdiction – Judicial Section of Rio de Janeiro, Brazil is the only jurisdiction to resolve any issues, expressly forsake all others, independent on how special they are.

Performance of the Agreement

31.7 The Concessionaire is obliged to maintain, during all the performance of the Agreement, in compliance with its obligation, all the qualification and habilitation conditions required in the bidding.

Justifications

31.8 The ANP shall be committed, whenever it exercises its discretionary power, justifiably to act, according to the applicable Brazilian legislation, as well as the Best Practices of the Oil Industry.

Continuing Application

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

CLAUSE THIRTY-TWO: FORCE MAJEURE

Total or Partial Exoneration

- 32.1 The Parties shall be released from responding to the compliance with the obligations assumed in this Agreement in the case of an act of God or force majeure, in the form of Article 393 of the Civil Code. The exoneration of the debtor described herein shall exclusively apply to the obligations of the Agreement which became impossible to comply with due to force majeure or act of God, recognized by the ANP.
- 32.2 Under no circumstances shall the situation described in paragraph 32.1 exempt the Concessionaire from paying the Governmental Participations.

Notice of Occurrence

- 32.3 In the event of circumstances that justify the invocation of the existence of an act of God or force majeure, the affected Party shall immediately notify, in writing, the other Party, specifying such circumstances, its causes and consequences. The affected Party shall also immediately notify the end of the act of God or force majeure.
- 32.4 After being notified by the Concessionaire of events that may be characterized as act of God or force majeure, the ANP shall decide whether to recognize the cause as exoneration from responsibility.
- 32.5 The decision of the ANP to recognize the event as an act of God or force majeure shall also indicate the part of the agreement from which default the Concessionaire shall be exempted.

Suspension of the Course of the Term of the Agreement

- 32.6 The ANP may, at the Concessionaire's request, exceptionally suspend the course of the contractual term, if proved, before the Agency, the delay of the resolution related to the environmental licensing exclusively for the competent environmental entity's fault. The ANP shall determine the Term for which the course of the contractual term shall be suspended.

32.7 In the event that the environmental entity rejects, in final character, the proposed licensing, due to an aggravation of the rules and criteria for the licensing, after the agreement execution, and if the licensing is key to the success of the exploratory activities, the Agreement shall be terminated and the Concessionaire shall not be entitled to any indemnification against the ANP and the State.

Amendment to or Termination of the Agreement

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

Losses

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

CLAUSE THIRTY-THREE: CONFIDENTIALITY

Obligation of the Concessionaire

33.1 All and any data and information produced, developed or acquired, by any means whatsoever, as a result of the Operations and this Agreement, shall be considered strictly confidential and, therefore, shall not be disclosed by the Concessionaire without the prior written consent of the ANP, except in the following circumstances:

(a) when the data and information are already in the public domain or became available through an authorized third party;

(b) when the disclosure is imposed by law or judicial determination, or made in accordance with the fixed rules and limits by the stock exchange in which shares of the Concessionaire or to its Affiliates are traded;

(c) to Affiliates, consultants or agents of the Concessionaire;

(d) to financial institutions used by the Concessionaire as well as their consultants;

(e) to prospective assignees of good faith, as well as their consultants and Affiliates;

(f) to the Concessionaires of the adjacent areas, as well as their consultants and Affiliates, exclusively for the execution of the agreement subject of paragraphs 12.1 and 12.10.

33.2 In the cases listed in paragraphs 33.1(c), 33.1 (d), 33.1 (e) and 33.1 (f) the disclosure of data and information shall always be made in accordance with a prior written confidentiality agreement in which these third parties are expressly obliged to comply with the provisions in this paragraph 33.1 and, in the event of non-compliance, shall be expressly subject to the provisions of Clause Twenty-Nine, however not being entitled to the benefits of the exceptions anticipated in items (a) to (f) of paragraph 33.1 for the disclosure of data and information without the prior consent of the ANP.

33.3 In the events contemplated in paragraph 33.1, the Concessionaire shall send a notification to the ANP, within thirty (30) days from the date of the disclosure, with the data and/or information disclosed the reasons for the disclosure and a list of the third parties who had access to the data and/or information.

33.4 In the cases listed in paragraphs 33.1 (e) and 33.1 (f), the Concessionaire shall deliver, with the notification subject of paragraph 33.3, a copy of the confidentiality agreement referred to in paragraph 33.2 to the ANP.

33.5 The provisions of paragraph 33.1 shall remain in force and will survive the termination of this Contract for whatever reason.

Undertaking of the ANP

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

CLAUSE THIRTY-FOUR: NOTICES AND REPORTS

Plans, Programs and Reports

34.1 During the Exploration Phase, all Plans, Programs, Reports and other communications required by this Agreement shall be addressed to the ANP and shall contain discriminated information on the Operations related to each of the Blocks under the denomination indicated in ANNEX I – Concession Area.

Validity

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

Amendments to the Articles of Incorporation

34.3 The Concessionaire will send to the ANP copies of all and any amendments to its Articles of Incorporation, Corporate By-laws or Articles of Association, election documents of its administrators or proof of its active board.

Communications to the ANP

34.4 All actions and communications related to this agreement must be written in Portuguese language and signed by a legal representative of the Concessionaire or

by an attorney-in-fact with specific power, except in the cases of notification in the commencement of drilling or notification of an accident.

Addresses

34.5 For the purposes of this Clause Thirty-Four, the addresses of the Parties' representatives may be referred in the ANNEX IX:

34.6 Any of the Parties may modify its above mentioned address by a written notice to the other party, made at least 30 (thirty) days before the change.

CLAUSE THIRTY-FIVE: FINAL PROVISIONS

Renewal

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

Amendments

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

Headings

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

Public Notice

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

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

Rio de Janeiro, _____, 2009.

**AGÊNCIA NACIONAL DO PETRÓLEO, GÁS NATURAL E
BIOCOMBUSTÍVEIS - ANP**

General Director

Haroldo Borges Rodrigues Lima

[CONCESSIONAIRE]

[Signature]

[Title]

WITNESSES:

Name:

Name:

Taxpayer's List (CPF):

Taxpayer's List (CPF):

ANNEX I – CONCESSION AREA

CARTOGRAPHIC PARAMETERS USED TO THE COORDINATES

ANNEX II – OBJECT: WORK AND INVESTMENT PROGRAM

The information of the Final Tender Protocol and from the offer for the Minimum Exploratory Program for the Blocks contemplated in the ANNEX VI shall be inserted here. The activities below, to be performed by the Concessionaire, characterize the object of this Agreement between the Parties mentioned in the Introduction.

Minimum Exploratory Program and Financial Guarantees

	Block Area Km ³	First Exploration Term (Work Units) ¹	Second Exploration Term (exploration well)	Amount of Financial Guarantee of the First Term(R\$) ²	Amount of the Guarantee (at full length)
Block____			1		
Block____			1		

Equivalence of Work Units (WUs)

Exploration Well ³ (WU/well)	Minimum Depth (age) ³	2D Seismic (WU/km)	3D Seismic (WU/km ²)	2D Seismic reprocessing (WU/km)	3D Seismic reprocessing (WU/km ²)	Geochemistry (WU/sample)	Potential Methods (WU/Block)	Gamma Spectrometry (WU/Block)	Electromagnetic (UT/Km)
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

Exploration Phase Duration (years)	First Term	Second Term
_____	_____	_____

1. The Non-exclusive surveys authorized by the ANP for 2D and 3D seismic in any location, shall be determined for the purposes of compliance with the Minimum Exploratory Program, applying the reduction factor shown in paragraph 5.18
2. The indicated amount represents the Financial Guarantee amounts for the Minimum Exploratory Program of the First Exploration Term in each Block. The amount of the guarantees for the Second Exploration Term shall be defined at a time close to the beginning of that Term, based on prevailing costs at that time.
3. To qualify for compliance with the Minimum Exploratory Program, the wells must be drilled at least to the minimum target specified in the lithostratigraphic units. The required minimum depth aims at the investigation of such target in fullness, according to the stratigraphic-structural features of each prospect in particular. However, the ANP may, at its own discretion, accept other target with proven prospects.

Reduction factor of the non-exclusive surveys for the purposes of compliance with the
Minimum Exploratory Program of the First Exploration Term

Time between the date of completion of the acquisition Operation and the date of request of <u>the deduction of the Minimum Exploratory Program performed to the ANP</u>	Reduction Factor*
0-1 year	1.0
1 – 2 years	0.9
2 - 3 years	0.8
3 – 4 years	0.7
4 -5 years	0.6
5 – 6 years	0.5
6 – 7 years	0.4
7 -8 years	0.3
8 – 9 years	0.2
9 – 10 years	0.1
> 10 years	0

* Note: The non-exclusive survey authorized by the ANP shall only be accepted, provided that the company of the data acquisition met all the requirements of the delivery of data to the Banco de Dados de Exploração e Produção (BDEP). To be calculated of the value to be considered for the compliance with the Minimum Exploratory Program of the First Exploration Term, the value of UTs that correspond to the exploratory work

carried out, shall be multiply by the table value, according to the lead time between the date of request of the deduction of the Minimum Exploratory Program and the date of completion of the campaign of data acquisition.

ANNEX III – SECURITIES RELATED TO THE MINIMUM EXPLORATORY PROGRAM

The financial guarantee for the Minimum Exploratory Program in the form of irrevocable letters of credit, insurance-guarantee, mortgage agreement and Oil Pledge Agreement, in the form and conditions established in the Final Tender Protocol for the Block(s) which is (are) the object of this Concession Agreement.

A copy of this(these) financial guarantee(s) submitted, related to the Minimum Exploratory Program, is at the end of this Agreement.

ANNEX IV – GUARANTEE OF PERFORMANCE

If the Concessionaire is not the qualified company, according to the Final Tender Protocol, the Performance Guarantee Model shall be used in accordance with ANNEX X – Model of Performance Guarantee of the Final Tender Protocol.

A copy of the document delivered, as applicable, is at the end of this Agreement.

ANNEX V - GOVERNMENTAL AND THIRD PARTY PARTICIPATION

Under the terms of Clause Twenty-Three, the Concessionaire will pay the following Governmental and Third Party Participation:

- a) Royalties in the amount of 10% (ten percent) of Oil and Natural Gas produced in each Field within the Concession Area from the respective Production Start-up Date; and
- b) Special Participation in the amount defined in the Decree No.2,705, dated August 3rd, 1998;
- c) Area Occupation or Retention Fees for the Concession Area: i) During the Exploration Phase¹ in the amount of R\$_____ (_____Reais) for each square kilometer or fraction thereof in the Concession Area, with increases as contemplated in the Decree 2705 of August 3, 1998 in the event of extension; ii) during the Development of Production Phase in the amount R\$ _____ (___ Reais); and iii) during the Production Phase in the amount of R\$ _____ (___ Reais); and
- d) Payment to the landowners of equivalent participation to 1% (one percent) of the Oil and Natural Gas Production, in accordance with the applicable Brazilian legislation.

¹ Occupation or Retention Fees for the Concession Area, in Reais for square kilometer in 07/31/2006. To be adjusted according to item 4 of the Table 2 of the Final Tender Protocol.

**ANNEX VI – IDENTIFICATION OF THE
CONCESSION AGREEMENT BLOCKS**

According to the articles 36 to 42 of the Petroleum Law, the Concessionaire participated in the bidding to grant this Concession Area, being homologated as the winner in the determined Block(s)_____ each one being subject to a different object of this Agreement (in terms of clause 2.1) hereinafter referred to as _____ for the purposes of the Reports and Communications of this Agreement.

ANNEX VII – PAYMENT OF THE SIGNATURE BONUS

Signature Bonus to be paid by the Concessionaire		
Block	Amount to be paid	Bonus to be paid (full length)
_____	_____	_____ Reais
Total to be paid in the Agreement	_____	_____ Reais

ANNEX VIII – APPOINTMENT OF OPERATOR

The initial Operator is _____. A new Operator may be assigned pursuant to paragraph 13.2.

ANNEX IX – ADDRESSES

Agência Nacional do Petróleo, Gás Natural e Biocombustíveis - ANP

Avenida Rio Branco nº 65 – 18º andar – Centro – 20090-004 – Rio de Janeiro, RJ

[Concessionaire's name]

Address. _____

ANNEX X – COMMITMENT TO LOCAL CONTENT

A copy of the document(s) delivered by the winner company(ies) of the referred block(s) in the Annex VI, related to the proposals of local acquisition of goods and services, is at the end of this Agreement.

**ANNEX XI – TEMPLATE OF STANDARD SCHEDULE FOR THE RECORD
OF EXPENSES INCURRED IN THE OPERATIONS OF EXPLORATION AND
PRODUCTION – E&P**

1. Exploratory Expenses
 - 1.1 Geology and Geophysics
 - 1.1.1 Seismic Survey
 - 1.1.2 Other Potential Methods
 - 1.1.3 Processing of Data Acquisition
 - 1.1.4 Interpretation of Data
 - 1.2 Exploratory Drilling
 - 1.2.1 Location Preparation
 - 1.2.2 Mobilization of Drilling Rig
 - 1.2.3 Chartering of Drilling Rig
 - 1.2.4 Casing
 - 1.2.5 Cementing
 - 1.2.6 Piling
 - 1.2.7 Formation Trials
 - 1.2.8 Supporting Boats
 - 1.2.9 Air Support
 - 1.2.10 Operational Support
 - 1.2.11 Other materials and services
 - 1.3 Environment
 - 1.3.1 Licenses and Studies
 - 1.3.2 Inspection and Control
 - 1.4 Administration
 - 1.4.1 Administrative Support
2. Development Expenses
 - 2.1 Geology and Geophysics
 - 2.1.1 Seismic Survey
 - 2.1.2 Data Processing
 - 2.1.3 Interpretation of Data
 - 2.2 Drilling
 - 2.2.1 Location Preparation
 - 2.2.2 Mobilization of Drilling Rig
 - 2.2.3 Chartering of Drilling Rig
 - 2.2.4 Casing
 - 2.2.5 Cementing
 - 2.2.6 Piling
 - 2.2.7 Formation Trials

- 2.2.8 **Supporting Boat**
- 2.2.9 **Air Support**
- 2.2.10 **Operational Support**
- 2.2.11 **Other materials and services**

- 2.3 Completion
- 2.3.1 **Chartering of Drilling Rig**
- 2.3.2 **Wellhead Equipment**
- 2.3.3 **Production Column and Accessories**
- 2.3.4 **Other hired materials and services**

- 2.4 Artificial Lift
- 2.4.1 **Artificial Lift Equipments**
- 2.4.2 **Other materials and services**

- 2.5 Production Assessment System
- 2.5.1 **Production Line**
- 2.5.2 **Manifolds**
- 2.5.3 **Risers**
- 2.5.4 **Umbilical**
- 2.5.5 **Other hired materials and services**

- 2.6 Production Unit (offshore or onshore)
- 2.6.1 **Studies and Projects**
- 2.6.2 **Basic Structure**
- 2.6.3 **Generation Unit**
- 2.6.4 **Compression Unit**
- 2.6.5 **Storage Unit**
- 2.6.6 **Processing Equipment**
- 2.6.7 **Construction, Mounting and Trials**
- 2.6.8 **Other materials and services**

- 2.7 Production Outflow System
- 2.7.1 **Compression Unit**
- 2.7.2 **Oil Pipeline**
- 2.7.3 **Gas Pipeline**
- 2.7.4 **Other materials and services**

- 2.8 Operational Safety and Environmental Protection
- 2.8.1 **Contracted Services**
- 2.8.2 **Other Related Costs**

- 2.9 Inactivation of Field
- 2.9.1 **Cut-off and Abandonment of Well**
- 2.9.2 **Equipment Withdrawal**
- 2.9.3 **Recovery of Areas**
- 2.9.4 **Other Related Costs**

- 2.10 Administration
- 2.10.1 **Administrative Support**

3. Production Expenses
 - 3.1 *Extraction Expenses*
 - 3.1.1 Maintenance of Production Unit
 - 3.1.2 Chartering of the Production Unit
 - 3.1.3 Maintenance of Wells
 - 3.1.4 Assessment System
 - 3.1.5 Draining System
 - 3.1.6 Operational Safety
 - 3.1.7 Environmental Protection
 - 3.1.8 Operational Support
 - 3.1.9 Depreciation
 - 3.1.10 Amortization
 - 3.1.11 Legal Provisions
 - 3.2 Administration
 - 3.2.1 Administrative Support

Technical Notes related to the Statement:

- 1) The statement is quarterly performed;
- 2) The statements amount must be expressed in reais (historical cost);
- 3) The amounts disbursed in a foreign currency must be converted into the national currency, in the date of the acquisition, by the Exchange rate published by the Central Bank;
- 4) The statement shall evidence the quarterly expenses and project accumulated;
- 5) The amount related to Depreciation or Amortizations and Provisions must be accompanied by explicative analytical statements;
- 6) The statement must be presented by each Exploratory Block or field in production or development.

**SECURITIES RELATED TO THE
MINIMUM EXPLORATORY PROGRAM
(ACCORDING TO ANNEX III)**

PERFORMANCE GUARANTEE PROVIDED
(ACCORDING TO ANNEX IV)

APPLICABLE

NON-APPLICABLE

LOCAL CONTENT OFFERED BY THE
WINNING COMPANIES
(ACCORDING TO ANNEX X)