

UNOFFICIAL ENGLISH TRANSLATION

**INDIVIDUAL MODEL**

**LICENSE CONTRACT FOR THE EXTRACTION OF  
HYDROCARBONS  
(DEEP WATER)**

**ENTERED INTO BY**

**THE NATIONAL HYDROCARBONS COMMISSION**

**AND**

**XYZ**

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**LICENSE CONTRACT FOR THE EXPLORATION AND EXTRACTION OF  
HYDROCARBONS**

This License Contract for the Exploration and Extraction of Hydrocarbons (the “Contract”) is entered into on \_\_\_\_\_ 2016, between, on the one hand, the **UNITED MEXICAN STATES** (“Mexico”, the “State” or the “Nation”), through the **NATIONAL HYDROCARBONS COMMISSION** (“CNH”), represented by C. Juan Carlos Zepeda Molina, in his capacity as Chairman, and on the other hand, XYZ, a corporation organized under the laws of the United Mexican States (hereinafter “XYZ”), represented by \_\_\_\_\_, its duly authorized representative, in accordance with the following Declarations and Articles:

**DECLARATIONS**

The National Hydrocarbons Commission declares that:

I. It is a Coordinated Regulatory Entity of the Energy Sector of the Centralized Public Federal Administration of the State, having legal personality and technical and operational autonomy, in accordance with article 28, paragraph eight, of the Political Constitution of the United Mexican States (the “Constitution”), and articles 2, section I, and 3 of the Law of the Coordinated Regulatory Entities of the Energy Sector;

II. In accordance with article 27, paragraph seven, of the Constitution, article 15 of the Hydrocarbons Law and article 38, section II, of the Law of the Coordinated Regulatory Entities of the Energy Sector, it has the legal capacity to sign contracts, in the name and on behalf of the State, with private parties or with State Productive Enterprises, through which the Nation conducts strategic activities consisting of the Exploration and Extraction of Crude Oil and other solid, liquid or gaseous hydrocarbons within Mexican territory;

III. In accordance with the applicable provisions of the Constitution, the Hydrocarbons Law, the Law of the Coordinated Regulatory Entities of the Energy Sector, and the guidelines established by the Ministry of Energy and the Ministry of Finance and Public Credit within the scope of their respective jurisdictions, on \_\_\_\_\_, it published in the Official Gazette of the Federation Invitation to Bid No. CNH-R01-C04/2015 for the international public bidding process for a License Contract for the Extraction of Hydrocarbons relating to the Contract Area described in Annex 1, and in accordance with the procedure established in the bidding guidelines issued for such bidding process, it issued

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the award on \_\_\_\_\_ 2016 pursuant to which XYZ was declared the winner of the bidding process, y

IV. Its representative is authorized to enter into this Contract pursuant to article 23, section III, of the Law of the Coordinated Regulatory Entities of the Energy Sector.

XYZ declares that:

I. It is a corporation organized and existing under the laws of Mexico, whose sole corporate purpose is the Exploration and Extraction of Hydrocarbons; and it has the legal capacity to enter into and perform this Contract;

II. It is a resident of Mexico for tax purposes, has a Federal Taxpayer Registry number, and does not pay taxes under the optional tax regime for groups of companies referenced in Chapter VI of Title II of the Income Tax Law;

III. It has knowledge of the laws of Mexico, as well as all related regulations and other applicable provisions;

IV. It has the organization, experience and the technical, financial and implementation capacity to comply with its obligations under this Contract;

V. It has undertaken the corporate actions, obtained the authorizations, corporate or otherwise, and satisfied the applicable legal requirements to enter into and perform this Contract, and neither it nor any third party associated with it falls within any of the provisions of article 26 of the Hydrocarbons Law, and

VI. The legal capacity of its representative to enter into this Contract is evidenced by the power of attorney registered in Public Deed No. \_\_\_\_\_, Volume \_\_\_\_\_, granted before Notary Public No. \_\_\_\_ from \_\_\_\_\_, Atty. \_\_\_\_\_, dated \_\_\_\_\_.

Based on the foregoing declarations, the Parties agree as follows:

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**ARTICLES**

**ARTICLE 1.**  
**DEFINITIONS AND INTERPRETATION**

**1.1 Definitions.**

For the purposes of this Contract, the following terms shall have the meaning set forth:

“**Abandonment**” shall mean all activities of removal and dismantling of Materials, including, without limitation, the permanent plugging and technical closure of Wells, removal and dismantling of all plants, platforms, facilities, machinery and equipment supplied or used by the Contractor during the Petroleum Activities, as well as Environmental Damage restoration in the Contract Area affected by the Contractor, in terms of this Contract, Industry Best Practices, the Applicable Laws and the Management System.

“**Abandonment Trust**” shall have the meaning set forth in Article 18.3.

“**Accounting Procedures**” shall mean the procedures for accounting and reporting of Costs, attached here to as Annex 4.

“**Additional Term**” shall mean any of the extensions to the term of this Contract granted in accordance with Article 3.2.

“**Adjustment Mechanism**” shall mean the mechanism established in Annex 3, which, modifies the parameters that determine the State Consideration.

“**Affiliate**” shall mean, with regard to any Person, any other Person that directly or indirectly Controls it, is Controlled by, or is under common Control with such Person.

“**Agency**” shall mean the National Agency for the Industrial Safety and Environmental Protection of the Hydrocarbons Sector.

“**Annual Contribution**” shall have the meaning set forth in Article 18.4.

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“**Applicable Laws**” shall mean all laws, regulations, general administrative provisions, decrees, administrative orders, court rulings and other rules or decisions of any kind issued by any Governmental Authority which are in effect at the relevant time.

“**Appraisal**” shall mean all activities and operations carried out by the Contractor after a Discovery to determine the limits, characteristics and production capacity of a Discovery and whether such Discovery is a Commercial Discovery, including, without limitation: (i) additional Surface Reconnaissance and Exploration and Exploration activities; (ii) geological and geophysical surveys; (iii) drilling of test Wells; (iv) studies of Reserves and other studies, and (v) all ancillary operations and activities required or advisable to optimize the performance or results of the foregoing activities.

“**Appraisal Area**” shall have the meaning set forth in Article 5.2.

“**Appraisal Period**” shall have the meaning set forth in Article 5.2.

“**Appraisal Plan**” shall have the meaning set forth in Article 5.1.

“**Asset Inventory**” shall mean the inventory of Wells and Materials described in Annex 12.

“**Associated Natural Gas**” shall mean Natural Gas dissolved in the Crude Oil contained in a reservoir under original pressure and temperature conditions.

“**Barrel**” shall mean a measurement unit equivalent to a volume equal to 158.99 liters at a temperature of 15.56 degrees Celsius at pressure conditions of one atmosphere.

“**Bidding Guidelines**” shall mean the bidding guidelines issued pursuant to the Invitation to Bid, including all modifications or clarifications, thereof issued by CNH.

“**Bidding Process**” shall mean the international public bidding process CNH-R01-L04/2015.

“**BTU**” shall mean a British thermal unit, which represents the amount of energy needed to heat one pound (0.4535 kilograms) of water by one degree Fahrenheit at pressure conditions of one atmosphere.

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“**Business Day**” shall mean any Day other than a Saturday, Sunday or any other holiday required under the Applicable Laws.

“**Commercial Discovery**” shall mean a Discovery that is declared to be commercial by the Contractor in accordance with Article 6.1.

“**Condensates**” shall mean Natural Gas liquids consisting primarily of pentanes and heavier Hydrocarbon components.

“**Consideration**” shall mean, individually or together, the State Consideration or the Contractor Consideration, as the case may be.

“**Contract**” shall mean this License Contract for the Exploration and Extraction of Hydrocarbons, including the annexes attached hereto (which are incorporated herein and form a part hereof), as well as all modifications made thereto in accordance with its terms and conditions.

“**Contractor**” shall mean XYZ.

“**Contract Area**” shall mean the Surface area described in Annex 1, including the geological formations contained in the vertical projection of such Surface to the depth indicated in Annex 1, in which the Contractor is authorized and obligated to conduct Petroleum Activities pursuant to this Contract, it being understood that: (i) this Contract does not grant the Contractor any real property rights to the Contract Area or to natural resources in its subsurface, and (ii) the Contract Area shall be reduced in accordance with the terms of this Contract.

“**Contract Price**” shall mean the monetary value in Dollars assigned per unit of measurement to each Hydrocarbon in accordance with Annex 3.

“**Contractor Consideration**” shall mean, with respect to any Month beginning with the Month in which Regular Commercial Production starts, the onerous transfer of Produced Hydrocarbons in accordance with Article 16.3 and Annex 3.

“**Contractual Value of the Condensates**” shall mean the result of multiplying in the relevant Period: (i) the Contract Price of the Condensates, by (ii) the volume of the Condensates measured in Barrels at the Measurement Points in the Contract Area, determined as provided in Annex 3.

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“**Contractual Value of Crude Oil**” shall mean the result of multiplying in the relevant Period: (i) the Contract Price of the Crude Oil, by (ii) the volume of the Crude Oil measured in Barrels at the Measurement Points of the Contract Area, determined as provided in Annex 3.

“**Contractual Value of the Hydrocarbons**” shall mean the sum of the Contractual Value of the Crude Oil, the Contractual Value of the Natural Gas and the Contractual Value of the Condensates, determined as provided in Annex 3.

“**Contractual Value of the Natural Gas**” shall mean the result of multiplying in the relevant Period: (i) the Contract Price of the Natural Gas, by (ii) volume measured in millions of BTU of Natural Gas at the Measurement Points in the Contract Area, determined as provided in Annex 3.

“**Control**” shall mean the ability of a Person or group of Persons to carry out any of the following acts: (i) to impose decisions, directly or indirectly, on general meetings of shareholders, partners or equivalent governing bodies or to appoint or remove a majority of the directors, administrators or their equivalent, in each case of the Contractor; (ii) to hold ownership rights that permit, directly or indirectly, the exercise of voting rights with respect to more than fifty percent of the Contractor’s capital stock, or (iii) to direct, directly or indirectly, the Contractor’s management, strategy or principal policies, whether through the ownership of securities, by contract or otherwise.

“**Corporate Guarantee**” shall mean the ultimate guarantee to demand the prompt and timely compliance of all the unpaid or partially paid obligations of the Contractor under this Contract prior execution of the Exploration Performance Guarantees, and given the case, prior execution of the insurances policies referred to in Article 20. The Corporate Guarantee will be executed by the Guarantor of the Contractor in accordance with Article 17.2 and the model in Annex 2.

“**Costs**” shall mean all expenditures, expenses, investments or liabilities related to the Petroleum Activities.

“**Crude Oil**” shall mean a mixture of hydrogen carbides which exists in liquid form in reservoirs and remains as such under original pressure and temperature conditions, and which may include small quantities of substances other than hydrogen carbides.

“**Day**” shall mean a calendar day.

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“**Development Area**” shall mean, with regard to any Commercial Discovery, the area within the Contract Area that covers the whole extension of the underlying structures or stratigraphic closures that define the reservoir or intervals of interest of the Field where the Discovery was made.

“**Development Period**” shall mean, with regard to any Commercial Discovery, the period beginning upon approval of the Development Plan for such Commercial Discovery and ending upon the termination of this Contract for any reason or by any contractual or administrative rescission.

“**Development Plan**” shall mean the optimal development plan for Extraction which contains a Schedule of the specific Petroleum Activities in a particular Development Area in order to reach Regular Commercial Production or increase Hydrocarbon production, including any Enhanced Recovery program.

“**Discovery**” shall mean any structure or accumulation or group of structures or accumulations that during drilling activities it has been shown they contain Hydrocarbons that may be extracted at a measurable flow rate via Industry Best Practices, regardless of the fact that such detection of Hydrocarbons may or may not be considered commercially viable, including an extension of any prior Discovery.

“**Dollars**” or “**US\$**” shall mean dollars of the United States of America.

“**Effective Date**” shall mean the date of execution of this Contract.

“**Enhanced Recovery**” shall mean secondary or tertiary recovery processes consistent with Industry Best Practices in order to enhance recovery of Hydrocarbons the Development Area, including, without limitation, increasing the pressure in a reservoir and/or decreasing the viscosity of the Hydrocarbons.

“**Environmental Baseline**” shall mean the environmental conditions found in habitats, ecosystems, elements and natural resources, as well as interaction relations and environmental services present in the Contract Area at the time that the study for its determination is conducted.

“**Environmental Damage**” shall mean the damage over an environmental element as a consequence of an adverse environmental impact.

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“**Exploration**” shall mean the activity or group of activities that, using direct methods including the drilling of Wells, are aimed at the identification, discovery and appraisal of Hydrocarbons in the Subsoil on the Contract Area.

“**Exploration Performance Guarantee**” shall mean, individually or collectively, the Initial Performance Guarantee, the First Additional Period Guarantee and the Second Additional Period Guarantee.

“**Exploration Period**” shall mean the period granted to the Contractor to conduct Surface Reconnaissance and Exploration, Exploration and Appraisal activities, which consists of the Initial Exploration Period, the First Additional Exploration Period (if any), the Second Additional Exploration Period (if any) and the Appraisal Period (if any).

“**Exploration Plan**” shall mean a schedule the Surface Reconnaissance and Exploration, Exploration and Appraisal activities to be conducted within the Contract Area, which shall comply at least with the Minimum Work Program and the Minimum Program Increase.

“**Extraction**” shall mean an activity or group of activities carried out for the purpose of Hydrocarbon production, including the drilling of production Wells, injection and stimulation of reservoirs, Enhanced Recovery, Gathering, conditioning and separation of Hydrocarbons and elimination of water and sediments within the Contract Area, as well as the construction, location, operation, use, Abandonment and dismantling of production facilities.

“**Field**” shall mean the area within the Contract Area beneath which one or more Hydrocarbon reservoirs are located in one or more formations in the same structure, geological body or stratigraphic condition.

“**Final Transitional Stage**” shall mean the stage that will take place in accordance with Article 18.7 and the Applicable Laws.

“**First Additional Exploration Period**” shall have the meaning set forth in Article 4.3.

“**First Additional Period Guarantee**” shall have the meaning set forth in Article 17.1 (c).

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“**Force Majeure**” shall mean any fact or circumstance which prevents the affected Party from performing its obligations under this Contract if such fact or circumstance is beyond the control of such Party and does not result from its intentional conduct or fault, provided that such Party has not been able to avoid or overcome such fact or circumstance by the exercise of due diligence. Subject to satisfaction of the foregoing conditions, Force Majeure shall include, without limitation, the following acts or events preventing the affected Party from performing its obligations under this Contract: natural phenomena such as storms, hurricanes, floods, mudslides, lightning and earthquakes; fires; acts of war (whether or not declared); civil disturbances, riots, insurrections, sabotage and terrorism; disasters in the transportation of Materials; restrictions due to quarantines, epidemics, strikes or other labor disputes not resulting from a breach of any labor agreement by the affected Party. It is expressly understood that Force Majeure (i) shall not include economic hardship or change in market conditions (including difficulties in obtaining funds or financing), and (ii) shall not exempt the Contractor from environmental liability under the Applicable Laws.

“**Fund**” shall mean the Mexican Petroleum Fund for Stabilization and Development.

“**Gathering Facilities**” shall mean all facilities and equipment necessary for production testing and separation, Storage tanks, compressors, pipelines, pumps and any other equipment necessary for the Gathering of Hydrocarbon.

“**Governmental Authority**” shall mean any governmental authority of the federal State, or municipal government or the executive, legislative or judicial branch, including autonomous constitutional entities of the State.

“**Guarantor**” shall mean the ultimate parent entity of the Contractor, or the company that exercises Control over the Contractor or that is under common Control of the Person that exercises the Control over the Contractor, which will execute the Corporate Guarantee simultaneously with the Parties’ execution of this Contract, subject to approval by CNH.

“**Hydrocarbons**” shall mean Crude Oil, Natural Gas, Condensates and methane hydrates.

“**Hydrocarbons in the Subsoil**” shall mean the total resources or quantities of Hydrocarbons with the potential of being extracted which are estimated to exist originally, prior to their production, in naturally occurring accumulations, as well as estimated quantities of accumulations yet to be discovered.

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“**Hydrocarbons Law**” shall mean the Hydrocarbons Law published in the Official Gazette of the Federation on August 11, 2014, including amendments and supplements thereto.

“**Hydrocarbons Revenues Law**” shall mean the Hydrocarbon Revenues Law published in the Official Gazette of the Federation on August 11, 2014, including amendments and supplements thereto.

“**Industry Best Practices**” shall mean the practices, methods, standards and procedures generally accepted and followed by diligent, expert and prudent operators with experience in Exploration, Appraisal, development, Extraction of Hydrocarbons and Abandonment which, in the exercise of reasonable judgment and in light of the facts known at the time a decision is made, would be expected to obtain the anticipated results and increase the economic benefits of the Extraction of Hydrocarbons inside the Contract Area, maximizing the recovery factor of Hydrocarbons throughout the life of the reservoirs, without causing an excessive reduction of pressure or energy.

“**Initial Exploration Period**” shall mean the period granted to the Contractor to conduct Surface Reconnaissance and Exploration, Exploration and Appraisal Activities in terms of Article 4.2.

“**Initial Performance Guarantee**” shall have the meaning set forth in Article 17.1 (a).

“**Invitation to Bid**” shall mean the international public invitation to bid number CNH-R01-C04/2015 published in the Official Gazette of the Federation by CNH on \_\_\_\_\_.

“**Management System**” shall mean an integrated set of interrelated and documented elements to prevent, control and improve the performance of a facility or group of facilities related to industrial safety, operational safety and environmental protection.

“**Marketing Facilities**” shall mean the infrastructure and equipment necessary to transport, compress, store or distribute Hydrocarbons beyond the Measurement Points, including all pipelines for Crude Oil, Condensates and Natural Gas, pumps, compressors, measuring equipment and additional Storage facilities necessary to transport the Hydrocarbons from the Measurement Point to the point of sale or to the entry to a delivery system.

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“**Market Rules**” shall mean the principle of competition pursuant to which parties involved in a transaction are independent and participate on an equal basis in their own interests.

“**Materials**” shall mean all machinery, tools, equipment, goods, supplies, pipes, drilling or production platforms, marine devices, plants, infrastructure and other facilities acquired, provided, leased or otherwise held for use in the Petroleum Activities, including Gathering Facilities.

“**Measurement Points**” shall mean the locations proposed by the Contractor and approved by CNH or in such case determined by CNH inside or outside the Contract Area, at which the Net Hydrocarbons will be measured, verified and delivered, as provided in this Contract and the Applicable Laws.

“**Methodology**” shall mean the methodology established by the Ministry of Energy to measure national content in Assignments and Contracts for Exploration and Extraction pursuant to article 46 of the Hydrocarbons Law.

“**Minimum Program Increase**” shall mean the additional Work Units indicated in Annex 5, which the Contractor has committed to perform through a percentage increase in the Minimum Work Program as part of the economic proposal under which this Contract was awarded.

“**Minimum Work Program**” shall mean the Work Units indicated in Annex 5, which the Contractor shall carry out during the Initial Exploration Period, it being understood that the Minimum Work Program is only a minimum work program and that the Contractor may carry out additional Surface Reconnaissance and Exploration, Exploration and Appraisal activities during the Exploration Period.

“**Ministry of Finance**” shall mean the Ministry of Finance and Public Credit.

“**Month**” shall mean a calendar month.

“**Movable Property**” shall mean the Materials that may be moved from one place to another by themselves or by an external force.

“**Natural Gas**” shall mean a mixture of gases obtained by Extraction or industrial processing which is composed primarily of methane and usually contains ethane, This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L04/2015, and is provided only for reference. In the event of any dispute or discrepancy, the Spanish version shall prevail and be treated as the correct version (for all intents and purposes).

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propane and butane, as well as carbon dioxide, nitrogen and sulfuric acid, among other components. It may be Associated Natural Gas and Non-associated Natural Gas.

“**Net Hydrocarbons**” shall mean the Produced Hydrocarbons minus the Self-Consumed Hydrocarbons measured at the Measurement Points in acceptable commercial conditions regarding the content of sulfur, water and other elements in accordance with the Applicable Law and the Industry Best Practices which shall supervised and audited by CNH.

“**Non-associated Natural Gas**” shall mean Natural Gas found in reservoirs that do not contain Crude Oil at original pressure and temperature conditions.

“**Obstacles to the Continuation of Drilling**” refers to situations when, before reaching the targeted depth for any Well: (i) a geological formation is encountered which is older than the deepest formation that was established as a goal; (ii) it is determined that to continue drilling is dangerous, including dangers associated with abnormally high pressure or results in excessive loss of drilling fluids; (iii) an impenetrable formation is encountered which prevents reaching the anticipated depth, or (iv) a geological formation containing Hydrocarbons is encountered which must be protected pursuant to Industry Best Practices.

“**Operating Account**” shall mean the account books and other accounting records maintained separately by the Contractor for the Petroleum Activities.

“**Parties**” shall mean the State (through CNH) and the Contractor.

“**Period**” shall mean a Month, provided that when activities are conducted in a period that is less than a full Month, the Period shall be the number of Days the Contract was effectively in operation.

“**Person**” shall mean any natural person or legal entity of any kind, including any company, association, trust, joint investment, government or other relevant organ or agency thereof.

“**Petroleum Activities**” shall mean Surface Reconnaissance and Exploration, as well as Exploration, Appraisal, Extraction and Abandonment activities carried out in the Contract Area by the Contractor in accordance with this Contract.

“**Preexisting Damages**” shall mean environmental liabilities present in the Contract Area identified in the Environmental Baseline in accordance with Articles 3.3 and 14.4.

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“**Produced Hydrocarbons**” shall mean the total volume of Hydrocarbons extracted by the Contractor from the Contract Area.

“**Regular Commercial Production**” shall mean the regular sustained production of any Field for the purpose of making commercial use of such production.

“**Reserves**” shall mean the volume of Hydrocarbons in the Subsoil calculated at a given date at atmospheric conditions which is estimated to be technically and economically feasible to produce under the applicable tax regime, by any of the Extraction methods and systems applicable at the date of Appraisal.

“**Royalty**” shall mean a portion of the State Consideration determined in accordance with the Contractual Value of Hydrocarbons, as provided in Annex 3.

“**Second Additional Exploration Period**” shall have the meaning set forth in Article 4.4.

“**Second Additional Period Guarantee**” shall have the meaning set forth in Article 17.1 (e).

“**Self-Consumed Hydrocarbons**” shall mean the Hydrocarbons used as fuel in carrying out the Petroleum Activities, or flared, vented or reinjected into the reservoir, but only in the manner and amounts approved in accordance with the Applicable Laws.

“**Social Baseline**” shall mean the initial measurement of the socio-economic indicators that may be modified by the activities performed in the Contract Area.

“**Social Impact Evaluation**” shall mean the document that contains the identification of the communities and villages located in the influence area of a project regarding Hydrocarbons, as well as, the identification, characterization, prediction and valuation of the consequences towards population that may be derived from itself and the mitigation measures and the corresponding social management plans.

“**State Consideration**” shall mean, for any Month beginning with the Month in which Regular Commercial Production starts, the cash payments derived from the Hydrocarbon production in the Contract Area and such other considerations that the Nation is entitled to in accordance with Article 16.2 and Annex 3.

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“**Storage**” shall mean the deposit and safeguard of Hydrocarbons, in enclosed deposits and facilities that may be located on the surface, at sea or in the subsoil.

“**Subcontractors**” shall mean those Persons that carry out Petroleum Activities at the request from the Contractor pursuant to Article 19.2.

“**Sub-Products**” shall mean those elements or components different from Hydrocarbons, such as, Sulfur or any other mineral or substance contained in Crude Oil or Natural Gas that may be separated from Hydrocarbons.

“**Trimester**” shall mean the set of three consecutive Months in which the Year is divided, being the end of each Trimester on March, June, September and December, respectively. Whenever the Petroleum Activities are conducted in a period that does not correspond to a full Trimester, the Trimester will be deemed as the number of Days in which the Contract effectively operated.

“**Surface Reconnaissance and Exploration**” shall mean all Appraisal studies based solely on activities undertaken on the surface of the land or the ocean to assess the possible existence of Hydrocarbons in the Contract Area, including works for the acquisition, as well as the processing, reprocessing or interpretation of information.

“**Tax Obligations**” shall mean any and all federal, state or municipal taxes, contributions, government fees, government charges, tariffs or withholding taxes of any kind, together with any and all incidental taxes, surcharges, updates and fines, charged or determined at any time by any Governmental Authority.

“**Technical Documents**” shall mean all studies, reports, spreadsheets and databases, in any form, relating to the Contract Area or the Petroleum Activities.

“**Technical Information**” shall mean all of the data and information obtained as a result of the Petroleum Activities, including, but not limited to: geological, geophysical, geochemical and engineering information; well logs, progress reports, Technical Documents and any other information related to the completion, production, maintenance or performance of Petroleum Activities.

“**Transition Stage for Startup**” shall mean the stage that will take place in accordance with Article 3.3 and the Applicable Laws.

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“**UNCITRAL Regulations**” shall mean the Regulations for Conciliation or Arbitration of the United Nations Commission on International Trade Law, as the case may be.

“**Well**” shall mean any opening in the ground made by means of drilling or otherwise with the purpose of discovering, appraising or extracting Hydrocarbons or to inject any substance into, or obtain data with respect to, the reservoir.

“**Work Unit**” shall mean the unitary magnitude used as reference to establish and evaluate compliance with the activities listed in the Minimum Work Program, the Minimum Program Increase and the additional commitments for the Exploration Period as provided in Article 4 and Annex 5.

“**Year**” shall mean a calendar year.

### 1.2 Use of Singular and Plural.

The terms defined in Article 1.1 may be used in this Contract in both their singular and plural forms.

### 1.3 Headings and References.

The Article headings used in this Contract are included herein for convenience only and shall not in any way affect the interpretation of this Contract. All references herein to “Articles” or “Annexes” are to the Articles and Annexes of this Contract unless indicated otherwise.

## ARTICLE 2. PURPOSE OF THE CONTRACT

### 2.1 License Contract.

The purpose of this License Contract is to provide for the carrying out of the Petroleum Activities by the Contractor within the Contract Area, at its sole cost and risk, in accordance with the Applicable Laws, Industry Best Practices and the terms and conditions of this Contract. The Contractor shall have the right to the onerous transfer of Produced Hydrocarbons only if the Contractor is up to date with the payments of the State Considerations established in Article 16.2.

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The Contractor will be solely responsible for and shall pay all Costs and provide all the personnel, technology, Materials and financing necessary to carry out the Petroleum Activities. The Contractor shall have the exclusive right to conduct the Petroleum Activities in the Contract Area, subject to the terms of this Contract and the Applicable Laws. CNH makes no representation or warranty of any kind regarding the Contract Area, and the Contractor acknowledges that it has received no guarantee from any Governmental Authority that: (i) there will be any Discoveries in the Contract Area; (ii) in the event of a Discovery, it will be considered a Commercial Discovery, or (iii) the Contractor will receive sufficient Hydrocarbons to cover the Costs it may incur by carrying out Petroleum Activities.

### **2.2 No Grant of Property Rights.**

This Contract does not confer upon the Contractor any property rights regarding the Hydrocarbons in the Subsoil, which are and at all times shall remain the property of the Nation. Furthermore, in no event shall any mineral resources other than Hydrocarbons existing in the Contract Area (whether or not discovered by the Contractor) be the property of the Contractor, and the Contractor shall have no right under the Contract to exploit or use such resources. In case that while conducting the Petroleum Activities the Contractor discovers any mineral resources other than Hydrocarbons in the Contract Area, the Contractor shall notify CNH within fifteen (15) Days following such discovery. Nothing in this Contract shall limit the Nation's right to grant to a third party any type of concession, license, agreement or other legal instrument for the exploitation of mineral resources other than Hydrocarbons in accordance with the Applicable Laws. The Contractor shall provide access to the Contract Area to any Person that receives any concession, license or agreement to exploit mineral resources other than Hydrocarbons, on the terms provided by the Applicable Laws.

### **2.3 Reporting of Benefits for Accounting Purposes.**

Without prejudice to the provisions of Article 2.2, the Contractor may report this Contract and the expected benefits hereunder for accounting and financial purposes as provided by the Applicable Laws.

## **ARTICLE 3.** **CONTRACT TERM**

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### 3.1 Term.

This Contract shall come into force on the Effective Date. Subject to the other terms and conditions hereof, the duration of this Contract shall be thirty-five (35) Years commencing on the Effective Date, it being understood that the provisions which by their nature must be performed after the termination of his Contract, including, but not limited to, those related to Abandonment and indemnification.

### 3.2 Extension.

Beginning on the fifth Year previous to the end of the Contract term, and provided that the Contractor has met all its obligations under this Contract, the Contractor may request from CNH up to two (2) term extensions (“Additional Terms”) for a fraction or the entirety of the Development Areas, provided as follows:

(a) The first Additional Term shall have duration of up to ten (10) Years or until the economic limit of the Development Areas, in case this last term is shorter.

(b) The second Additional Term shall have duration of up to five (5) Years or until the economic limit of the Development Areas, in case this last term is shorter.

(c) The Contractor shall submit the request at least eighteen (18) Months prior to the termination date of the original term of this Contract or the Additional Term.

(d) The Contractor shall provide the following items to CNH, along with the extension requests: a proposal for modification of the applicable Development Plans that will include a proposal for the Management System that will consider the reservoir maturity degree.

(e) The corresponding Development Areas shall be in Regular Commercial Production during five (5) Years prior to the submission of the request.

CNH will review the requests for extension and will determine whether or not to accept the Contractor’s proposals for extension and, if so, under what technical and economic conditions. If CNH authorizes the extensions and the Contractor accepts the technical and economic conditions of the extensions, the Parties will amend the terms of this Contract in writing to reflect such conditions.

### 3.3 Transition Stage for Startup.

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Beginning on the Effective Date, a ninety (90) Days period will begin during which the Contract Area will be delivered to the Contractor by CNH or to a third party designated for such purpose. This process shall be conducted as follows:

(a) CNH will provide the Contractor with the information available at the Effective Date regarding Wells and Materials, including the Asset Inventory, the environmental authorizations as well as the information regarding social impacts in the Contract Area;

(b) The Contractor must document the existence and integrity status of Wells and Materials. The State will supervise that the contractor or assignee in charge of the Contract Area before the Effective Date performs the activities regarding Abandonment of Wells and Materials without use for carrying out the Petroleum Activities;

(c) The Contractor must begin the Social Impact Evaluation that shall be conducted in accordance with the Hydrocarbons Law and the Applicable Laws, which must allow the identification, characterization and prediction of social impacts, in order to establish a Social Baseline prior to the beginning of the Petroleum Activities. The State will supervise that the contractor or assignee in charge of the Contract Area before the Effective Date assumes the identified social liabilities derived from the Petroleum Activities conducted prior to the Effective Date;

(d) The Contractor must carry out the assessments that allow the establishment of the Environmental Baseline prior to the beginning of the Petroleum Activities, in accordance with the procedures provided by the Agency, which shall allow the identification the Environmental Damages and Preexisting Damages. The State shall supervise that the contractor or assignee in charge of the Contract Area before the Effective Date, is responsible for the expenses related with the restoration and compensation for the Environmental Damages and the characterization and remediation of the Preexisting Damages;

(e) CNH can join the Contractor during the Transition Stage for Startup directly or through an appointed third party in order to review and validate the performance of the activities in accordance with the Industry Best Practices and the Applicable Law;

(f) The Contractor shall assume full responsibility over the Contract Area and over their Wells and Materials, and liabilities identified in accordance with the terms of this Contract and the Applicable Laws, and

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(g) Once the responsibility over the Contract Area is assumed, Preexisting Damages may only proceed if they were determined in the Environmental Baseline in accordance with the Article 14.4. Notwithstanding the foregoing, the Contractor shall be responsible of any Environmental Damage caused by the Petroleum Activities.

The Transition Stage for Startup shall be conducted in accordance with the Applicable Laws.

### **3.4 Relinquishment by the Contractor.**

Without prejudice to the provisions in Article 18, the Contractor may at any time relinquish all or any portion(s) of the Contract Area thereby terminating this Contract with regard to the relevant portion(s) of the Contract Area, by delivering an irrevocable written notice to CNH at least three (3) Months prior to the effective date of the relinquishment. Such relinquishment shall not affect the Contractor's obligations regarding: (i) completion of the Minimum Work Program and Minimum Program Increase and the additional minimum commitments for the First Additional Exploration Period (if any) and the Second Additional Exploration Period (if any), or in such case, payment of the corresponding liquidated damages as provided in Article 4; (ii) Abandonment and delivery of the area in accordance with Article 18, and (iii) relinquishment and return of the Contract Area in accordance with Article 7. In case of the early termination of this Contract by the Contractor, pursuant to this Article 3.4, it shall not be entitled to receive any indemnification of any kind.

## **ARTICLE 4.** **EXPLORATION**

### **4.1 Exploration Plan.**

Within one hundred and eighty (180) Days following the Effective Date, the Contractor shall submit the Exploration Plan to CNH for its approval. The Exploration Plan shall contemplate at least the performance of all of the activities provided for the Exploration Period and shall include the Management System.

CNH will grant or deny its approval of the proposed Exploration Plan within a period not to exceed one hundred and twenty (120) Days following the receipt of the

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necessary information pursuant to the Applicable Laws. In the event CNH does not issue a decision during the provided period, it will be deemed to have made a favorable decision.

Without prejudice of its ability to approve the Exploration Plan within the period indicated in this Article 4.1, CNH may issue observations regarding such Exploration Plan, when it: (i) has not been drafted as provided by the Industry Best Practices regarding the evaluation of the Hydrocarbons potential, including environmental, industrial security and health in work standards, or (ii) does not foresee the addition of Reserves nor the delimitation of the corresponding Exploration area within the Contract Area. The Contractor must provide the operative solutions and the correspondent adjustments to the Exploration Plan in response to the observations made by CNH. CNH and the Contractor may hold hearings or attendances in order to resolve in good faith any technical difference that may exist regarding to the observations of the Exploration Plan, in accordance with the Industry Best Practices and the Applicable Laws.

### 4.2 Initial Exploration Period.

The Initial Exploration Period shall have duration of up to four (4) Years from the Effective Date. The Contractor shall be required to complete, at least, the Minimum Work Program and the Minimum Program Increase during the Initial Exploration Period.

At the end of the Initial Exploration Period the Contractor shall have the right to relinquish this Contract by written notice to CNH in terms of Article 3.4.

### 4.3 First Additional Exploration Period.

Subject to this Article 4.3, the Contractor may request, by written notice to CNH with at least sixty (60) Days prior to the termination of the Initial Exploration Period, an extension of the Exploration Period for three (3) additional Years (the “First Additional Exploration Period”). The Contractor may request such extension only if it: (i) has fully complied with the Work Units required for the Initial Exploration Period and (ii) agrees to perform additional Work Units, equivalent to one (1) Well in accordance with Annex 5. CNH will approve such extension, if the two (2) foregoing conditions are satisfied; it receives the First Additional Period Guarantee within ten (10) Business Days after CNH approves the extension and as long as the Contractor has complied with all of its other obligations under this Contract.

In the event that during the Initial Exploration Period, the Contractor carries out additional Work Units to those committed in accordance with Article 4.2, the Contractor

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may request the recognition of such Work Units for the First Additional Exploration Period. Such request must be included in the request for extension of the Exploration Period as provided in this Article 4.3.

### **4.4 Second Additional Exploration Period.**

Subject to this Article 4.4, the Contractor may request, by written notice to CNH with at least sixty (60) Days prior to the termination of the First Additional Exploration Period, an extension of the Exploration Period for three (3) additional Years (the “Second Additional Exploration Period”). The Contractor may request such extension only if it: (i) has fully complied with the Work Units required for the First Additional Exploration Period; (ii) there exist Appraisal Areas or Development Areas in the Contract Area at the time of the request; (iii) the Contractor presents a request for the retention of the Contract Area in accordance with Article 7.2, and (iv) agrees to perform additional Work Units, equivalent to one (1) Well in accordance with Annex 5. CNH will approve such extension, if the four (4) foregoing conditions are satisfied; it receives the Second Additional Period Guarantee within ten (10) Business Days after CNH approves the extension and as long as the Contractor has complied with all of its other obligations under this Contract.

In the event that during the First Additional Exploration Period, the Contractor carries out additional Work Units to those committed in accordance with Article 4.3, the Contractor may request the recognition of such Work Units for the Second Additional Exploration Period. Such request must be included in the request for extension of the Exploration Period as provided in this Article 4.4.

### **4.5 Exploration Plan Update.**

The Contractor shall perform the Exploration activities in accordance with the approved Exploration Plan. If deemed necessary, the Contractor may submit modifications to the Exploration Plan for the approval of CNH. CNH may consult the Agency and the Ministry of Economy, within the scope of their attributions, regarding the modification proposal and will decide on such modifications within a period not to exceed one hundred and twenty (120) Days following the receipt of the necessary information pursuant to the Applicable Laws.

### **4.6 Delays in the Submission of the Exploration Plan.**

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In case that the Contractor presents the Exploration Plan for the approval of CNH after the deadline without just cause, the Contractor shall pay to the Fund as liquidated damages [\_\_\_\_\_] Dollars per Day during the entire delay period.

#### **4.7 Failure to Comply with the Minimum Work Program or Additional Commitments.**

In case of a failure to comply with the work commitments determined in accordance with Articles 4.2, 4.3 and 4.4, the Contractor shall pay the Fund as liquidated damages:

(a) The amount required to carry out the Work Units that have not been completed at the end of the Initial Exploration Period, calculated as provided in Article 17.1 (1) and Annex 5, up to the amount of the Initial Performance Guarantee.

(b) The amount required to carry out the Work Units that the Contractor agreed to perform during the First Additional Exploration Period in terms of Article 4.3 and that have not been executed at the end of such period, calculated in terms of Article 17.1 (c) and Annex 5, up to the amount of the First Additional Performance Guarantee.

(c) The amount required to carry out the Work Units that the Contractor agreed to perform during the Second Additional Exploration Period in terms of Article 4.4 and that have not been executed at the end of such period, calculated in terms of Article 17.1 (e) and Annex 5, up to the amount of the Second Additional Performance Guarantee.

(d) In the event that the Contractor relinquishes the entire Contract Area pursuant to Article 3.4, the date of relinquishment will be deemed to be the end of the Initial Exploration Period, First Additional Exploration Period or Second Additional Exploration Period, as the case may be, and the corresponding liquidated damages pursuant to subparagraphs (a), (b) and (c) of this Article 4.7 will apply.

(e) CNH may draw the Exploration Performance Guarantee in the amount of the corresponding liquidated damages in the event the Contractor fails to pay such amount to the Fund within fifteen (15) Days following the end of the Initial Exploration Period, the First Additional Exploration Period or the Second Additional Exploration Period, as the case may be.

Without prejudice of the provisions of this Contract, once the Contractor pays the amounts described in subparagraphs (a), (b) and (c), or in case the Exploration  
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Performance Guarantee is drawn as pursuant to subparagraph (e) of this Article 4.7, the breach of the Minimum Work Program, the Minimum Program Increase or the additional commitments acquired for the Additional Exploration Period will be considered as amended.

### 4.8 Formation Tests.

The Contractor shall submit the relevant information and all technical studies related to any formation test, including the data derived directly from itself in the periodicity set forth in the Applicable Laws.

### 4.9 Notice of a Discovery.

The Contractor shall provide notice to CNH regarding any Discovery that has been confirmed, prior to the notification to any third party. Within thirty (30) Days following the confirmation of any Discovery, the Contractor shall notify CNH and submit: (i) all available Technical Information related to the Discovery, including details as of quality, flow and geological formations; (ii) a report analyzing such information and establishing details related to a possible Well testing program, and (iii) its preliminary criteria as to the advisability of conducting an Appraisal of such Discovery, pursuant to the Applicable Laws.

The term for the submission of the Appraisal Plan shall initiate at the notice of Discovery in accordance with Article 5.1.

## ARTICLE 5. APPRAISAL

### 5.1 Appraisal.

In the event of a Discovery during the Exploration Period, the Contractor may submit to CNH for approval, the activity program for the Appraisal of such Discovery (the “Appraisal Plan”), within ninety (90) Days from the notice of Discovery, in such case, the provisions of Article 5.2 shall apply.

### 5.2 Appraisal Plan.

The Appraisal Plan submitted pursuant to Article 5.1 shall establish the content of the Appraisal activities for a period of up to three (3) Years from the date of approval of such plan (the “Appraisal Period”). The Appraisal Plan for the Discovery shall

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cover the entire area of the structure in which the Discovery was made (the “Appraisal Area”), and shall contain at a minimum the items indicated in Annex 6, with a sufficient scope to allow for an evaluation to determine whether the Discovery can be considered a Commercial Discovery.

CNH will decide on the proposed Appraisal Plan within a period not to exceed sixty (60) Days following the receipt of the necessary information pursuant to the Applicable Laws. CNH will base and motivate its resolution.

### **5.3 Hydrocarbons Extracted During Tests.**

The Contractor may market Hydrocarbons obtained from performance of any test to determine the characteristics of a reservoir and the production flow rates without prejudice of the provisions in Annex 3.

### **5.4 Appraisal Report.**

No later than forty-five (45) Days following the end of the Appraisal Period for any Discovery, the Contractor shall deliver to CNH a report of all Appraisal activities carried out during such Appraisal Period, containing the minimum information indicated in Annex 7.

The term for the submission of the declaration of a Commercial Discovery shall initiate within the end of any Appraisal Period in accordance with Article 6.1.

## **ARTICLE 6. DEVELOPMENT**

### **6.1 Commercial Discovery.**

No later than ninety (90) Days after the end of any Appraisal Period, the Contractor shall inform CNH whether it considers the Discovery to be a Commercial Discovery, in such case, the Contractor shall submit a Development Plan for such Commercial Discovery in accordance with Article 6.2, without prejudice to the Contractor’s obligation to continue the Surface Reconnaissance and Exploration, Exploration and Appraisal activities pursuant to the Exploration Plan in the rest of the Contract Area until the end of the Exploration Period or completion of the Minimum Work Program, the Increase in the Minimum Program or the work commitments acquired for the First Additional

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Exploration Period or the Second Additional Exploration Period. The declaration of a Commercial Discovery shall include a delimitation of the Development Area, which shall require the approval of CNH.

The term for the submission of the Development Plan shall initiate upon the declaration of any Commercial Discovery.

### 6.2 Development Plan.

Within two (2) Years following the declaration of a Commercial Discovery, the Contractor shall submit to CNH for its approval the corresponding Development Plan. The Development Plan shall: (i) cover the entire Development Area; (ii) include at a minimum the information required by Annex 8; (iii) foresee the use of adequate methods and processes to obtain the maximum ultimate recovery factor for the Reserves, complying with Industry Best Practices, as well as (iv) include the corresponding program for the efficient use of Natural Gas and the mechanism for the measurement of the production of Hydrocarbons. CNH will grant or deny its approval of the proposed Development Plan in a period not to exceed one hundred twenty (120) Days following its receipt of the necessary information pursuant to the terms of the Applicable Laws. In the event CNH does not issue a decision during the period provided, it will be deemed to have made a favorable decision.

### 6.3 Capabilities of the Contractor.

Prior to the submission of the first Development Plan, CNH will evaluate that the Contractor has the necessary technical capabilities for the execution of the Development Plan, requesting the submission of the necessary documents, such as a certified production report issued by an engineering firm in the Exploration and Extraction sector of recognized capability and international prestige on the specialty, that recognizes that the Contractor or its Affiliates have had an average minimum annual production of at least ten thousand (10,000) barrels of crude oil equivalent per day in deep water areas. Such production must have been reached in any Year during the ten (10) Years prior to the submission of such Development Plan.

### 6.4 Observations to the Development Plan by CNH.

Without prejudice of the entitlement of CNH to approve the Development Plan in terms of Article 6.2, CNH may issue observations to any Development Plan submitted by the Contractor, when it is determined that: (i) it modifies to the measurements systems and/or Measurements Points; (ii) it modifies the programs for the efficient use of Natural Gas. This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L04/2015, and is provided only for reference. In the event of any dispute or discrepancy, **the Spanish version shall prevail and be treated as the correct version** (for all intents and purposes).



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Gas; (iii) that the Hydrocarbon Reserves in the Development Area would be exploited at excessive or insufficient rates; (iv) that there would be an excessive loss of pressure in the reservoir or it would not be possible to achieve the optimal separation distance between Wells; (v) the proposed Development Plan is not consistent with Industry Best Practices, including industrial safety, operational safety, environmental protection and occupational health standards; (vi) that the proposed Development Plan does not include a compliance program of national content percentage, and a technology transfer program; (vii) that the Development Plan project breaches any provision of this Contract; (viii) that there would be a violation of the Applicable Laws, including standards for industrial safety, operational safety, environmental protection and occupational health standards; (ix) the degree of operational and environmental risk assumed would be unacceptable pursuant to the Applicable Laws; (x) the Management System is not effective to manage risks within acceptable levels, or (xi) there would be a violation of the Management System or an adverse impact on the environment.

The Contractor must offer the operative solutions and the corresponding adjustments to the Development Plan in order to attend the observations from CNH on the term indicated for such effect. Hearings or attendances may be held by CNH and the Contractor in order to resolve in good faith any technical difference that may exist regarding to the observations of the Development Plan, in accordance with the Industry Best Practices and the Applicable Laws. CNH may consult the Agency and the Ministry of Economy within the scope of its respective legal attributions.

### **6.5 Development Plan Update.**

The Contractor shall develop the Commercial Discovery in accordance with the approved Development Plan. The Contractor from time to time may propose changes to the Development Plan, in terms of Annex 8 subject to approval by CNH. CNH may consult the Agency and the Ministry of Economy within the scope of its legal attributions and will decide on the proposed Development Plan on the terms provided by the Applicable Laws.

### **6.6 Additional Exploration Activities.**

Once the Appraisal Periods end, after the reduction and return of the area referred to in subparagraph (e) of Article 7.1 and in the event that the Contractor determines the possibility that Hydrocarbons exist on a subsoil structure or stratigraphic trap located in the remaining Contract Area, the Contractor shall send notice to CNH and may present a new Exploration Plan to be approved by CNH with the purpose of carrying out the Petroleum

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Activities deemed convenient in such subsoil structure or stratigraphic trap. The aforementioned, as provided by this Contract and the Applicable Laws.

### ARTICLE 7. RETURN OF THE CONTRACT AREA

#### 7.1 Reduction and Return Rules.

The Contractor shall relinquish and return the Contract Area as set forth below:

(a) If the Contractor has executed the termination right as provided in Article 4.2 upon termination of the Initial Exploration Period, the Contractor must return one hundred percent (100%) of the Contract Area.

(b) If the Contractor is not granted with the First Additional Exploration Period, upon the termination of the Initial Exploration Period the Contractor shall return one hundred percent (100%) of the Contract Area that does not have a Development Plan approved by CNH, unless it has been designated as an Appraisal Area.

(c) Upon the termination of the First Additional Exploration Period, the Contractor shall return one hundred percent (100%) of the Contract Area that does not have a Development Plan approved by CNH, unless it has been designated as an Appraisal Area. This percentage may be reduced as provided in Article 7.2.

(d) Upon the termination of the Second Additional Exploration Period, the Contractor shall return one hundred percent (100%) of the Contract Area that does not have a Development Plan approved by CNH, unless it has been designated as an Appraisal Area.

(e) Upon the termination of the corresponding Appraisal Periods, the Contractor shall return one hundred percent (100%) of the Appraisal Areas if: (i) within the time periods provided by this Contract it does not declare a Commercial Discovery; or (ii) having declared a Commercial Discovery it does not submit a Development Plan for approval by CNH, or (iii) having submitted a Development Plan it is not approved by CNH pursuant to the Applicable Laws.

(f) In the event that an extension of the term of this Contract is granted and upon request from CNH, the Contractor shall return one hundred percent (100%) of the Contract Area. This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L04/2015, and is provided only for reference. In the event of any dispute or discrepancy, **the Spanish version shall prevail and be treated as the correct version** (for all intents and purposes).

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subsoil structures and stratigraphic traps excluded from the Development Plan modified in accordance with Article 3.2.

(g) Upon the termination of this Contract for any reason or in the event CNH rescinds this Contract, the Contractor shall return one hundred percent (100%) of the Contract Area, including any Appraisal Area and Development Area.

### **7.2 Contract Area Retention.**

The Contractor may, in only one occasion, submit for the approval of CNH a request to reduce the percentage provided in subparagraph (c) of Article 7.1 as low as fifty percent (50%). Such request shall be presented along with the request for extension of the Exploration period in accordance with Article 4.4 and accompanied by the corresponding justification. The return of the area is subject to the terms of subparagraph (d) of Article 7.1.

### **7.3 No Reduction of Other Obligations.**

Beginning in the Year in which Regular Commercial Production is expected to initiate, the Contractor shall include in its work programs a production forecast for each Well and for each reservoir. The work programs shall contemplate the production of Hydrocarbons at the optimal rate, according to Industry Best Practices.

## **ARTICLE 8. PRODUCTION ACTIVITIES**

### **8.1 Production Profile.**

Beginning in the Year in which the commencement of Regular Commercial Production is expected, the Contractor shall include in its work programs a production forecast for each Well and for each reservoir. The work programs shall contemplate the production of Hydrocarbons at the optimal rate, in terms of Industry Best Practices.

### **8.2 Facilities.**

The Contractor shall be obligated to carry out all construction; installation; repair, and reconditioning of Wells, Gathering Facilities and any other facilities required for the production activities, as provided in the Management System. The Contractor shall keep all Materials used in the Petroleum Activities in good working condition as provided in the This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L04/2015, and is provided only for reference. In the event of any dispute or discrepancy, **the Spanish version shall prevail and be treated as the correct version** (for all intents and purposes).

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Management System, Industry Best Practices and the recommendations of the manufacturers of the Materials.

### **ARTICLE 9.** **UNITIZATION**

#### **9.1 Unitization Procedure.**

The Contractor shall notify the Ministry of Energy and CNH within (60) Business Days upon gathering sufficient elements to infer the existence of a shared reservoir. Such notice shall contain at least: (i) the underpinned technical analysis that determines the possible existence of a shared reservoir; (ii) the general characteristics of the shared reservoir; (iii) the geological, geophysical and other types of assessments used to determine the possible existence of such shared reservoir including, if the case may be, the information obtained during the drilling of Wells that helped determine that the reservoir exceeded the limits of the Contract Area; (iv) a proposal of a Work Program for the Petroleum Activities prior to the unitization agreement between the Contractor and third parties involved, and (v) additional information the Contractor deems convenient.

Once the notice is received, the following shall occur:

(a) CNH will send to the Ministry of Energy, within forty five (45) Business Days upon receiving the information, its technical opinion regarding the possible existence of a shared field.

(b) Upon receiving the information referred to in subparagraph (a) the Ministry of Energy shall send to the Ministry of Finance, within ten (10) Business Days the opinion issued by CNH and any other information deemed necessary to submit its opinion regarding the unitization within thirty (30) Business Days.

(c) Once the opinion of the Ministry of Finance has been received, the Ministry of Energy shall have thirty (30) Business Days to instruct the Contractor about the unitization of the shared reservoir and will request to the Contractor the information referred to in the Applicable Laws regarding the unitization agreement. The Contractor shall have one hundred and twenty (120) Business Days to submit such information.

(d) In case the Contractor does not submit to the Ministry of Energy the information referred in subparagraph (c) above, as well as other information indicated in the

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Applicable Laws, the Ministry of Energy shall establish the terms and conditions under which the unitization shall be conducted. The foregoing, during the next Year upon the end of the term referred in subparagraph (c) above.

Based on the unitization agreement and on the participation proposal in the Petroleum Activities prior to the unitization agreement, as applicable, CNH may approve the assigned operator for carrying out of the Exploration activities in the shared reservoir, in such way that the corresponding Work Units may be distributed among the parties as per the established participation. The activities developed for determining the existence of a shared reservoir shall be accounted for compliance with the Minimum Work Program, the Increase in the Minimum Program or, in such case, the additional commitments acquired for the First Additional Exploration Period or the Second Additional Exploration Period.

### 9.2 Unitization without an Adjacent Contractor.

As provided by Article 9.1 and in case that a reservoir is partially located in an area without a current assignation or contract for Exploration and Extraction, the Contractor shall notify to CNH the geological, geophysical and other types of assessments used to determine the existence of such shared reservoir, including, in such case, the information obtained during the drilling of the Wells by which it was determined that the reservoir exceeded the limits of the Contract Area. The Contractor may continue its activities within the Contract Area, which shall be considered in the Exploration Plan and in the Development Plans approved by CNH. On the other hand, the Ministry of Energy will determine the legal instrument that will be used to carry out with the Petroleum Activities in the area without current assignation or contract for Exploration and Extraction. Without prejudice of the foregoing, the Contractor may submit for the consideration of the Ministry of Energy the areas with shared reservoirs as provided by article 29 section I of the Hydrocarbons Law. Such proposal will not be binding, nor will it grant preferential rights with regard to the award of the resulting contracts for Exploration and Extraction.

## ARTICLE 10. PROGRESS OF THE PETROLEUM ACTIVITIES

### 10.1 Drilling of Wells.

Prior to drilling any Well, the Contractor shall obtain the required permits and authorizations pursuant to the Applicable Laws. Once the authorization for drilling any Well is received, the Contractor will be obligated to comply with the terms and conditions of the This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L04/2015, and is provided only for reference. In the event of any dispute or discrepancy, **the Spanish version shall prevail and be treated as the correct version** (for all intents and purposes).

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authorization and the required technical specifications in the Exploration Plan or Development Plan, unless there are Obstacles to the Continuation of Drilling.

### **10.2 Drilling and Geophysical Reports.**

During the drilling of any Well and until the termination of drilling activities, the Contractor shall send to CNH the drilling reports required by the Applicable Laws. The Contractor shall maintain a digital record, in original form and available for good quality copy, of all the geological and geophysical information related to the Contract Area and shall deliver a copy of such information, including the log files for the Wells, to CNH.

Upon completion of any Well, the Contractor shall submit a final Well completion report that contains at a minimum the information required by the Applicable Laws.

### **10.3 Indicative Work Programs.**

The Contractor shall provide CNH, within the first Business Day of the fourth Quarter of each Year, indicative work programs that must contain a detailed list of the activities the Contractor plans to carry out and the estimated amount of time for each activity.

### **10.4 Progress Reports.**

Within ten (10) Business Days following the end of each Quarter, the Contractor shall submit to CNH a detailed progress report showing the progress of the Petroleum Activities during the immediately preceding Quarter, which will include the following information:

(a) A report of performance in industrial safety, operational safety, environmental protection and occupational health, based on the indicators in the Management System and those determined by the Agency, and

(b) A report summarizing compliance by the Contractor and Subcontractors related with procedures of operating reliability, as well as performance in industrial safety, occupational safety, and environmental protection according to the Management System.

### **10.5 Activities Not Requiring Approval.**

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Except as provided by the Applicable Laws, once CNH approves the Exploration Plan, the Appraisal Plan or the Development Plan, the Contractor will not be required to obtain the approval from CNH for details of the design, engineering and construction of the facilities contemplated in such approved plans, nor of the details of the manner in which they will be operated.

### **ARTICLE 11.** **COSTS**

#### **11.1 Accounting of the Contractor's Costs.**

Any accounting operation by the Contractor relating to the performance of its obligations under this Contract shall be recorded in the Operating Account, regardless of the currency used or the place of payment, as provided in the Annex 4 and the Applicable Laws.

#### **11.2 Indicative Budgets.**

The Contractor shall provide to the CNH, within the first Business Day of the fourth Quarter of each Year, indicative budgets that must contain a detailed list of the activities the Contractor plans to carry out and the estimated cost for each activity.

#### **11.3 Procurement of Goods and Services.**

All procurement of goods and services related to the Petroleum Activities shall be subject to principles of transparency, economy and efficiency and shall comply with Annex 10.

#### **11.4 Recordkeeping Requirements.**

The Contractor shall keep at its offices in Mexico all accounting books, supporting documents and other records relating to the Petroleum Activities as established by the Accounting Procedures. All such records shall be available in physical and electronic formats for inspection, review and audit by any Person designated by the Ministry of Finance or any other competent Governmental Authority. Records showing transactions in the Operating Account shall be kept starting from the Effective Date and until five (5) Years after termination of this Contract.

#### **11.5 Contractor's Transactions with Third Parties.**

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The Contractor agrees to include in all of its transactions with third parties in connection with this Contract, including, but not limited to, the procurement of goods and services and the marketing of Hydrocarbons allocated to it as Consideration, a provision establishing that upon request by the Fund, the Ministry of Finance or CNH, such third party shall be required to deliver directly to the requesting party information regarding its transactions with the Contractor under the Contract.

### **ARTICLE 12.** **MEASUREMENT AND RECEIPT OF NET HYDROCARBONS**

#### **12.1 Volume and Quality.**

The volume and quality of the Net Hydrocarbons shall be measured and determined at the Measurement Points pursuant to the procedures established by the Applicable Laws. Additionally, CNH may request measurement of the volume and quality of the Produced Hydrocarbons at the Well head, in separation batteries or at points along the Gathering and Storage systems, in which case the Contractor shall furnish and install the additional equipment necessary to conduct such measurements. All information related to the measurement of the Hydrocarbons under this Contract shall be reported to CNH in terms of the Applicable Laws.

#### **12.2 Measurement Procedures.**

Simultaneously with the submission of the Development Plan for the approval of CNH, the Contractor shall propose the procedures that shall govern the scheduling, Storage, measurement and quality monitoring of Net Hydrocarbons at the Measurement Points. The procedures shall comply with the provisions of this Contract, Chapter 11 of the latest version of the Manual of Petroleum Measurement Standards of the American Petroleum Institute, Industry Best Practices and the Applicable Laws, and shall cover the following matters, among others: (i) the measurement systems; (ii) short-term production forecasts; (iii) industrial safety, operational safety, environmental protection and occupational health measures, and (iv) the liabilities derived from the guardianship and custody of the Hydrocarbons from the Wells to the Measurement Point. CNH will review the Contractor's proposed procedures and will indicate any objection or observation to the Contractor within thirty (30) Days following its receipt thereof. Without prejudice of the ability of CNH to approve the procedures referred in this Article, the Contractor shall attend

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observations made by CNH in the procedures and shall submit a new version attending such observations within thirty (30) Days following its receipt thereof.

Hearings or attendances may be held by CNH and the Contractor in order to resolve in good faith any technical difference that may exist regarding the observations to the procedures, in accordance with the Industry Best Practices and the Applicable Laws.

### **12.3 Installation, Operation, Maintenance and Calibration of the Measurement Systems.**

The Contractor shall be responsible for the installation, operation, maintenance and calibration of the measurement systems, under CNH's supervision. The measurement system shall be supplied by the Contractor and will require approval by CNH, which will verify compliance with the Applicable Laws and Industry Best Practices. At the Contractor's expense, an independent third party approved by CNH shall verify that the measurement system, that its operation and its management are suitable and that it is measuring the volumes and quality of the Hydrocarbons within the uncertainty and tolerance parameters established by CNH.

### **12.4 Records.**

The Contractor shall keep complete and accurate records of all measurements of the Hydrocarbons and shall make available to CNH a true copy of such records. In addition, the Contractor shall deliver the reports established by the Applicable Laws. Representatives of CNH will be entitled to inspect and examine the measurement systems, their operation and management, and to observe, along with the Contractor, the calibration tests to be conducted. The measurement systems shall also allow the Parties to conduct measurement in real time at the Measurement Points with remote access to the information.

### **12.5 Measurement Systems Malfunction.**

If as a result of any test or supervision it is shown that any component of the measurement systems does not comply with the specifications, presents a malfunction or is incorrectly calibrated, the Contractor shall repair it immediately and ensure it is in good working order within no more than seventy-two (72) hours after the defect is detected or notice of the defect was received from CNH. If as a result of any test or supervision it is determined that any element of a measurement system is inaccurate by more than one per cent (1%) or is out of order, the Contractor shall perform an adjustment to correct the inaccuracy of the readings taken by the defective measurement system during the period in

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which the inaccuracy was found or the measurement system remained nonoperational. If the period of inaccuracy or operational failure cannot be determined by testing or supervision, the Contractor will propose an appropriate adjustment to CNH.

If CNH does not consider the proposal to be adequate, within ten (10) Days from the date the inaccuracy or operational failure was discovered, as the case may be, the measurement shall be conducted using appropriate backup meters.

In the case of failures or inaccuracies of the measurement systems where backup meters have failed, or have been found to be inaccurate by more than one percent (1%), the following shall apply: (i) the period during which measurements shall be adjusted will be the second half of the period beginning at the time of the last test of the malfunctioning measurement systems, and (ii) the amounts of Hydrocarbons delivered during such adjustment period shall be estimated based on all available information, including the records of any Hydrocarbon marketing.

To the extent that such adjustment period includes a period during which the State Consideration has been paid as a percentage of the Contractual Value of Hydrocarbons, measurements adjusted pursuant to this Article 12.5 shall be used to recalculate the amount due for the period of inaccuracy as provided in Annex 3. If as a result of applying the adjusted measurements, adjustments for the paid balance of the State Considerations are required, such adjustments shall be made as provided by in Annex 3.

### **12.6 Replacement of the Measurement System.**

If for duly justified reasons the Contractor decides to replace any measurement system or any related items or software, it will proceed as provided by the Applicable Laws, and will give CNH notice to allow its representatives to be present during the replacement, if deemed convenient.

### **12.7 Access to the Measurement Systems.**

Within the scope of its supervision attributions, CNH may verify that the measurements systems have been built, kept and operated as provided in the approved Development Plan and, given the case, may order the installation or install measurement instruments. To conduct such supervision, CNH may allow third parties to use any instrument or technological mechanism as deemed necessary. The Contractor shall allow duly identified officials of CNH or anyone designated by it to have access to the Contractor's facilities,

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equipment, systems, software and documentation related to Measurement, as well as provide them with the support they may need during inspection or verification visits.

### **12.8 Measurement Point Outside of the Contract Area.**

The Contractor may request, or CNH may require, with regard to the corresponding Development Plan, that the Measurement Point is located outside the Contract Area. If it is foreseen that the Measurement Point will be shared with different areas from those corresponding to the Contract Area, that are operated by third parties, the Contractors shall present, for the approval of CNH, a draft agreement for the share use of facilities in terms of Annex 13. CNH will approve the agreement between the parties in terms of the Applicable Laws and Industry Best Practices.

## **ARTICLE 13.** **MATERIALS**

### **13.1 Ownership and Use of Materials.**

During the term of this Contract, the Contractor shall retain ownership of all Materials generated by or acquired for use in the Petroleum Activities. Ownership of such Materials shall be automatically transferred to the Nation, without any charge, payment or indemnification, upon termination of this Contract for any reason, or if CNH rescinds this Contract without prejudice of the corresponding settlement, it being understood that the Contractor shall transfer of the Materials in the best possible working condition, subject to normal wear and tear resulting from their use in the Petroleum Activities in terms of articles 28, fraction VII and 33 of the Hydrocarbons Revenue Law. The Contractor shall formalize the transfer of Materials to CNH or the assigned third party by CNH during the Final Transition Stage. The Contractor shall take all necessary and appropriate actions to formalize such transfer. The Contractor shall not use the Materials for any purpose other than conducting Petroleum Activities as stated in this Contract.

### **13.2 Materials Exempt from Transfer.**

The transfer of Materials pursuant to Article 12.2 shall exclude: Movable Property; Materials leased by the Contractor and Materials owned by Subcontractors, provided that the lessors and Subcontractors are not Affiliates of the Contractor.

### **13.3 Leases.**

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The Contractor may lease assets to conduct the Petroleum Activities, provided that the lease agreements shall expressly indicate that in the event of an early termination of this Contract for any reason, CNH will have the option of requesting that the lease agreements is assigned to a third party designated by CNH on the same terms and conditions as the original lease agreement. The Contractor may not lease the Gathering Facilities, the foresaid without prejudice that it may obtain or provide services related with the shared use of this type of facilities in accordance with the provisions in Annex 13.

### **13.4 Purchase Option.**

The Contractor shall ensure that all lease agreements establish that the purchase option may be exercised by the Contractor or by CNH on the same conditions. The Contractor shall exercise the purchase option, except by prior authorization by CNH. In addition, when the agreement is for the use of drilling equipment, the Contractor shall make its best efforts to negotiate an option to renew or extend the contract term and the right to assign the purchase option on the same terms and conditions to a third party designated by CNH.

### **13.5 Disposal of Assets.**

The Contractor may not sell, lease, encumber, pledge or otherwise dispose of the Materials without the consent of CNH and in accordance with guidelines issued by the Ministry of Finance. The proceeds of the disposal of Materials shall be treated as provided in Annex 4.

## **ARTICLE 14.** **ADDITIONAL OBLIGATIONS OF THE PARTIES**

### **14.1 Additional Obligations of the Contractor.**

In addition to the other obligations hereunder, the Contractor shall:

(a) Conduct the Petroleum Activities continuously and efficiently in accordance with the Exploration Plan, the Appraisal Plan, the Development Plan and Industry Best Practices, as well as all other terms and conditions of this Contract, the Management System and the Applicable Laws;

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- (b) Carry out, on its own responsibility, the Extraction, Gathering and displacement of Hydrocarbons to the Measurement Point;
- (c) Supply all personnel and all technical, financial and other resources of any other kind necessary to conduct the Petroleum Activities;
- (d) Obtain on a timely basis from any Governmental Authority all permits needed to carry out the Petroleum Activities;
- (e) Obtain on a timely basis all Materials required for the Petroleum Activities and ensure they are adequate for their purpose;
- (f) Be up to date on all of its Tax Obligations as established in the Applicable Laws, be a resident of Mexico for tax purposes, have as its sole purpose the Exploration and Extraction of Hydrocarbons and those necessary for its adequate fulfillment, and not pay taxes under the optional tax regime for groups of companies referenced in Chapter VI of Title II of the Income Tax Law;
- (g) Provide CNH with all information, data and interpretations related to the Petroleum Activities, such as scientific and technical data obtained as a result of its work, including electrical, sonic and radioactivity profiles; seismic tapes and lines; samples from Wells, cores and formations; maps and topographic, geological, geophysical, geochemical and drilling reports, and any other similar information and geological, geophysical and reservoir appraisal reports;
- (h) Keep within Mexico complete records, in physical and electronic format, of all Petroleum Activities conducted under this Contract;
- (i) Have the proper certification of the quantification of Reserves corresponding to the Contract Area in accordance with the Applicable Laws;
- (j) Provide CNH with all the information on the existence of mineral, hydrological and other resources discovered as a result of the Petroleum Activities;
- (k) Refrain from drilling any Well in the Contract Area that could go beyond the vertical projection of the Contract Area except in the case of unitized reservoirs as instructed by the Ministry of Energy;

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(l) Identify each Well in accordance with the Applicable Laws and include that reference in all maps, drawings and other similar records kept by the Contractor;

(m) Adequately plug Wells prior to their abandonment so as to avoid pollution, damage to the environment or possible damage to Hydrocarbon deposits in accordance with the Management System and the Applicable Laws;

(n) Facilitate inspections by representatives of the Agency, CNH, the Ministry of Finance and of any other authority of the Petroleum Activities and of all facilities, offices, accounting books and records and other information related to the Petroleum Activities, and provide such representatives, at no cost, with all the necessary assistance to exercise their entitlements under this Contract, including (in the case of Field operations) transportation, housing, meals and other services, on the same conditions as provided by the Contractor to its own personnel;

(o) Comply with requests for information from the authorities, including CNH, the Agency, the Ministry of Energy, the Ministry of Finance and the Fund;

(p) Ensure that Hydrocarbons discovered in the Contract Area are not spilled or otherwise wasted in any manner, and avoid damage to strata containing Hydrocarbons and those containing water deposits;

(q) Use qualified personnel and state-of-the-art Materials and technology according to Industry Best Practices;

(r) Implement, and ensure that the Subcontractors implement, appropriate measures to protect life, archaeological discoveries and the environment in accordance with the Management System and the Applicable Laws;

(s) Implement the emergency response plans provided in the Management System to mitigate the effects of any emergency situation or Force Majeure event (including explosions, ruptures, leaks or other accidents that cause or may cause damage to the environment or threaten or may threaten the safety or health of Persons) in order to mitigate their effects, as well as inform the Agency and CNH in appropriate detail of the emergency and the measures taken with respect thereto;

(t) Inform CNH of any judicial or administrative proceedings involving the Contractor which relate to this Contract or the Petroleum Activities;

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(u) Implement all necessary measures to prevent or reduce losses, mitigate and remedy any damage caused by the Petroleum Activities, and

(v) Maintain at least the same financial, experience, technical and execution conditions with which the Contractor signed the Contract until its termination, with the exception the minimum net worth that the Contractor credited as an interested party in terms of the Bidding Guidelines. In such case, the minimum yearly average net worth that shall be maintained must be equivalent to the minimum average net worth amount required during the prequalification stage in the Bidding Process.

### **14.2 Approvals by CNH.**

The Contractor shall deliver all of the applicable information to CNH on a timely basis, under all circumstances provided in this Contract where CNH is required to review, comment on and approve plans. CNH shall do so during the period determined by the Applicable Laws, it being understood that any automatic approvals will only be deemed granted under the circumstances expressly provided by the Applicable Laws.

CNH may deny approval of plans if they: (i) do not comply with the Minimum Work Program or the Minimum Program Increase, or the work commitments for the First Additional Exploration Period or Second Additional Exploration Period, or (ii) do not conform to Industry Best Practices and the Applicable Laws. The foregoing is without prejudice to the provisions of the Applicable Laws.

### **14.3 Industrial Safety, Operational Safety, Environmental Protection and Occupational Health Liability.**

The Contractor shall be responsible for: (i) the performance of all obligations, commitments and conditions relating to industrial safety, operational safety and environmental protection, as prescribed by the Applicable Laws, Industry Best Practices and environmental authorizations, permits, licenses, concessions and environmental records; (ii) compliance with all controls and preventive measures regarding industrial safety, operational safety, environmental protection and occupational health required by the Agency or the Applicable Laws or provided by the Management System, and (iii) the Environmental Damages associated with the conduction of the Petroleum Activities. Without limiting the liability of the Contractor and its Subcontractors regarding industrial safety, operational safety and environmental protection under this Article 14.3 and the Applicable Laws, the Contractor and its Subcontractors shall:

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(a) Conduct the Petroleum Activities in accordance with the Industry Best Practices with respect to industrial safety and operational safety, in an environmentally sustainable manner, to preserve and/or maintain the environment, without causing damage to public or private property and in compliance with the Management System;

(b) Perform all environmental studies and request, obtain, maintain and renew all environmental permits, authorizations, licenses, concessions and environmental records from the competent authorities to conduct the Petroleum Activities, in accordance with the Management System and the Applicable Laws;

(c) Comply with all terms, constraints and recommendations established in the environmental permits, authorizations, licenses, concessions and environmental records issued by the corresponding Government Authorities and maintain the Contract Area in the best conditions possible so as to allow a sustainable development;

(d) Use qualified personnel, Materials, operational procedures and in general, the most recent technologies that comply with Industry Best Practices for the preservation of natural resources, applying the principles of prevention, precaution and preservation of natural resources and the safety and health of the population and of their personnel;

(e) Be liable for any affectation or Environmental Damage during the conduction of the Petroleum Activities as provided in this Contract;

(f) Carry out the corresponding remediation, restauration, compensation and indemnification activities.

In case of spills to the ground, subsoil and water bodies caused by the Petroleum Activities, the Contractor and its Subcontractors shall immediately carry out actions and implement safety measures and the works to control the resulting pollution, such as clean-up, counteraction, repair, recovery, characterization and restoration of the affected areas on the terms provided by the Applicable Laws;

(g) Cooperate with the Agency the Government Authorities and the state organisms responsible for environmental protection and the sustainable development of the Contract Area, it being understood that the Contractor shall: (i) provide the Agency's personnel and the corresponding Government Authorities access to all of the facilities used in the Petroleum Activities for purposes of inspection, (ii) promptly deliver to the Agency all information and documentation required by it within its area of competence according with

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the Management System, and (iii) appear before the Agency when required pursuant to the Applicable Laws;

(h) Keep the Management System updated and comply with its provisions in conducting the Petroleum Activities, it being understood that this obligation shall also apply to all Subcontractors, and

(i) As part of Abandonment activities, update the Environmental Baseline study, become liability for the Environmental Damages in the Contract Area, remediate, restore, compensate and rehabilitate the Contract Area being abandoned and comply with all environmental obligations that may exist as a result of the Petroleum Activities in accordance with the Applicable Laws.

The Contractor shall not be responsible for Preexisting Environmental Damages in the Contract Area that had not been reported in the Environmental Baseline study according with Article 14.4 and the Applicable Laws.

#### **14.4 Preexisting Damages.**

The Contractor shall initiate the assessments for the determination of the Environmental Baseline during the Transition Stage for Startup as provided in Article 3.3, the Applicable Laws and the normative provisions established by the Agency. Upon one hundred and eighty (180) Days after the Effective Date, the Contractor shall submit a detailed report of the Environmental Baseline and shall notify CNH and the Agency about the existence of any Preexisting Damage. An extension may be granted only once, by previous request from the Contractor, for up to ninety (90) additional Days. CNH or the Agency may object to the relevant damage being effectively considered a Preexisting Damage within sixty (60) Days after receipt of any such notice. During such period of ninety (90) Days following the reception of the report, hearings and attendances may take place between CNH and the Contractor to resolve in good faith any technical difference that may exist regarding the Preexisting Damages as provided by the Industry Best Practices, the normative provisions established by the Agency and the Applicable Law. Once CNH and the Agency approve the Environmental Damages and Preexisting Damages, a record that identifies such approved Preexisting Damages as well as the necessary activities of Abandonment by the prior assignee or contractor will be presented to the Contractor in accordance with Article 3.3. In case that the Parties do not reach an agreement with respect to the Environmental Damages and Preexisting Damages, the differences shall be resolved in terms of the processes established in Article 25.2.

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The Contractor may only be excused from its liability regarding Environmental Damages and Preexisting Damages notified on a timely basis pursuant to the terms of this Article 14.4 and of the Applicable Laws.

### **14.5 Access Rights by Third Parties to the Contract Area.**

If necessary, the Contractor shall grant CNH or any other contractor of Exploration and Extraction activities, assignee, authorized party or permit holder the use of or right of way over any portion of the Contract Area, at no Cost, provided the foregoing does not interfere with the Petroleum Activities conducted by the Contractor, is technically possible and does not cause the Contractor inconvenience, in accordance with the Applicable Laws.

## **ARTICLE 15.** **PRODUCTION DISPOSAL**

### **15.1 Self-Consumed Hydrocarbons.**

The Contractor may use Produced Hydrocarbons for the Petroleum Activities (including as a part of any Enhanced Recovery project), as fuel or for injection or pneumatic lifting, at no Cost, up to levels authorized by CNH in the approved Development Plan. The Contractor may not flare or vent Natural Gas, except within the limits authorized by the corresponding Government Authorities or to the extent necessary to prevent or mitigate an emergency, subject to the environmental requirements established by the Applicable Laws.

### **15.2 Marketing of the Contractor's Production.**

The Contractor may market Net Hydrocarbons on its own behalf or through any other registered marketer, provided that if it markets the production within Mexico, the marketer must be registered with the Energy Regulatory Commission of Mexico in accordance with the Applicable Laws.

### **15.3 Sub-Product Disposal.**

In case that during the Petroleum Activities within the Contract Area, Sub-Products are obtained as part of the separation process of Hydrocarbons, the Contractor shall indicate in the corresponding Work Program the estimated volume of such Sub-Products and

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the methods in which they will be gathered, transported, stored, disposed, processed or marketed.

Revenues and costs derived from the disposal or marketing of Sub-Products by the Contractor shall be subject to the provisions in Annexes 3 and 4.

### **ARTICLE 16.** **CONSIDERATIONS**

#### **16.1 Monthly Payments.**

Upon the beginning of the Regular Commercial Production, the Contractor shall determine the Considerations indicated in subparagraphs (b) and (c) of Article 16.2 as provided in Annexes 3, 4 and 11, without prejudice of the payments referred to in Article 5.3 of this Contract.

#### **16.2 State Consideration.**

In accordance with Annex 3 and the applicable adjustments pursuant hereto, the State Considerations shall consist of:

- (a) The Contractual Fee for the Exploratory Phase;
- (b) The Royalties, and
- (c) \_\_\_ per cent (\_\_\_ %) of the Contractual Value of the Hydrocarbons for such Month, which shall be adjusted in accordance with the Adjustment Mechanism.

#### **16.3 Contractor Consideration.**

The Contractor's Consideration for any given Month shall consist of the onerous transfer of the Net Hydrocarbons corresponding to that Month. The transfer shall only be made if the Contractor is up to date with its payments of the State's Considerations, as provided in Clause 16.2, from the Effective Date up to the preceding Month.

The transfer of the first volume of Net Hydrocarbons shall only be made if the Contractor is up to date with its payments of the State's Considerations accrued up to that moment.

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**16.4 Contractual Value of Hydrocarbons.**

For the purposes of calculating the Considerations, the Contractual Value of the Hydrocarbons for each Month shall be determined in accordance with Annex 3.

**16.5 Calculation of Considerations.**

The Ministry of Finance shall review the calculations of the State Considerations for each Month in terms of this Contract, regarding those Hydrocarbons obtained in the production of any test to determine the characteristics of the reservoirs and the production flows, as well as those Hydrocarbons obtained upon commencement of Regular Commercial Production as provided for such effect in Annexes 3, 4 and 11.

**ARTICLE 17.**  
**GUARANTEES**

**17.1 Exploration Performance Guarantee.**

(a) To guarantee the due, proper and full performance of the commitments made by the Contractor during the Initial Exploration Period, the Contractor shall submit to CNH, simultaneously with the execution of this Contract, an unconditional and irrevocable letter of credit issued for the benefit of CNH by an authorized Mexican banking institution or issued by a foreign bank and confirmed by an authorized Mexican banking institution, in the amount of \_\_\_\_\_, using the form of letter of credit attached hereto as Annex 9 (the “Initial Performance Guarantee”). The Initial Performance Guarantee shall cover the Minimum Work Program and the Minimum Program Increase. Such guarantee shall remain in effect until sixty (60) Days following the end of the Exploration Period prior verification of full compliance with the obligations related to this period. CNH shall be entitled to draw on the Initial Performance Guarantee to collect any unliquidated damages for failure to perform the Minimum Work Program and Minimum Program Increase during the Initial Exploration Period.

(b) Upon termination of the Initial Exploration Period, the Contractor may file for the return of the Initial Performance Guarantee once CNH issues a report of full compliance with the obligations related to the Initial Exploration Period.

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(c) To guarantee the due, proper and full performance of the commitments made by the Contractor during the First Additional Exploration Period, the Contractor shall submit to CNH, no later than ten (10) Days after CNH approves the granting of the First Additional Exploration Period to the Contractor, but in any case before the beginning of the First Additional Exploration Period, an unconditional and irrevocable letter of credit issued in favor of CNH by an authorized Mexican banking institution, in the amount calculated in terms of Article 4.3 and Annex 5, using the form of letter of credit attached hereto as Annex 9 (the “First Additional Performance Guarantee”). The First Additional Performance Guarantee shall remain in effect until sixty (60) Days following the end of the First Additional Exploration Period after the corresponding verification of CNH of full compliance with the obligations set forth in this period. CNH shall be entitled to draw on the First Additional Performance Guarantee to collect any unliquidated damages due to the failure to comply with any work commitment for the First Additional Exploration Period.

(d) Upon termination of the First Additional Exploration Period, the Contractor may file for the return of the First Additional Performance Guarantee once CNH issues a report of full compliance with the obligations related to the First Additional Exploration Period.

(e) To guarantee the due, proper and full performance of the commitments made by the contractor during the Second Additional Exploration Period, the Contractor shall submit to CNH, no later than ten (10) Days after CNH approves the granting of the Second Additional Exploration Period, an unconditional and irrevocable letter of credit issued in favor of CNH by an authorized Mexican banking institution, in the amount calculated in terms of Article 4.3 and Annex 5, using the form of letter of credit attached hereto as Annex 9 (the “Second Additional Performance Guarantee”). The Second Additional Performance Guarantee shall remain in effect until sixty (60) Days following the end of the Second Additional Exploration Period after the corresponding verification of CNH of full compliance with the obligations set forth in this period. CNH shall be entitled to draw on the Second Additional Performance Guarantee to collect any unliquidated damages due to the failure to comply with any work commitment for the Second Additional Exploration Period.

(f) Upon termination of the Second Additional Exploration Period, the Contractor may file for the return of the Second Additional Performance Guarantee once CNH issues a report of full compliance with the obligations related to the Second Additional Exploration Period.

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(g) Upon request from the Contractor, the amounts of the Exploration Performance Guarantees may be reduced on an annual basis in terms of compliance with the obligations guaranteed, prior verification and authorization by CNH.

In case the corresponding Exploration Performance Guarantee is drawn on, the guaranteed funds will be transferred to the Fund.

### 17.2 Corporate Guarantee.

Simultaneously with the execution of this Contract, the Contractor shall deliver to CNH the Corporate Guarantee as set in Annex 2, according with the following:

(a) The Contractor may present a Corporate Guarantee duly subscribed by its ultimate parent companies.

(b) In case the Guarantor is not the ultimate parent company the Contractor, such Guarantor shall submit to CNH its duly audited consolidated financial statements which evidence a minimum net worth equivalent to fourteen (14,000) million Dollars.

A minimum net worth greater or equal than the foresaid amount shall be maintained until every obligation of the Contractor is fully paid or performed in terms of Annex 2.

(c) At any time and in case the Guarantor is not able to comply with the net worth amount required in subparagraph (b), the Contractor shall notify CNH within the following five Days upon acknowledgment of such breach and present a new Corporate Guarantee subscribed by its ultimate parent Company in terms of subparagraph (a) above or by a duly capitalized Guarantor in terms of subparagraph (b) above.

The Corporate Guarantee shall be exercised ultimately to demand prompt and timely compliance of each and every one of the Contractor's obligations under this Contract that have not been paid and/or performed entirely by the Contractor, as appropriate, prior execution of the Exploration Performance Guarantees, and, if applicable, after the execution of the insurance policies referred to in Article 20.

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**ARTICLE 18.  
ABANDONMENT AND DELIVERY OF THE CONTRACT AREA**

**18.1 Program Requirements.**

The Contractor shall be obligated to conduct all activities related to Abandonment of the Contract Area. The Development Plan submitted for approval by CNH shall contain a section on Abandonment, which shall include all activities necessary for the permanent plugging of Wells, restoring, remediation and in such case, compensation of the Contract Area, uninstalling machinery and equipment and returning the Contract Area in an orderly fashion, free from debris and waste. Such activities shall be conducted in accordance with Industry Best Practices, the Management System and the Applicable Laws.

**18.2 Notice of Abandonment.**

The Contractor shall provide notice to the Agency and CNH at least sixty (60) Days prior to plugging any Well or uninstalling any Materials.

**18.3 Abandonment Trust.**

If a Commercial Discovery has been declared, the Contractor shall establish an investment trust (the “Abandonment Trust”), jointly controlled by CNH and the Contractor at a Mexican banking institution approved by CNH. The Parties agree that the purpose of the Abandonment Trust is to create a reserve to fund Abandonment activities in the Contract Area. The Contractor may not use the funds deposited in the Abandonment Trust for any purpose other than conducting Abandonment activities in the Contract Area, and shall not be entitled to pledge, assign or otherwise dispose of the resources in the Abandonment Trust. The foregoing is without prejudice to any other requirement imposed by the Agency in accordance with the Applicable Laws.

**18.4 Funding of the Abandonment Trust.**

The Contractor shall deposit in the Abandonment Trust one-fourth (1/4) of the Annual Contribution at the end of each Quarter. The Annual Contribution for Abandonment activities in the Contract Area shall be determined based on the following formula:

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$$AA_t = \text{Maximum}[0, (PAE_t/RR) * CAE - IA_t]$$

Where:

- $AA_t$  = Annual Contribution.
- $PAE_t$  = Estimated Production in the Field for the Year of Calculation.
- $RR$  = Remaining Reserves at the beginning of the Year of calculation, as determined by the Contractor quantified based on the methodology established by CNH. These remaining reserves shall be consistent with the volume of Hydrocarbons to be recovered from the beginning of the Year of calculation and the earlier to occur between: (i) the natural termination of the Contract or (ii) the Year in which it is estimated that Abandonment activities will be completed in the Field.
- $CAE$  = Remaining amount of the Costs of Abandonment at the beginning of the Year of calculation, estimated pursuant to the approved Development Plan, as it may be modified. Such remaining amount will be calculated as the difference between the global amount of the Costs of Abandonment estimated on the basis of the future Costs of Abandonment from the beginning of the Year of calculation and the earlier to occur between: (i) the natural termination of the Contract or (ii) the Year in which it is estimated that Abandonment activities will be completed in the Field, according to technical studies conducted by the Contractor and approved by CNH, minus the aggregate balance in the Abandonment Trust at

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the beginning of the Year of Calculation (AAA<sub>t-1</sub>).

IA<sub>t</sub> = The interest generated in the Abandonment Trust in the Year of calculation, using the following formula:

$$IA_t = r_t * AAA_{t-1}$$

Where:

r<sub>t</sub> = Interest rate applicable to the balance in the Abandonment Trust.

AAA<sub>t</sub> = Is the aggregate balance in the Abandonment Trust at the end of the Year of calculation, defined as follows:

$$AAA_t = AAA_{t-1} + AA_t + IA_t - S_{t-1}.$$

Where:

S<sub>t-1</sub> = Is the total amount withdrawn from the Abandonment Trust during the Year of calculation to finance the Abandonment activities performed in the same Year.

**18.5 Insufficient Funds.**

The Contractor shall be responsible for performing the Abandonment work regardless of whether sufficient funds are available in the Abandonment Trust. In case that the funds in the Abandonment Trust are insufficient to cover all Abandonment Costs, the Contractor shall be responsible to cover the missing amount. In the Abandonment Trust contract it shall be established that, in case of a residual in the fund and once the Abandonment Costs have been covered, the resources shall be delivered to the Contractor, prior authorization by CNH that certifies the total compliance with the Abandonment obligations in terms of this Contract and the approved Development Plans.

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**18.6 Substitution Requested by CNH.**

Prior to the termination of this Contract for any reason, or in case CNH rescinds the Contract, CNH may request that the Contractor refrain from conducting specific Abandonment activities regarding certain facilities, including Wells. In such case, the Contractor shall deliver the facilities in good working order to the third party designated by CNH, and deliver any remaining balance in the Abandonment Trust to the Fund, and the Contractor thereafter shall be deemed to have been relieved of any future obligation related to the Abandonment of such facilities.

**18.7 Final Transition Stage.**

In case of the termination this Contract for any reason or in case CNH rescinds the Contract, the Contractor and CNH will start a Final Transition Stage of the totality or part of the Contract Area. During this stage the Contract Area will be delivered by the Contractor to CNH or a third party assigned for such purpose in accordance with the Applicable Laws and the following:

- (a) The Contractor shall update the Asset Inventory to include the existing Wells and Materials in part of or in the whole Contract Area;
- (b) The Contractor shall submit to CNH a report with at least the identification of Wells and Materials in part of or in the whole Contract Area, describing their operating conditions as of the date of the beginning of the Final Transition Stage;
- (c) The Contractor shall submit to CNH a report containing all the information obtained within a period of ninety (90) Days prior to the termination of the Contract, regarding the production of Hydrocarbons in the Contract Area and the infrastructure associated to production;
- (d) CNH will request the Contractor to perform the Abandonment of the Wells and Materials that will not be transferred to CNH, as provided in this Contract;
- (e) The Contractor shall update the Social Baseline determined in accordance with Article 3.3, to identify the existing social liabilities derived from the Petroleum Activities in part of or in the whole Contract Area.

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(f) The Contractor shall update the Environmental Baseline determined in accordance with Article 3.3 in order to identify the Environmental Damages and Preexisting Damages derived from the Petroleum Activities in part of or in the whole Contract Area, and

(g) CNH will be entitled to join the Contractor during the Final Transition Stage directly or through an assigned third party in order to review and validate that the corresponding activities have been conducted as provided by the Industry Best Practices and the Applicable Laws.

In case the Contractor relinquishes or returns part of or the whole Contract Area as provided in Articles 3.4, 7.1 and 7.12 the Final Transition Stage shall begin simultaneously with the notification of relinquishment or devolution issued as provided in Article 3.4 or the terms provided in Article 7.1.

### ARTICLE 19.

#### LABOR RESPONSIBILITY, SUBCONTRACTORS AND NATIONAL CONTENT

##### 19.1 Labor Responsibility.

The Contractor and each of its Subcontractors shall have independent and exclusive responsibility for the workers employed in the Petroleum Activities and for compliance with labor and employment obligations arising under the Applicable Laws or the individual or collective agreements entered into with their personnel and workers.

##### 19.2 Subcontractors.

The Contractor may engage Subcontractors to supply specialized equipment and services so long as the engagement of such subcontractors does not entail a de facto replacement of the Contractor as operator. A de facto replacement shall be deemed to have occurred when, among other circumstances, the Contractor no longer controls the Petroleum Activities. The Subcontractors shall comply with the applicable provisions of this Contract, the Management System and the Applicable Laws. The Contractor may not use services of companies disqualified by the Governmental Authorities in accordance with the Applicable Laws. Regardless of any subcontracting by the Contractor, the Contractor shall remain responsible for all obligations under this Contract.

##### 19.3 National.

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The Contractor shall have the following obligations:

(a) During the Exploration and Appraisal Periods:

- (1) To comply with a minimum percentage of national content of three percent (3%) of the value of the items indicated in the Methodology which have been purchased or contracted for the Petroleum Activities during the Initial Exploration Period, which shall increase to six percent (6%) for the First Additional Exploration Period and to eight (8%) for the Second Additional Exploration Period, in case they are granted in terms of Articles 4.3 and 4.4 of this Contract.

In case of the Appraisal Period, the same minimum percentage of national content for the Exploration Period in which the Discovery for appraisal is declared shall apply.

Compliance with the minimum percentages of national content shall be verified by the Ministry of Economy upon termination of the Initial Exploration Period, the First Additional Exploration Period, the Second Additional Exploration Period and the Appraisal Period, as it corresponds, in terms of the Methodology and the Applicable Laws.

- (2) To include in its proposed Exploration Plan and Appraisal Plan a compliance program for the above-referenced minimum percentage of national content, as well as the technology transfer program, including the applicable periods and stages, which shall be approved by CNH prior opinion from the Ministry of Economy in terms of Articles 4 and 5 of this Contract. Once approved, the programs shall form an integral part of this Contract. The obligations regarding national content will commence upon approval of the Exploration Plan.

(b) During the Development Period:

- (1) To comply with a minimum percentage of national content of four percent (4%) of all the items indicated in the Methodology which have been purchased or contracted since the approval of the

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Development Plan and upon the beginning of the Regular Commercial Production. Such minimum percentage shall increase up to ten percent (10%) of the referred concepts, from the beginning of the Regular Commercial Production in any Development Area.

Compliance with the minimum percentage of national content shall be verified by the Ministry of Economy every three (3) Years and shall include all items purchased or contracted during the Development Period in terms of the Methodology and the Applicable Laws.

- (2) To include in its proposed Development Plan a compliance program for the above-referenced minimum percentage of national content, as well as the technology transfer program, including the applicable periods and stages, which shall be approved by CNH, prior opinion of the Ministry of Economy, in terms of Article 6 of this Contract. Once approved, the programs shall form an integral part of this Contract. The obligations regarding national content will commence upon approval of the Development Plan.

(c) The Contractor shall submit to the Ministry of Economy as it may require, a report indicating information on national content following the terms and the procedure provided in the dispositions that such Dependency issues to carry out the corresponding verification. CNH shall instruct the Contractor the payment as liquidated damages to the Nation, via the Fund, of fifteen percent (15%) of the value of the breach of the minimum percentage of national content calculated as provided in the Methodology. Such penalty shall be applied regardless of the Year and the period in which non-compliance is reported.

In case that in the Contract Area there exist simultaneously Exploration Periods, Appraisal Periods and Development Periods, with different national content requirements and that in some periods the percentage of national content exceeds the minimum required, the Contractor may request the accreditation of the surplus for those periods in which the national content requirement has not been met.

Failure to comply with other national content provisions in this Article 19.3 and under the Applicable Laws will obligate the Contractor to pay the Nation through the Fund, as liquidated damages, the maximum sanction set in article 85, section II, subparagraph o) of the Hydrocarbons Law.

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CNH may enforce the collection of the corresponding liquidated damages in case the Contractor does not pay the Fund such amounts within fifteen (15) Days following the payment request by CNH.

(d) Notwithstanding any engagement of subcontractors by the Contractor, it shall remain liable for all of the Contractor's obligations regarding national content arising under this Contract.

### **19.4 Preference of Goods and Services of National Origin.**

The Contractor shall give preference to the procurement of services of national origin, including the training and hiring of Persons of Mexican nationality at technical and management levels, as well as to purchase of goods of national origin, when such items are offered in the market under the same circumstances, including equal price, quality and timeliness of delivery.

### **19.5 Training and Technology Transfer.**

The Contractor shall comply with the programs for training and technology transfer approved by CNH in the Exploration Plan, the Appraisal Plan and the Development Plan. The referenced activities and programs shall include, among others, the adoption, innovation, assimilation, technological research and development, and formation of local human resources in scientific and technological research applied to the Exploration and Extraction of Hydrocarbons in coordination with national institutions of higher education.

## **ARTICLE 20.** **INSURANCE**

### **20.1 General Provision.**

The Contractor's obligations, liabilities and risks under this Contract are independent of the requirements to obtain insurance coverage under this Article 20 and, accordingly, the obligations and liabilities of the Contractor arising from its assumption of risks hereunder may not be reduced to the detriment of the Nation or third parties due to the Contractor obtaining or failing to obtain such insurance or due to insufficient coverage thereunder.

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### 20.2 Insurance Coverage.

To cover the risks inherent to the Petroleum Activities prior to their commencement, the Contractor shall obtain and maintain in full force and effect the insurance policies covering at least:

- (a) Public liability for damages to third parties regarding their goods or persons, including environmental liability covering environment damages due to Hydrocarbons pollution;
- (b) Well control;
- (c) Damages to Materials to be used for the Petroleum Activities, and
- (d) Injuries to the personnel.

Before the beginning of the drilling activities the Contractor shall demonstrate that: (i) the acquired coverages for the concept (a) above add to a sum insured of at least seven hundred (700) million Dollars per event or occurrence, and that the acquired coverages for the concept (b) above add to a sum insured of at least six (6) times the Authorization for Expenditure (AFE) amount, per event or occurrence, and (ii) that it is a member of a society which provides services for Well control in the Gulf of Mexico, or prove that it has an undergoing contract with a Company specialized in the providing of such services.

The coverage for the amount referred in concept (a) above may be adjusted based on the Applicable Laws issued by the Agency.

The foregoing in accordance with Industry Best Practices and without prejudice of the coverage the Agency may require through the Applicable Laws.

The Contractor shall submit the insurance policies covering the activities of all Subcontractors or suppliers that participate directly or indirectly in the activities derived from the Contract in accordance with the Applicable Law. The corresponding policies shall expressly indicate these coverages.

### 20.3 Insurers and Conditions.

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Prior to the beginning of the Petroleum Activities, the Contractor shall exhibit the required insurance policies to the Agency and CNH shall remain valid during the term of this Contract.

Each insurance policy shall be obtained under the terms and conditions approved by the Agency and CNH, as it corresponds. The Contractor may obtain insurance from recognized solvent insurers, through its Affiliates so long as they have an investment grade credit rating subject to Agency and CNH approval.

The insurance contract shall establish that the risk inspectors from the insurance company will provide the Contractor, CNH and the Agency the inspection and verification reports.

### **20.4 Modification and Cancellation of Policies.**

The Contractor may not cancel or modify the insurance policies in force under its terms and conditions without prior authorization of CNH and the Agency. The Contractor may request approval from CNH and the Agency to modify any insurance policy. Such request shall describe the reasons and benefits of the proposed modification. CNH and the Agency shall make and inform the Contractor of any objection or observation they may have regarding the proposed changes. If the Agency and CNH do not approve the proposal, the Contractor shall obtain and maintain the authorized insurance policy.

### **20.5 Waiver of Subrogation.**

All policies obtained by the Contractor under this Contract shall include, by endorsement or any other means, a waiver of the subrogation rights of the insurers against CNH, the Ministry of Energy, the Ministry of Finance, the Ministry of Economics, the Agency, the Energy Regulatory Commission and the Fund, and a waiver of any right of the insurers to assert any set-off or counterclaim by such government authorities, in each case regarding any liability of any Persons insured under any of such policies in terms of the Applicable Laws.

### **20.6 Use of Insurance Proceeds.**

The Contractor shall immediately use any payment received under insurance coverage to remediate civil or environmental damage, as well as to repair or replace any damaged or destroyed Materials. If an insurance company withholds payment on a claim, the Contractor shall assume the Costs of repair or replacement.

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**20.7 Currency.**

Benefits payable under the policies required by this Article 20 shall be denominated and payable in Dollars.

**20.8 Compliance with the Applicable Laws.**

In purchasing insurance policies, the Contractor shall comply with the Applicable Laws in terms of insurance and securities.

**ARTICLE 21**  
**TAX OBLIGATIONS**

**21.1 Tax Obligations.**

The Contractor will be responsible for paying the Tax Obligations payable by it in accordance with the Applicable Laws.

**21.2 Governmental Fees and Charges.**

The Contractor shall be obligated to pay on a timely basis all fees and charges under the Applicable Laws for the administration and supervision of this Contract by CNH and the Agency.

**ARTICLE 22**  
**FORCE MAJEURE**

**22.1 Force Majeure.**

None of the Parties shall be liable for any failure, suspension or delay in the performance of its obligations hereunder if such failure, suspension or delay has been caused by Force Majeure.

**22.2 Burden of Proof.**

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The Party invoking Force Majeure shall have the burden of proof with regard thereto.

### **22.3 Notice of Force Majeure.**

If the Contractor is unable to comply with the Exploration Plan or the Appraisal Plan as a result of Force Majeure, the Exploration Period or the Appraisal Period shall be extended for a period not to exceed the length of such delay in performance and only to the extent the plan is actually affected, in the understanding that such extension shall not be granted unless it is requested in writing, specifying the reason for the extension including, to the extent possible, an explanation, and in such case, the documentation of the relevant event that prevents the Contractor from performing the Appraisal Plan, no later than five (5) Days after the Contractor knows or should have known of the occurrence of the relevant event of Force Majeure, except as provided in Annex 13. CNH shall inform the Contractor whether or not it accepts the declaration of Force Majeure within no more than thirty (30) Days from receipt of the notice of Force Majeure containing complete information. Except as provided in this Contract, the Contractor shall resume performance of the corresponding obligations as soon as the Force Majeure ceases. The Exploration and Appraisal Periods shall be extended pursuant to this Article 22.3 only when the relevant Force Majeure affects the Exploration and Appraisal activities, as it corresponds, for more than thirty (30) Days.

The Contractor may request to CNH up to four (4) extension periods of the term of this Contract for three (3) Months each. The Contractor shall submit the correspondent extension request on or before the last Business Day of the following Quarter upon termination of one (1) Year from the notification of Force Majeure as referred to in Article 22.3 or during the three (3) successive Quarters, only in cases when Force Majeure has not ceased, along with the documentation that backs the request. CNH will resolve on the extension request in a period not exceeding (15) Business Days upon receipt of the request under the terms of this Contract and in such case, may request additional information or documentation. In case CNH does not issue a decision during the provided period, it will be deemed as positive.

The Contractor shall submit for the approval of CNH modifications to the plans as provided in this Contract, as long as the Force Majeure has an impact on the Petroleum Activities conducted in a portion of the Contract Area.

### **22.4 Right of Termination.**

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If, as a result of Force Majeure, the performance of the Petroleum Activities is interrupted for a continuous period of two (2) Years or more, CNH and the Contractor shall have the right to terminate this Contract without liability by giving written notice to the other Party. This right will be valid after three (3) Months following the termination of the Force Majeure.

### **22.5 Emergency or Disaster Situations.**

In cases of emergency or disaster requiring immediate action, the Contractor shall immediately inform CNH, the Agency and the Ministry of Energy, and take all appropriate actions in accordance with the emergency response plan under the Management System to control the situation as soon as possible in order to preserve the physical safety of Persons and protect the environment, the Hydrocarbons and the Materials. The Contractor shall notify the Agency and CNH of the actions taken and shall submit the corresponding report by written notice within seventy-two (72) hours, in the understanding that in the event the Agency or CNH are not satisfied with the actions taken by the Contractor, the Agency or CNH may require the Contractor to take further actions to mitigate or control the emergency or repair the damage. The foregoing is without prejudice to any other power or authority of the Agency or any other Government Authority under the Applicable Laws.

## ARTICLE 23.

### **ADMINISTRATIVE RESCISSION AND CONTRACTUAL RESCISSION**

#### **23.1 Administrative Rescission.**

If any of the serious causes for administrative rescission in accordance with article 20 of the Hydrocarbons Law and as provided below take place and upon termination of the prior investigation period referred to in Article 23.2, CNH may administratively rescind this Contract prior to the initiation of the procedure for administrative rescission provided in Article 23.3 and the Applicable Laws:

(a) The Contractor fails to commence activities provided in the approved Exploration Plan, Appraisal Plan or Development Plan for a consecutive period of more than one hundred eighty (180) Days or suspends such activities for a consecutive period of more than one hundred eighty (180) Days, in each case Without Just Cause and authorization by CNH;

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(b) The Contractor fails to comply with the Minimum Work Program Without Just Cause;

(c) The Contractor assigns all or a portion of the operation of the rights conferred pursuant to this Contract without obtaining prior authorization on the terms and conditions provided in Articles 24.1 and 24.2;

(d) A Serious Accident occurs as a result of the Willful Misconduct or Fault of the Contractor which causes damage to the facilities, loss of life or loss of production;

(e) The Contractor repeatedly, willfully or Without Just Cause, provides False or Incomplete Information or Reports regarding production, Costs or any other relevant aspect of the Contract or repeatedly fails to disclose such information or reports to the Ministry of Energy, the Fund, the Ministry of Finance, Ministry of Economy, CNH or the Agency;

(f) The Contractor fails to comply with a final resolution of any federal jurisdictional entity relating to the Contract or the Petroleum Activities which constitutes an adjudicated matter, or

(g) The Contractor, Without Just Cause, fails to make any payment or delivery of Hydrocarbons in accordance with the periods and terms established in this Contract.

For the purposes of this Article 23.1 the following definitions will apply:

(i) Serious Accident: Any accident in which the following circumstances concur:

- (1) Damage to the facilities that prevents the Contractor from carrying out the Petroleum Activities in part of or in the whole Contract Area during a period exceeding ninety (90) Days;
- (2) Fatality, and
- (3) When the daily average loss of production during thirty (30) Days is higher than 25% of the daily average production obtained as a result of this contract during the previously immediate semester. In case that no Petroleum Activities exist

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during such period, the temporary reference will be the last two months.

(ii) Without Just Cause: Any cause attributable without any doubt to the Contractor in which the conduction of reasonable efforts within its reach has been omitted to avoid the corresponding prevention of any of the obligations in terms of the Contract that implies the possible update of any of the causes for administrative rescission provided in this Article 23.1, as soon as the Contractor is aware of the prevention or its immediate materialization. Such efforts shall include notice to CNH or the competent Governmental Authorities;

(iii) Fault: Any action or omission of the Contractor that causes a result that was not foreseen, being foreseeable or that was foreseen relying upon the fact that it would not materialize and that results in the violation to the Applicable Laws or to a duty that was objectively required to be observed;

(iv) Willful Misconduct: Any action or omission of the Contractor with the intention of pursuing a result directly, and

(v) False or Incomplete Information or Reports: such information or reports relative to price logs, Costs, production of Hydrocarbons and any other information required to calculate and verify the State Considerations; Petroleum Activities subject to approval, and insurance and guarantees that are simulated, contrary to the truth or that are deliberately insufficient in such a way that the minimum necessary elements they should contain cannot be withdrawn from themselves, according to their nature and purpose.

#### **23.2 Prior Investigation.**

In case CNH suspects a breach to any obligation derived from this Contract that may imply a possible cause of administrative rescission as provided by the Article 23.1, CNH shall notify the Contractor and will gather elements and necessary proofs to determine if the reason for which the previous investigation was originated constitutes a cause to initiate the rescission procedure, as provided by Article 23.3. In terms of Article 23.1 subparagraph d), the prior investigation will be conducted to determine the possible existence of Willful Misconduct or Fault attributable to the Contractor.

This analysis period shall not last less than thirty (30) Days and not exceed two (2) Years. During this period the Contractor shall guarantee the continuity of the Petroleum Activities, as long as it is technically viable.

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The foregoing without prejudice of the option to the Contractor to notify CNH any signs of breach with regard of any obligation derived from this Contract that may imply a probable cause for administrative rescission as provided by Article 23.1 excluding its subparagraph (d), and to submit a proposal for remediation of such potential breach for the approval of CNH.

With regard to the provisions of this Article 23.2 and in case that the Contractor deems it necessary, the Contractor and CNH will designate by mutual agreement an independent expert that shall comply with the requisites set forth in Article 26.3. The opinions of such independent expert will not be binding for CNH or any other Governmental Authority.

During the prior investigation stage the Contractor and the independent expert may prepare and present reports related with the possible cause of administrative rescission.

### **23.3 Procedure for Administrative Rescission.**

Once CNH has determined the existence of an administrative rescission cause as provided by Article 23.1, CNH shall give the Contractor written notice of the cause or causes invoked to initiate the administrative rescission procedure to allow the Contractor to make any statement asserting its rights within thirty (30) Days after receiving such notification. At the end of such period, CNH will have ninety (90) Days to evaluate the arguments and evidence that the Contractor may exercise, given the case. The decision to rescind the Contract must be approved by full resolution of the government entity of CNH, with legal foundations, motivated and duly notified to the Contractor.

If the Contractor resolves the cause of rescission incurred before the issuance of the decision by CNH, the procedure for administrative rescission will be extinguished prior acceptance and verification of CNH, without prejudice, given the case, of the correspondent sanctions as provided by this Contract and the Applicable Laws.

The resolution that rescinds this Contract will be effective immediately without the need of any judicial statement. Once an administrative rescission is declared, the Parties will enter into a corresponding settlement to carry out the provisions of Articles 23.5 and 23.6.

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CNH shall notify the Ministry of Energy, the Ministry of Finance, the Agency and the Fund the administrative rescission decision the next Business Day to such referred resolution.

Disputes regarding administrative rescission will be resolved as provided by Article 26.4.

### **23.4 Contractual Rescission.**

In addition to the causes for administrative rescission provided in Article 23.1 and early termination under Article 3.4, CNH shall have the right to rescind this Contract under any of the following circumstances, as long as the Contractor fails to amend or to take a direct and continuous action to remediate the infringement within the following thirty (30) Days after having received notification of such infringement if:

(a) The Contractor delays by more than one hundred eighty (180) Days in any approved Work Program or Development Plan, without just cause;

(b) The Contractor does not submit the Exploration Performance Guarantees or does not keep them in force in accordance with Article 17.1 or does not keep the Corporate Guarantee in force in accordance with Article 17.2 or its own terms;

(c) The Contractor or the Guarantor: (i) is liquidated or otherwise cease to exist as a corporate or legal entity, or (ii) any other event occurs which has a similar effect under the laws applicable to the Contractor or the Guarantor;

(d) The Contractor or the Guarantor: (i) becomes insolvent; (ii) is unable to pay its debts when due; (iii) requests or consents to the appointment of an administrator, liquidator or receiver for any of its properties or revenues; (iv) institutes any proceeding under any law for the readjustment or deferral of its obligations or any portion thereof; (v) files for bankruptcy, reorganization, suspension of payments, dissolution or liquidation, or (vi) otherwise permits a general assignment or arrangement with or for the benefit of its creditors;

(e) The Contractor fails to perform at least 90% of the Work Units required in the Minimum Work Program;

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(f) The Contractor violates any provision relating to assignment of this Contract or of its rights hereunder, or undergoes a change of Control in violation of Article 24;

(g) The Contractor violates any provision set forth on Article 32.2, or

(h) Any other material breach of the Contractor's obligations under this Contract.

Once contractual rescission is declared, the Parties may be subject to the provisions of Article 26, except for Article 26.4.

**23.5 Effects of the Administrative or Contract Rescission.**

In case that CNH rescinds this Contract pursuant to Article 23.1 or 23.4 the following shall apply:

(a) The Contractor shall pay the Nation, through the Fund, all liquidated damages referred to in Articles 4.6 and 4.7 or direct damages excluding loss of profit as of the date of notice of the contractual rescission, as the case may be, incurred by the Nation as a result of the breach giving rise to the rescission;

(b) The Contractor shall cease all Petroleum Activities in the Contract Area, except for those that may be necessary to preserve and protect finished Materials or Materials in process, and shall return the Contract Area to the State through CNH, under the terms of this Contract. Upon termination of this Contract, ownership of all Materials built or acquired for use in the Petroleum Activities shall be automatically transferred to the Nation, without any charge, payment, mortgage or compensation as provided by Articles 13.1 and 13.2;

(c) The Parties will subscribe the settlement referred to in Article 23.6. The Contractor will only be entitled to receive as payment from the Nation the settlement established in such Article 23.6 in case this generates a balance in favor of the Contractor, and

(d) The Contractor shall comply with all obligations applicable to the return of the Contract Area, including, without limitation, to those related to Abandonment and return of the Contract Area in accordance with Article 18.

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### 23.6 Settlement.

Without prejudice of the provisions of Article 23.5, at the latest six (6) Months after the termination by any reason within this Contract, or in case, that CNH rescinds the Contract, the Parties shall enter into a settlement in which adjustments and balances regarding Compensations shall be made. In case the Parties do not agree upon the foresaid, they will be entitled to resolve their differences in accordance with Article 26.5. As the case may require, the settlement will consider the agreed upon adjustments and transactions to end the disputes that may had arisen throughout the term of this Contract.

## ARTICLE 24. ASSIGNMENT AND CHANGE OF CONTROL

### 24.1 Assignment.

The Contractor shall obtain the prior written approval of CNH in terms of the Applicable Laws, in order to sell, assign, transfer, convey or otherwise dispose of all or any part of their rights or obligations under this Contract. For such purposes, CNH will take into account, among other factors, the prequalification criteria established during the Bidding Process that may be credited through the presentation of the corresponding complementary documents.

### 24.2 Indirect Transfers; Change of Control.

The Contractor shall ensure that it does not undergo, directly or indirectly, any change of Control during the term of this Contract without written consent of CNH. The Contractor shall notify CNH of any change in its capital structure that does not result in a change of Control of the Contractor pursuant to this Article 24.2 within thirty (30) days after such change occurs, unless the Contractor is listed on the Mexican Stock Exchange, in which case the notice provided by the Contractor to its investors pursuant to applicable stock market law shall suffice.

### 24.3 Application to CNH.

In connection with the submission of request for approval of a proposed assignment under Article 24.1 or a change of Control of the Contractor under Article 24.2, the Contractor shall provide CNH with all information (including as to the assignee or Person

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that will exercise Control over the Contractor) required by CNH pursuant to the Applicable Laws.

**24.4 Effects of the Assignment or Change of Control.**

In case of an assignment under Article 24.1:

(a) If the assignment is for the Contractor's entire Participating Interest in this Contract:

(i) The assignor shall remain jointly and severally liable for the performance of the obligations of the Contractor under this Contract that are incurred or arise until the date of the Assignment (but shall be relieved of liability of the obligations of the Contractor that are incurred or arise after such date), and

(ii) The assignee shall be jointly and severally liable for the performance of the obligations of the Contractor under this Contract, whether such obligations are incurred or arise prior to the date of the assignment or thereafter;

(b) If the assignment is for only a part of the Contractor's interest in this Contract, both the assignor and the assignee shall be jointly and severally liable for the performance of the obligations of the Contractor under this Contract, whether such obligations are incurred or arise prior to the date of the Assignment or thereafter.

(c) If the assignment is for less than the entire interest of the assignor under this Contract or if there is more than one assignee, this Contract shall be modified to reflect the participation of the Contractor in this Contract, from that time, be held by more than one person. This amendment must be based on the format contract to the Extraction of Hydrocarbons in the form of license that was used to bidders organized as a consortium in the Bidding process.

As a condition to obtaining CNH approval under this Article 24, the assignor shall deliver to CNH: (i) in the case of an assignment under Article 24.1, an undertaking by the assignee, in form and substance acceptable to CNH, that the assignee assumes without reservation on a joint and several basis all of the obligations of the Contractor under this Contract, whether incurred or arising prior to or after the date of the Assignment, and (ii) a Corporate Guarantee in the form provided in Annex 2, duly executed, as applicable by the ultimate parent company of the assignee or by the company that exercises Control over the assignee, or that is under the common Control of the assignee or by the Guarantor of the

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Contractor which experienced the change in Control. Each such ultimate parent company shall be deemed a Guarantor for purposes of this Contract.

The Corporate Guarantee submitted by the assignor shall remain in force until CNH approves the Corporate Guarantee as provided by this Article 24.4 regarding the obligations of the assignor indicated in (a) and (b) above. CNH shall issue a declaration of full compliance regarding the obligations of the assignor in a period of time not exceeding thirty (30) Business Days after the approval of the Corporate Guarantee of the assignee by CNH.

### 24.5 Prohibition on Liens.

The Contractor shall not impose or permit the imposition of any liens or ownership restrictions on its rights arising from this Contract or on the Materials without the prior and written consent of CNH.

### 24.6 Invalidity.

Any assignment or change of Control of the Contractor effected in contravention of the provisions of this Article 24 shall not be valid and shall have no effect as between the Parties.

## ARTICLE 25. INDEMNIFICATION

The Contractor shall indemnify and hold harmless CNH and any other Governmental Authority, including the Fund and their employees, representatives, advisors, directors, successors or assignees (and such obligation shall survive the termination of this Contract for any reason, or in case CNH rescinds the Contract) from and against any and all actions, claims, lawsuits, complaints, losses, damages, harm, proceedings, taxes, Costs, including attorney's fees and trial costs, arising from or related to any of the following:

(a) The default of its obligations under this Contract, provided that in cases where liquidated damages are applicable, the amount of the damages shall be limited to the amount of such liquidated damages;

(b) Any damage or harm (including death) caused by the Contractor or any Subcontractor (including any damage or harm caused by their representatives, officers,

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directors, employees, successors or assignees) to any Person (including, without limitation, CNH) or to the property of any such Person arising as a result of the performance of the Petroleum Activities;

(c) Any harm or damage caused by any Person to the employees, representatives or invitees of the Contractor or any Subcontractor, or to the property of such Persons;

(d) Any damage suffered as a result of losses or contamination caused by the Contractor or any Subcontractor to the Hydrocarbons or any damage caused to natural resources and the environment, including, without limitation, damage or destruction of hydrological resources, wildlife, oceans or the atmosphere, and any damages that may be recognizable and payable under the Applicable Laws;

(e) Any damage caused by an infringement of any intellectual property right, trademark or patent by the Contractor or any Subcontractor;

(f) Any failure by the Contractor or any Subcontractor to comply with the Applicable Laws, and

(g) Any claim by any employee of the Contractor or any Subcontractor based on labor or social security laws.

Notwithstanding the foregoing, in no event shall either Party be liable for any lost profits from the notice of rescission of this Contract.

**ARTICLE 26.**  
**APPLICABLE LAW AND DISPUTE RESOLUTION**

**26.1 Applicable Laws.**

This Contract shall be governed by and construed in accordance with the laws of Mexico.

**26.2 Conciliation.**

At any time, the Parties may opt to resolve the differences or disputes regarding this Contract through a conciliation process before a conciliator. This procedure shall begin when a Party invites the other and the latter accepts the invitation for conciliation

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within the next fifteen (15) Days following such invitation. In case the Party intended to initiate the conciliation does not receive any response, the invitation shall be deemed as rejected. The Parties will agree on the appointment of a conciliator, or as the case may be, may request assistance from an institution for its appointment. The conciliation procedure shall be carried out in accordance with the UNCITRAL Regulations, the conciliator must help the Parties on their efforts to achieve a friendly settlement regarding the dispute in the most possible efficient and expedite manner. In case that within three (3) Months the Parties have not reached an agreement or settlement, the Parties must resolve their differences or disputes as provided by Article 26.5. The foregoing, without prejudice that any Party may terminate conciliation and appear before arbitration at any moment.

The procedure established in article 26.2 shall not apply to administrative rescission as provided in this Contract and in the Applicable Laws.

### **26.3 Conciliator and Independent Expert Requirements.**

The individual appointed as conciliator as provided by Article 26.2, or that is appointed as an independent expert as provided by Article 23.2, shall comply with the following requirements:

The conciliator must have at least ten (10) Years of experience in conciliation with the knowledge, experience and skills to facilitate the communication among the Parties regarding the dispute. The independent expert must have at least five (5) Years of experience in the matter corresponding to the possible administrative rescission cause.

In any case, the conciliator or independent expert shall: (i) be independent, impartial and neutral; (ii) disclose any interest or obligation that may be substantially in conflict with his appointment and/or may prejudice his action regarding the controversy, and (iii) sign a confidentiality agreement about any information foreseen by the Parties in connection with the controversy among the same, prior to his appointment.

Any individual may not be appointed as conciliator or independent expert if: (i) is or has been at any time within the five (5) previous Years to his appointment, an employee of any of the Parties or its affiliates; (ii) is or has been at any time within the three (3) previous Years to his appointment, a consultant or contractor of any of the Parties or its Affiliates, or (iii) keeps any significant financial interest with any of the Parties.

The fees for the conciliator or independent expert shall be covered in equal amounts by the Parties.

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Notwithstanding the foregoing, any individual in full compliance of all the requirements provided by Article 26.3 may be appointed as conciliator or independent expert more than once.

### **26.4 Federal Courts.**

All disputes between the Parties in any way arising from or related to the events of administrative rescission provided in Article 23.1, without prejudice of the provisions set in Clause 23.6, first paragraph, shall be resolved exclusively by the Federal Courts of Mexico.

The Contractor may initiate proceedings before an arbitration tribunal in terms of Article 26.5, only for the determination of the existence of damages, and in such case, their quantification, that result in a cause or causes of administrative rescission considered as unfounded by the Federal Courts in a definite manner.

### **26.5 Arbitration.**

Subject to Article 26.4, any dispute arising from or relating to this Contract that has not been resolved within three (3) Months after the commencement of the conciliation period or that it would have been rejected by any Party in terms of Article 26.2, it shall be resolved by arbitration pursuant to the UNCITRAL Regulations. The Parties agree that the Secretary General of the Permanent Court of Arbitration at The Hague shall be the nominating authority for the arbitration proceeding. The applicable substantive law shall be as provided in Article 26.1, and disputes shall be resolved strictly according to law. The arbitral tribunal shall consist of three members, one named by CNH, another named jointly by the Contractor and the third (who shall be the president of the tribunal) named in accordance with the UNCITRAL Regulations, provided that: (i) the claimant shall name its arbitrator in the notice of arbitration and the respondent shall name its arbitrator within thirty (30) Days from the date that it personally receives the notice of arbitration, and (ii) the two arbitrators named by the Parties shall have a period of no less than thirty (30) Days from the date the arbitrator designated by the respondent accepts its designation as arbitrator, to select, in consultation with the Parties, the third arbitrator, who shall serve as the president of the tribunal. The arbitration proceeding will be conducted in Spanish and the seat of the arbitration shall be the City of The Hague in the Kingdom of the Netherlands.

### **26.6 Consolidation.**

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In the event that arbitration instituted under Article 26.5 and an arbitration instituted under Annex 2 involves the same subject matter, such arbitrations shall, at the request of CNH, be consolidated and treated as one. Such consolidation shall be requested, or in any case, ordered by the arbitral panel that been set forth in terms of Article 26.5. In such case, the arbitrator appointed by the Contractor shall also be deemed to have been appointed by the Guarantors or vice versa, and the arbitrator selected by CNH for any of the panels that would have been set forth first, shall be considered by CNH for consolidated arbitration.

### **26.7 No Suspension of Petroleum Activities.**

Unless CNH rescinds this Contract or approves the assumptions under which a suspension of Petroleum Activities shall proceed, the Contractor may not suspend the Petroleum Activities while a resolution of a dispute is pending.

### **26.8 Waiver of Subrogation.**

The Contractor expressly waives, for itself and on behalf of all of its Affiliates, the right to make any claims through diplomatic channels.

### **26.9 International Treaties.**

The Contractor is entitled to the rights recognized by the International Treaties subscribed by the State.

## **ARTICLE 27.** **AMENDMENTS AND WAIVERS**

Any amendment of this Contract shall be by written agreement of CNH and the Contractor, and any waiver of any provision of this Contract by CNH or the Contractor shall be express and in writing.

## **ARTICLE 28.** **CAPACITY AND REPRESENTATIONS OF THE PARTIES**

### **28.1 Representations and Warranties.**

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Each Party enters into this Contract in its own name and in its own capacity as a legal entity empowered to contract on its own behalf, and recognizes that no other Person shall have any liability or responsibility for the performance of such Party's obligations hereunder, except for the joint and several obligation as stated in clause \_\_ of the Bidding Guidelines and the responsibility of each the Guarantor under the Corporate Guarantee. In addition, each Party represents and warrants to the other Party that: (i) it has full legal capacity to enter into and perform this Contract; (ii) it has complied with all governmental, corporate and other requirements necessary to enter into and perform this Contract, (iii) this Contract constitutes the legal, valid and binding obligation, enforceable against it in accordance with its terms, and (iv) its representations in the Declarations at the outset of this Contract are true.

### **28.2 Relationship of the Parties.**

Neither Party shall have the authority or right to undertake, create or commit to any obligation of any kind whatsoever, whether express or implied, on behalf or in the name of the other Party, except for the Contractor. No provision of this Contract shall imply that the Contractor or its employees, agents, representatives or Subcontractors are representatives of CNH. The Contractor shall be considered at all times an independent contractor and shall be responsible for their own actions, which shall at all times be subject to the provisions of this Contract and to the Applicable Laws.

## **ARTICLE 29.** **DATA AND CONFIDENTIALITY**

### **29.1 Ownership of Information.**

The Contractor shall provide the Technical Information to CNH at no cost whatsoever the Technical Information that shall be property of the Nation. The Nation shall also own any geological or mineral sample or sample of any other kind obtained by the Contractor in connection with the Petroleum Activities, which samples shall be delivered by the Contractor to CNH, together with the Technical Information, immediately after the Contractor has completed the studies and appraisals related thereto. The originals of all such information shall be delivered to CNH. The foregoing is provided in terms of the Applicable Laws. The Contractor may keep a copy solely for the purposes of performing its obligations under this Contract. The Contractor may use the Technical Information, without cost and without restriction, for processing, appraisal, analysis and any other purpose relating to the Petroleum Activities (but not for any other use or for its sale), it being understood that the This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L04/2015, and is provided only for reference. In the event of any dispute or discrepancy, **the Spanish version shall prevail and be treated as the correct version** (for all intents and purposes).



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Contractor shall also deliver to the National Hydrocarbons Information Center any report of the results of such processing, appraisal or analysis.

Nothing contained in this Contract shall limit the right of CNH to use, sell or otherwise dispose of the Technical Information, it being understood that, CNH may not sell or disclose to any third Persons any information that implies industrial secret; a registered trademark or any other intellectual property of the Contractor regulated by the Mexican Copyright Law.

### **29.2 Public Information.**

Without prejudice to the provisions of the Applicable Laws, except for the Technical Information and the intellectual property, all other information and documents derived from this Contract, including its terms and conditions, as well as any information regarding the volume of Produced Hydrocarbons and the payments and Considerations executed pursuant to this Contract shall be considered to be public information. The information registered by the Contractor in the IT system that the Fund will make available to the Contractor for the determination of the Considerations, may be used to comply with transparency obligations in the Applicable Laws, as long as they do not violate confidentiality of the Technical Information or the intellectual property.

### **29.3 Confidentiality.**

. The Contractor shall not disclose Technical Information to any third party without the prior consent of CNH. Notwithstanding the foregoing, the Contractor may furnish such information to its Affiliates and to its subsidiaries, accountants, legal advisors or financial institutions involved with this Contract to the extent necessary for the Petroleum Activities in the Contract Area, it being understood that these Persons shall also maintain the confidentiality of such information. The Contractor shall also take all necessary or advisable actions to ensure that its employees, agents, advisors, representatives, legal counsel, Affiliates and Subcontractors, as well as the employees, agents, representatives, advisors and legal counsel of the Subcontractors and of the Affiliates of the Contractor, comply with the same confidentiality obligation as provided in the Contract. The provisions of this Article 29.3 shall survive and remain in effect after the termination of this Contract for any reason, or in case CNH rescinds this Contract, as they constitute continuing and permanent obligations.

### **29.4 Exception to Confidentiality.**

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Notwithstanding the provisions of Article 29.3, the obligation of confidentiality shall not apply to: (i) information in the public domain which has not been made public through the breach of this Contract; (ii) information obtained prior to its disclosure without violating any confidentiality obligation; (iii) information obtained from third parties entitled to disclose it without violating any confidentiality obligation, and (iv) information required to be disclosed by law or Governmental Authorities, provided that: (a) failure to disclose such information would subject the Contractor to civil, criminal or administrative sanctions, and (b) the Contractor promptly notifies CNH of the request for disclosure. In the case of disclosure pursuant to subparagraph (iv) above, CNH may request that the disclosing Party challenge the disclosure order in the competent courts, and CNH shall bear any Costs relating to such challenge.

**ARTICLE 30.**  
**NOTICES**

All notices and other communications under this Contract shall be in writing and shall be effective upon receipt by the addressee as follows:

To CNH:

.....

To XYZ:

.....

or at such other address as may be notified by a Party to the other Party in the manner provided above.

**ARTICLE 31.**  
**ENTIRE CONTRACT**

This Contract constitutes the complete and exclusive statement of the terms and conditions governing the agreement between the Parties with regard to the subject matter hereof, and supersedes any prior negotiation, discussion, agreement or understanding regarding such subject matter. Without prejudice of the provisions in article 8.6 of Section

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III of the Bidding Guidelines, no representation of any agent, employee or representative of the Parties made prior to the execution of this Contract shall have any validity in construing its own terms. The following Annexes are incorporated herein and form an integral part of this Contract:

- Annex 1: Coordinates and Specifications of the Contract Area
- Annex 2: Form of Corporate Guarantee
- Annex 3: Procedures to Determine State Considerations
- Annex 4: Procedures for Accounting and Reporting of Costs
- Annex 5: Minimum Work Program
- Annex 6: Minimum Scope of the Appraisal Activities
- Annex 7: Appraisal Report
- Annex 8: Minimum Content of the Development Plan
- Annex 9: Form of Performance Guarantee
- Annex 10: Procurement of Goods and Services
- Annex 11: Procedure for Delivery of Information of Considerations to the Mexican Petroleum Fund for Stabilization and Development
- Annex 12: Asset Inventory
- Annex 13: Shared Use of Facilities

## **ARTICLE 32.** **TRANSPARENCY PROVISIONS**

### **32.1 Information Access.**

The Contractor shall submit the information that CNH may require with respect to compliance with Article 89 of the Hydrocarbons Law, including such information referred to in Article 29.2 through the means that CNH determines for such effects. The Contractor shall cooperate with the competent Governmental Authorities in case such information may require to be disclosed under the terms of the Applicable Laws.

### **32.2 Conduct of the Contractor and its Affiliates.**

The Contractor and its Affiliates declare and warrant that it and its Affiliates' directors, officers, advisors, employees and personnel have not made, offered or authorized, and will not make, offer or authorize at any time any payment, gift, promise or other advantage, directly or through any other Person, for the use or benefit of any public official or any political party, official of a political party or candidate for any political office, for the

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purpose of: (i) influencing any decision or omission by a public official, political party or candidate; (ii) obtaining or maintaining this Contract or any other business, or (iii) ensuring any other illegal benefit or advantage for the Contractor, its Affiliates, shareholders or any other Person. Furthermore, the Contractor shall ensure that it and its Affiliates: (i) will conform to and comply with any anti-bribery laws and regulations applicable to them and (ii) will establish and maintain adequate internal controls for compliance with the terms of this Article 32.2.

### **32.3 Notice of Investigation.**

The Contractor shall notify CNH and any other competent Governmental Authority: (i) immediately upon becoming aware, or having sufficient reason to assume, that any act contravening the provisions of Article 32.2 has occurred, and (ii) within five (5) Days of gaining knowledge of any investigation or process initiated by any Mexican or foreign authority related to any alleged act that would violate the provisions of this Article 32. In addition, the Contractor shall keep CNH informed of the progress of the investigation and process through its conclusion.

### **32.4 Conflict of Interest.**

The Contractor agrees not to incur any conflict between its own interests (including those of its shareholders, its Affiliates and the shareholders of its Affiliates) and the interests of the State in dealings with Subcontractors, customers and any other organization or individual that conducts business with the Contractor (including its shareholders, its Affiliates and the shareholders of its Affiliates) with respect to the Contractor's obligations under this Contract..

## **ARTICLE 33.** **COOPERATION ON NATIONAL SECURITY MATTERS**

Aiming the administration of risks on national security matters, or derived from emergencies, accidents or public order alteration, the Contractor shall provide the aid required by the competent federal authorities.

## **ARTICLE 34.** **LANGUAGE**

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The language of this Contract is Spanish. All notices, waivers and other communications in writing or otherwise between the Parties in connection with this Contract shall be made in Spanish. Any translation of this Contract will not be considered official.

**ARTICLE 35.**  
**COUNTERPARTS**

This Contract shall be executed in four (4) counterparts, each having the same meaning and effect, and each of which shall be considered an original.

**IN WITNESS WHEREOF**, the Parties hereto have executed this Contract on the date first above written.

**NATIONAL HYDROCARBONS COMMISSION  
ON BEHALF OF THE UNITED MEXICAN  
STATES**

---

C. Juan Carlos Zepeda Molina  
Chairman

**XYZ**

---

Name:  
Title:

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**ANNEX 1**

**COORDINATES AND SPECIFICATIONS OF THE  
CONTRACT AREA**

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**Coordinates and Specifications of the Contract Area**

1. Coordinates:

<b>Points</b>	<b>Northern Latitude</b>	<b>Western Longitude</b>

2. Map:

3. Depth: No depth restrictions.

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**ANNEX 2**

**FORM OF CORPORATE GUARANTEE**

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CORPORATE GUARANTEE  
**EXECUTED BY**  
[ ]

IN FAVOR OF

NATIONAL HYDROCARBONS COMMISSION

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**Guarantee Contract**

This Guarantee Contract (the “Guarantee”) is entered into this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by \_\_\_\_\_, a company organized and existing under the laws of \_\_\_\_\_, in its capacity as guarantor (the “Guarantor”), in favor of the United Mexican States, through the National Hydrocarbons Commission of Mexico, as beneficiary (the “Beneficiary”), with regard to the License Contract for Exploration and Extraction of Hydrocarbons, dated \_\_\_\_\_, \_\_\_ among the Beneficiary and XYZ on the other (as it may be amended in accordance with its terms, the “Contract”). All capitalized terms used but not otherwise defined in this Guarantee shall have the meaning ascribed to such terms in the Contract.

**ARTICLE 1**  
**GUARANTEE**

(a) The Guarantor, as principal obligor and not merely as surety, hereby absolutely, unconditionally and irrevocably guarantees to the Beneficiary the full, due and complete payment of any and all amounts that XYZ shall owe the Beneficiary under the Contract, as well as the due and timely performance of any and all obligations of XYZ under the Contract. This Guarantee is a guarantee of payment and performance and not merely a guarantee of collection and shall remain in full force and effect until all obligations of XYZ guaranteed hereunder have been paid or performed in their entirety, subject to article 2 of this Guarantee. To the extent permitted by the Applicable Laws, the Guarantor waives all defenses or benefits the Guarantor may have under law or otherwise in its capacity as surety or guarantor.

(b) The guarantee of payment and performance provided in this Guarantee is a continuing, absolute and unconditional guarantee and shall apply to all obligations under the Contract as they arise. Without limiting the generality of the foregoing, the guarantee of the Guarantor shall not be released, discharged or otherwise affected by: (i) any changes in the name, authorized activities, legal existence, structure, personnel or direct or indirect ownership of XYZ, (ii) the insolvency, bankruptcy, reorganization or any other similar proceeding affecting XYZ or its respective assets, or (iii) any other act or omission or delay of any kind by the Contractor, the Beneficiary or any other Person.

(c) To the extent permitted by the Applicable Laws, the Guarantor agrees that, without notice and without requiring any confirmation, consent or additional guarantee on its part, the obligations of XYZ guaranteed hereunder may be from time to time, pursuant to the Contract, be renewed, extended, increased, accelerated, modified, amended, settled, waived,

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released or rescinded, all of the foregoing without impairing or affecting in any way the obligation of the Guarantor in accordance with this Guarantee. The Beneficiary shall not be required to exercise any right or remedy against XYZ before having the right to demand performance or receive payment from the Guarantor of the obligations guaranteed hereunder.

**ARTICLE 2**  
**REINSTATEMENT**

The obligations of the Guarantor under this Guarantee shall be automatically reinstated in the event and to the extent that for any reason, any payment or performance by or on behalf of XYZ relating to the obligations guaranteed hereunder shall be recovered from or returned by the Beneficiary or other party as a result of any bankruptcy, insolvency, reorganization or other proceeding.

**ARTICLE 3**  
**REPRESENTATIONS AND WARRANTIES**

The Guarantor hereby represents and warrants that: (i) it has full legal authority to execute and perform this Guarantee, (ii) it has complied with all corporate and other requirements for the execution and performance of this Guarantee, (iii) it has obtained all corporate and other authorizations necessary for the execution and performance of this Guarantee, and (iv) this Guarantee is a legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms.

**ARTICLE 4**  
**VALIDITY**

If any provision of this Guarantee or the application of such provision to any circumstance is declared to be in any way invalid or unenforceable, the other provisions of this Guarantee and the application of such provision to other circumstances shall not be affected thereby.

**ARTICLE 5**  
**GOVERNING LAW AND ARBITRATION**

(a) This Guarantee shall be governed by and construed in accordance with the federal laws of the United Mexican States.

(b) The Guarantor and the Beneficiary agree that the provisions of Article 25 of the Contract shall apply to any dispute arising under or related to this Guarantee. The

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Guarantor agrees that, upon request of the Beneficiary, any dispute resolution proceeding under this Guarantee may be consolidated with any arbitration instituted under the Contract. When the parties to the arbitration are required to name any member of the tribunal, the Guarantor and, as the case may be, the Contractor and any other guarantor shall jointly name an arbitrator.

(c) The Guarantor agrees to pay any and all reasonable and documented Costs, expenses and fees, including attorney’s fees, which the Beneficiary may incur in connection with the enforcement of this Guarantee.

**ARTICLE 6**  
**NOTICES**

Any notice or other communication related to this Guarantee shall be in writing and shall be delivered personally, by courier, by certified or registered mail (or in a manner substantially similar to mail) as follows:

If to CNH:

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

If to XYZ:

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

If to the Guarantor:

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

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Either party to this Guarantee may, by written notice to the other, change the address to which notices to such party shall be sent. Any notice or other communication shall be considered to have been given upon receipt by the addressee. Any communications related to this Guarantee shall be in Spanish.

**ARTICLE 7  
LANGUAGE**

This Guarantee is executed in Spanish. Any translation of this Guarantee shall be for convenience purposes only and shall not be considered in its interpretation.

**ARTICLE 8  
COUNTERPARTS**

This Guarantee may be executed by the parties in separate counterparts, each of which when signed and delivered shall be deemed to be an original, but which, taken together, shall constitute one and the same agreement.

**IN WITNESS WHEREOF**, the parties have executed this Guarantee on the date first above written.

**[XXX],  
as Guarantor**

By: \_\_\_\_\_  
Name:  
Title:

**AGREED AND ACCEPTED:  
NATIONAL HYDROCARBONS  
COMMISSION  
As Beneficiary**

By: \_\_\_\_\_

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Name:

Title:

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**ANNEX 3**

**PROCEDURES TO DETERMINE STATE  
CONSIDERATIONS**

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### PROCEDURES TO DETERMINE STATE CONSIDERATIONS

This Annex establishes the terms and conditions under which the calculations and payment of the applicable Considerations under this Contract shall be carried out for any Month during the full term of this Contract, under the provisions of the Hydrocarbons Law prevailing at the time of the award of this Contract.

#### 1. Contractual Price

- 1.1 The Contractual Price for each type of Hydrocarbon will be determined based on the provisions of the Hydrocarbon Revenues Law, in accordance with the procedure established in this Annex 3.
- 1.2 The Considerations will be calculated for each Period considering the Contractual Price of each type of Hydrocarbon, which will be determined pursuant to the criteria established in this Annex 3.
- 1.3 For purposes of this Annex 3,  $t$  shall mean the sub-index corresponding to the Period. In case the Petroleum Activities are conducted during a Period which does not encompass a complete Month, the Period shall be the number of Days during which this Contract was actually in effect.
- 1.4 The Contractual Price of Crude Oil per Barrel will be determined as follows:
  - (a) In case that during the Period the Contractor markets under Market Rules at least fifty percent (50%) of the Crude Oil volume produced in the Contract Area and measured in the Measurement Points in the Period, the Contractual Price of Crude Oil in the Period in which the marketing is registered shall be equal to the weighted average observed sale price for the volume in each case which the Contractor has marketed or committed to market.

In case that any volume that the Contractor sells or delivers to an Affiliate or a related party is in turn marketed to a third party without any intermediate treatment or processing, the sale price and volume corresponding to such Affiliate or related party transaction may be considered in the calculation of the Contractual Price of Crude Oil in the Period.

- (b) If at the end of the Period the Contractor has not registered marketing under Market Rules of at least fifty percent (50%) of the Crude Oil volume produced

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in the Contract Area and measured in the Measurement Points during the Period, the Contractual Price of Crude Oil shall be calculated based on the following formula as a function of the API gravity degrees and sulfur content corresponding to the Crude Oil extracted in the Contract Area in the Period. The foregoing considering the prices for *Light Louisiana Sweet (LLS)* and *Brent* marker crudes published in the Period by an international company specialized in the publishing of reference information on prices, according to the following:

- i. If the Contractor marketed less than fifty percent (50%) of the Crude Oil volume produced in the Contract Area and measured in the Measurement Points in the Period, or if marketing was carried out by the Contractor or the Marketer with Related Parties, the Contractual Price of the Crude Oil will be the average of the prices calculated using the corresponding formula at the date of each marketing transaction, using the marker prices at such date, weighted based on the volume involved in each transaction carried out in the Period.
- ii. If there was no marketing because the volume of Crude Oil produced in the period and registered at the Measurement Point was kept in storage under the ownership of the Contractor or the Marketer, the Contractual Price of Crude Oil will be calculated using the corresponding formula, considering the simple average of the marker prices during the Period.

The referenced formulas to calculate the Contractual Price of the Crude Oil are:

API Grade of Crude Oil extracted in the Contract Area	Applicable formula to calculate the Contractual Price of Crude Oil
$API \leq 21.0^\circ$	$PC_{P,t} = 0.481 \cdot LLS_t + 0.508 \cdot Brent_t - 3.678 \cdot S$
$21.0^\circ < API \leq 31.1^\circ$	$PC_{P,t} = 0.198 \cdot LLS_t + 0.814 \cdot Brent_t - 2.522 \cdot S$
$31.1^\circ < API \leq 39.0^\circ$	$PC_{P,t} = 0.167 \cdot LLS_t + 0.840 \cdot Brent_t - 1.814 \cdot S$
$39.0^\circ < API$	$PC_{P,t} = 0.0800 \cdot LLS_t + 0.920 \cdot Brent_t$

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Where:

- $PC_{P,t}$  = Contractual Price of Crude Oil in Period  $t$ .  
 $API$  = Adjustment parameter for quality, using weighted average API Gravity Degrees of Crude Oil produced in the Contract Area.  
 $LLS_t$  = Average market price of Light Louisiana Sweet Crude (LLS) in Period  $t$ .  
 $Brent_t$  = Average market price of Brent Crude [ICE] in Period  $t$ .  
 $S$  = Parameter of adjustment for quality, using the value of the weighted average sulfur content of Crude Oil produced in the Contract Area, using two decimal points (for example, 3.00 will be used for 3%).

The formulas to calculate the Contractual Price may be updated in this Contract to reflect the structural adjustments in the Hydrocarbons market, based on the information that the Ministry of Finance publishes in the annual report referenced in article 5 of the Hydrocarbon Revenues Law.

In case that prices for LLS and Brent marker crudes are no longer published, the Ministry of Finance shall establish a new formula taking into account other marker crudes that have trading liquidity and reflect market conditions.

In case marketing is conducted with related parties or the sales price of the Crude Oil is determined based on a regulated price, the transaction price for the determination of the Contract Price may be used subject to the rules applicable to transfer prices as provided in Annex 4.

In case a Crude Oil in the market has the same quality characteristics (API grading and sulfur content) than that of the Crude Oil produced in the Contract Area during the corresponding Period, the Contract Price of Crude Oil will be the one according to subparagraph (b), and will be calculated considering the market price that is Free On Board (FOB), instead of estimated value using the corresponding formula.

Regarding the previous paragraph, the Contractor must present the documents with the verifiable information, published during the Period by an international company specialized in publishing reference information on prices, which proves that the proposed Crude Oil has the same API and sulfur content than that of the Crude Oil produced in the Contract Area, according to the measurements carried out by CNH during the Period.

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- (c) In case that the Contractual Price of Crude Oil in the immediately preceding Period or in the two immediately preceding Periods was determined using the formulas established in subparagraph (b) of this subsection, and that during the Period there is marketing of Crude Oil by the Contractor or the Marketer in accordance with subparagraphs (a) of this subsection the Contractual Price of Crude Oil in the Period will be determined using the following formula, as long as the difference between the estimated price based on the formula and the observed price during the marketing of Crude Oil based on Market Rules in Period  $t$  is less or equal than fifty per cent (50%) of the observed price:

$$PC_{P,t} = \frac{Price_{marketing_t} \times \sum_{i=0}^{162} VP_{P,t-i} - \sum_{j=1}^{162} VC_{P,t-j}}{VP_{P,t}}$$

Where:

$PC_{P,t}$  = Contractual Price of Crude Oil in Period  $t$ .

$Price_{commercialization_t}$  = Observed Price in marketing of Crude Oil based on Market Rules in Period  $t$ .

$\sum_{i=0}^{162} VP_{P,t-i}$  = Sum of volume of production of Crude Oil registered at Measurement Point in Periods  $t$ ,  $t - 1$  and if applicable,  $t - 2$ .

$\sum_{j=1}^{162} VC_{P,t-j}$  = Sum of Contractual Value of Crude Oil in Period  $t - 1$ , and if applicable,  $t - 2$ .

$VP_{P,t}$  = Volume of production of Crude Oil registered at the Measurement Point in Period  $t$ .

In case that the difference between the price estimated by the formula and the observed price during the Crude Oil marketing based on Market Rules in the Period  $t$  is greater than fifty percent (50%) of the observed price, the Contractual Price of Crude Oil shall be determined as follows:

- i. If the price estimated by the formula is greater than the observed price, the Contractual Price shall be:

$$PC_{P,t} = Price_{marketing_t} \times 1.5$$

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- ii. If the price estimated by the formula is less than the observed price, the Contractual Price shall be:

$$PC_{P,t} = Price_{marketing_t} \times 0.5$$

Any variation in the Contractual Value of Crude Oil produced during the preceding Period or the two immediately preceding Periods, which persists considering the determination of the Contractual Price in accordance with this subparagraph (c) and the price observed under Market Rules, may be settled within three (3) following Periods through the adjustments determined by the Ministry of Finance, as part of its verifications functions, in accordance with subsection 4.4 of this Annex 3.

- (d) In order for the price resulting from the marketing carried out by the Contractor to be considered in the determination of the Contractual Price of Crude Oil, the Contractor must have indicated prior to the close of the Period the relevant characteristics of the marketing carried out, including the aspects to determine the applicable price under Market Rules. Notwithstanding, the Contractor shall report the total revenues, the volume of Crude Oil and the average weighted price it obtains as a result of the marketing of the Crude Oil that correspond as a Consideration.

- 1.5 The Contractual Price of the Condensates will be determined per Barrel based on the following:

- (a) In case that during the Period the Contractor markets under Market Rules at least fifty percent (50%) of the volume of Condensates produced in the Contract Area and measured in the Measurement Points in the Period or there is a commitment for such marketing (including long term sale contracts under which the price is determined by Market Rules), the Contractual Price of Condensates in the Period in which the marketing is reported shall be equal to the weighted average observed sale price for the volume in each case which the Contractor has marketed or committed to market.

In case that any volume that the Contractor sells or delivers to an Affiliate or a related party is in turn marketed to a third party without any intermediate treatment or processing, the sale price and volume corresponding to such Affiliate or related party transaction may be considered in the calculation of the Contractual Price of Condensates in the Period.

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- (b) If at the end of the Period the Contractor has not registered marketing under Market Rules of at least fifty percent (50%) of the volume of Condensates produced in the Contract Area and measured in the Measurement Points in the Period, the Contractual Price shall be calculated considering the average price for *Brent* marker crude published in Period *t* by an international company specialized in the publishing of reference information on prices, according to the following:
- i. If the Contractor marketed less than fifty percent (50%) of the volume of Condensates produced in the Contract Area and measured in the Measurement Points in the Period, the Contractual Price of the Condensates will be the average of the prices calculated using the formula at the date of each marketing transaction, using the crude marker price at such date, weighted based on the volume involved in each transaction carried out in the Period.
  - ii. If there was no marketing because the volume of Condensates produced in the period and registered at the Measurement Point was kept in storage under the ownership of the Contractor or the Marketer, the Contractual Price of the Condensates will be calculated using the corresponding formula, considering the simple average of the marker price during the Period.

The formula to calculate the Contractual Price of the Condensates is:

$$PC_{C,t} = 6.282 + 0.905Brent_{p,t}$$

Where:

$$\begin{aligned} PC_{C,t} &= \text{Contractual Price of Condensates in Period } t. \\ Brent_{p,t} &= \text{Price of Brent Crude [ICE] in Period } t. \end{aligned}$$

The formula to determine the Contractual Price may be updated in this Contract to reflect structural adjustments in the Hydrocarbons market, based on information published by the Ministry of Finance in the annual report referenced to in article 5 of the Hydrocarbon Revenues Law.

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In case prices for the *Brent* marker crude are no longer published, the Ministry of Finance shall establish a new formula considering another marker or markers that have trading liquidity and reflect market conditions.

In case marketing is conducted with related parties or the sales price of the Condensates is determined based on a regulated price, the transaction price for the determination of the Contract Price may be used subject to the rules applicable to transfer prices as provided in Annex 4.

- (c) In case that the Contractual Price of Condensates in the immediately preceding Period or in the two Immediately Preceding Periods was determined using the formula established in subparagraph (b) of this subsection, and that during the relevant Period there is marketing of Condensates by the Contractor based on Market Rules in accordance with subparagraph (a) of this subsection, the Contractual Price of Condensates in the Period will be determined using the following formula as long as the difference between the estimated price based on the formula and the observed price during the marketing of Condensates based on Market Rules in Period  $t$  is less or equal than fifty per cent (50%) of the observed price:

$$PC_{C,t} = \frac{Price_{marketing_t} \times \sum_{i=0}^{162} VP_{C,t-i} - \sum_{j=1}^{162} VC_{C,t-j}}{VP_{C,t}}$$

Where:

$PC_{C,t}$  = Contractual Price of Condensates in Period  $t$ .

$Price_{marketing_t}$  = Observed Price in marketing of Condensates based on Market Rules in Period  $t$ .

$\sum_{i=0}^{162} VP_{C,t-i}$  = Sum of Volume of production of Condensates registered at Measurement Point in Periods  $t$ ,  $t - 1$ , and if applicable,  $t - 2$ .

$\sum_{j=1}^{162} VC_{C,t-j}$  = Sum of Contractual Value of Condensates in Period  $t - 1$ , and if applicable,  $t - 2$ .

$VP_{C,t}$  = Volume of production of Condensates registered at the Measurement Point in Period  $t$ .

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In case that the difference between the price estimated by the formula and the observed price during the Condensates marketing based on Market Rules in the Period  $t$  is greater than fifty percent (50%) of the observed price, the Contractual Price of Condensates shall be determined as follows:

- i. If the price estimated by the formula is greater than the observed price, the Contractual Price shall be:

$$PC_{C,t} = Price_{marketing_t} \times 1.5$$

- ii. If the price estimated by the formula is less than the observed price, the Contractual Price shall be:

$$PC_{C,t} = Price_{marketing_t} \times 0.5$$

Any variation in the Contractual Value of Condensates produced during the preceding Period or the two immediately preceding Periods, which persists considering the determination of the Contractual Price in accordance with this subparagraph (c) and the price observed under Market Rules, may be settled within the three (3) following Periods through the adjustments determined by the Ministry of Finance, as part of its verifications functions, in accordance with subsection 4.4 of this Annex 3

- (d) In order for the price resulting from the marketing carried out by the Contractor to be considered in the determination of the Contractual Price of the Condensates, the Contractor must have indicated prior to the close of the Period the relevant characteristics of the marketing carried out, including the aspects to determine the applicable price based on Market Rules. Notwithstanding of the foregoing, the Contractor shall report the total revenues, the volume of Condensates and the average weighted price it obtains as a result of the marketing of the Condensates that correspond as Considerations.

1.6 The Contractual Price of Natural Gas and its components will be determined separately per thermal unit (million BTU) in accordance with the following:

- (a) The Contractual Price of Natural Gas will consider, in the relevant proportion, the unit value and volume corresponding to the marketing of Natural Gas (methane) and each one of its other components (ethane, propane and butane).

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- (b) In case that during the Period the Contractor markets under Market Rules at least fifty percent (50%) of the Natural Gas volume produced in the Contract Area and measured in the Measurement Points in the Period based on Market Rules or if there is a commitment for such marketing (including long term sale contracts under which the price is determined by Market Rules), the Contractual Price of Natural Gas in the Period in which the marketing is registered shall be equal to the average observed sale price, weighted based on the thermal equivalent in millions of BTU of the corresponding volume in each case, which the Contractor has marketed or committed to market.

In case that any volume that the Contractor sells to an Affiliate or a related party is in turn sold to a third party without any intermediate treatment or processing, the sale price and volume corresponding to such Affiliate or related party transaction will be included in the calculation of the Contractual Price of Natural Gas in the Period.

- (c) In case that during the Period the Contractor does not market under Market Rules at least fifty percent (50%) of the Natural Gas volume produced in the Contract Area and measured in the Measurement Points in the Period based on Market Rules, the Contractual Price of Natural Gas shall be the average of the prices determined based on the daily prices set by the Energy Regulatory Commission for the point at which Natural Gas produced pursuant to this Contract enters the Integrated National Transportation and Storage System at the date of each marketing transaction, weighted based on the thermal equivalent in millions of BTU of the volume involved in each transaction carried out in the Period.

In case marketing is conducted with related parties or the sales price of the Natural Gas or its components is determined based on a regulated price, the transaction price for the determination of the Contract Price may be used subject to the rules applicable to transfer prices as provided in Annex 4.

- (d) In case that the Contractual Price of Natural Gas in the immediately preceding Period or in the two immediately preceding Periods were determined using the formula established in subparagraph (c) of this subsection, and that during the relevant Period there is marketing of Natural Gas under Market Rules by the Contractor or the Marketer in accordance with subparagraph (b) of this subsection, the Contractual Price of Natural Gas in the Period will be determined using the following formula, as long as the difference between the estimated price based on the formula and the observed price during the

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marketing of Natural Gas based on Market Rules in Period  $t$  is less or equal than fifty per cent (50%) of the observed price:

$$PC_{G,t} = \frac{Price_{marketing_t} \times \sum_{i=0}^{162} VP_{G,t-i} - \sum_{j=1}^{162} VC_{G,t-j}}{VP_{G,t}}$$

Where:

$PC_{G,t}$  = Contractual Price of Natural Gas in Period  $t$ .

$Price_{marketing_t}$  = Price observed in marketing Natural Gas under Market Rules in Period  $t$ .

$\sum_{i=0}^{162} VP_{G,t-i}$  = Sum of the Volume of Production of Natural Gas registered at the Measurement Point in Periods  $t$ ,  $t - 1$  and if applicable,  $t - 2$ .

$\sum_{j=1}^{162} VC_{G,t-j}$  = Sum of Contractual Value of Natural Gas in Period  $t - 1$ , and if applicable,  $t - 2$ .

$VP_{G,t}$  = Volume of Production of Natural Gas registered at the Measurement Point in Period  $t$  and expressed in its thermal equivalent in millions of BTU, in the case of Natural Gas (methane) or each Natural Gas component (ethane, propane and butane) in its applicable proportion.

In case that the difference between the price estimated by the formula and the observed price during the Condensates marketing based on Market Rules in the Period  $t$  is greater than fifty percent (50%) of the observed price, the Contractual Price of Natural Gas shall be determined as follows:

- i. If the price estimated by the formula is greater than the observed price, the Contractual Price shall be:

$$PC_{G,t} = Price_{marketing_t} \times 1.5$$

- ii. If the price estimated by the formula is less than the observed price, the Contractual Price shall be:

$PC_{G,t} = Price_{marketing_t} \times 0.5$  Any variation in the Contractual Value of Natural Gas produced during the preceding Period or the two immediately preceding Periods, which persists considering the determination of the Contractual Price in accordance with this subsection (d) and the price observed under Market Rules, may be settled within the three (3) following Periods through the adjustments determined by the Ministry of Finance, as

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part of its verifications functions, in accordance with subsection 4.4 of this Annex 3.

- (e) In order for the price resulting from the commercialization carried out by the Contractor to be considered in the determination of the Contractual Price of the Natural Gas, the Contractor must have indicated prior to the close of the Period the relevant characteristics of the marketing carried out, including the aspects to determine the applicable price under Market Rules. Notwithstanding, the Contractor shall report the total revenues, the volume of Natural Gas and the average weighted price it obtains as a result of the marketing of the Natural Gas that correspond as Considerations.

- 1.7 In each Period, in the case of Hydrocarbon sales by the Contractor that are not free on board (FOB) at the Measurement Point, the Contractual Price at the Measurement Point shall be the equivalent, in Dollars per the respective measurement unit, of the observed net revenues received for the marketing of each type of Hydrocarbon, considering the observed necessary costs of transportation, Storage, logistics and all other costs incurred for the transfer and marketing of Hydrocarbons between the Measurement Point and the point of sale, divided among the volume of Crude Oil, Condensates and Natural Gas, as applicable, measured at the Measurement Point.

In these cases, the Contractual Price for the Period will be adjusted considering a reduction of the value established pursuant to subsections 1.4 and 1.6 of this Annex 3. Such reduction shall be equal to the result of dividing the total costs of transportation, Storage and logistics incurred for each type of Hydrocarbon and reported during the Period by the volume of Hydrocarbons measured and registered in the Period.

- 1.8 For purposes of subsection 1.7 above, only justifiably necessary costs will be considered, including those for the contracting of transportation services and infrastructure for transportation, Storage, treatment, conditioning, processing, liquefying (in the case of Natural Gas), marketing and insurance.

In case that the observed price during marketing corresponds to a product that results from conditioning the Net Hydrocarbons produced in the Contract Area with other Hydrocarbons via the mixture of both streams of Hydrocarbons, the Contract Price shall reflect the value that corresponds the volume of Net Hydrocarbons produced in the Contract Area, considering the cost of the other Hydrocarbons acquired for such conditioning. The registry of information relative to the Contractual Price shall be accompanied by the supporting documents related to marketing and acquisition of

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such other Hydrocarbons, as well as the documents corresponding to the methodology to distribute value between the Hydrocarbons used to compose the marketed product.

In any case costs referred to in this clause shall conform to Market. In case that the referenced costs result from agreements with related parties, the rules relating to transfer prices established in Annex 4 shall be followed. The costs referred to in this clause shall be subject to the verification activities that correspond to the Ministry of Finance.

- 1.9 The following costs will not be included among the necessary costs of Transportation, Storage and logistics referenced in subsection 1.7:
- (a) Costs of marketing services or financial costs associated with Hydrocarbons hedging;
  - (b) Interest or other costs associated with financing activities;
  - (c) Costs resulting from acts of negligence or willful misconduct by the Contractor or from actions by the Contractor which infringe the Applicable Laws;
  - (d) Costs associated with addressing spills or environmental emergencies resulting from negligent or intentional acts by the Contractor;
  - (e) Tax Obligations that become applicable, and
  - (f) Sanctions or penalties.
- 1.10. The information related to the determination of Contract Prices must be presented and registered through an IT system that the Found will make available to the Contractor.

**2. Contractual Value of the Hydrocarbons in Period  $t$ :**

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- 2.1 The Contractual Value of the Hydrocarbons will be determined using the following formula:

$$VCH_t = VC_{P,t} + VC_{G,t} + VC_{C,t}$$

Where:

$VCH_t$  = Contractual Value of Hydrocarbons in Period  $t$ .

$VC_{P,t}$  = Contractual Value of Crude Oil in Period  $t$ .

$VC_{G,t}$  = Contractual Value of Natural Gas in Period  $t$ .

$VC_{C,t}$  = Contractual Value of Condensates in Period  $t$ .

In case that Hydrocarbon spills occur due to emergencies or disaster situations, recovered Hydrocarbon volumes during the conduction of response activities to such emergencies or disaster situations, will be considered for the calculation of the Contractual Value of each type of Hydrocarbons.

- 2.2 The following formulas will be used to calculate the contractual value of each type of Hydrocarbon:
- (a) Contractual Value of Crude Oil in Period  $t$ .

$$VC_{P,t} = PC_{P,t} * VP_{P,t}$$

Where:

$VC_{P,t}$  = Contractual Value of Crude Oil in Period  $t$ .

$PC_{P,t}$  = Contractual Price of Crude Oil in Period  $t$ : The price of Crude Oil produced in the Contract Area, in Dollars per Barrel, determined each Period at the Measurement Point, in accordance with subsection 1.4 of this Annex 3.

$VP_{P,t}$  = Net volume of Crude Oil production registered at the Measurement Point in Period  $t$ .

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- (b) Contractual Value of Condensates in Period  $t$ .

$$VC_{C,t} = PC_{C,t} * VP_{C,t}$$

Where:

$VC_{C,t}$  = Contractual Value of Condensates in Period  $t$ .

$PC_{C,t}$  = Contractual Price of Condensates in Period  $t$ : The price of Condensates produced in the Contract Area, in Dollars per Barrel, determined each Period at the Measurement Point, in accordance with subsection 1.5 of this Annex 3.

$VP_{C,t}$  = Net volume of Production of Condensates registered at the Measurement Point in Period  $t$ .

- (c) Contractual Value of Natural Gas in Period  $t$ .

$$VC_{G,t} = \sum_i PC_{G,t,i} * VP_{G,t,i}$$

Where:

$VC_{G,t}$  = Contractual Value of Natural Gas in Period  $t$ .

$I$  = Each one of the product that make up Natural Gas and its liquids, whether they may be methane, ethane, propane or butane.

$PC_{G,t}$  = Contractual Price of Natural Gas in Period  $t$ ; The price of Natural Gas produced in the Contract Area, in Dollars per million BTU, determined each Period at the Measurement Point, in accordance with subsection 1.6 of this Annex 3.

$VP_{G,t}$  = Net volume of Natural Gas Production registered at the Measurement Point in Period  $t$  and expressed in its thermal equivalent in millions of BTU, in the case of Natural Gas (methane) or each one of its liquids (ethane, propane and butane).

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**3. Considerations as a Percentage of the Contract Value of the Hydrocarbons**

- 3.1 The State will receive \_\_\_\_\_ percent (\_\_\_%) of the Contract Value of the Hydrocarbons for the relevant Month.
- 3.2 The Consideration as a percentage of the Contract Value for the Hydrocarbons will be adjusted pursuant to the Adjustment Mechanism established in subsection 4.3 of this Annex 3.

**4. Procedures to Calculate Considerations**

4.1 Royalties

The amount of the Royalties will be determined for each type of Hydrocarbon by applying the rate corresponding to the Contractual Value of the Crude Oil, the Contractual Value of the Natural Gas and the Contractual Value of the Condensates produced during the Period. In case of Natural Gas, the amount of Royalties will be determined separately whether it be Natural Gas (methane), or each of its liquids (ethane, propane and butane) considering the rate and the Contract Value for each, determined based on the Contract Price and the volume of each one of the above mentioned products.

The mechanism to determine the Royalties will be adjusted each Year in the month of January based on the first publication of the annual change observed in the month of December of the prior Year (hereinafter  $\pi_{n-1}$ ) in the Producer Price Index of the United States of America or its substitute index, using the Year 2016 as the base year<sup>1</sup>.

The process to determine the amounts payable will be as follows:

- (a) The following rate will be applied to the Contractual Value of Crude Oil:
  - i. When the Contractual Price of Crude Oil is less than  $A_n$ , the following will be applied:

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<sup>1</sup> The base values for parameters A, B, C, D, E, F, G and H shall be updated in the final version of the Contract considering the corresponding adjustment for the variation observed in December 2015. This English version is only a translation of the Model Contract included in the Bidding Guidelines that govern the Bidding Process CNH-R01-L04/2015, and is provided only for reference. In the event of any dispute or discrepancy, **the Spanish version shall prevail and be treated as the correct version** (for all intents and purposes).

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$$Rate = 7.5\%$$

To adjust for inflation, the parameter  $A_n$  will be adjusted annually according to the following formula:

$$A_n = A_{n-1} * (1 + \pi_{n-1})$$

Where  $A_n$  takes values from the base Year through the last reference Year,  $A_0 = 48 \frac{USD}{bbl}$  in the base Year and  $n$  indicates the corresponding Year.

- ii. When the Contractual Price of Crude Oil is equal to or greater than  $A_n$  :

$$Rate = [(B_n * Contractual Price of Crude Oil) + 1.5]\%$$

To adjust for inflation, the parameter  $B_n$  will be updated annually in accordance with the following formula:

$$B_n = \frac{B_{n-1}}{(1 + \pi_{n-1})}$$

Where  $B_{an}$  takes values from the base Year through the last Year of reference,  $B_0 = 0.125$  in the base Year and  $n$  indicates the corresponding Year.

- (b) The following rate will be applied to the Contractual Value of Associated Natural Gas:

$$Rate = \frac{Contractual Price of Natural Gas}{C_n}$$

To adjust for inflation, the parameter  $C_n$  will be updated annually in accordance with the following formula:

$$C_n = C_{n-1} * (1 + \pi_{n-1})$$

Where  $C_n$ , takes values from the base Year through the last reference Year,  $C_0 = 100$  in the base Year and  $n$  indicates the corresponding Year.

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(c) The following rate will be applied to the Contractual Value of Non-Associated Natural Gas:

i. When the Contractual Price of Non Associated Natural Gas is less than or equal to  $D_n$ , the Rate will be 0%.

To adjust for inflation, the parameter  $D_n$  will be updated annually in accordance with the following formula:

$$D_n = D_{n-1} * (1 + \pi_{n-1})$$

Where  $D_n$  takes values from the base Year through the last reference Year,  $D_0 = 5 \frac{USD}{MMBtu}$  in the base Year and  $n$  indicates the corresponding Year.

ii. When the Contractual Price of Natural Gas is greater than  $D_n$  and less than  $E_n$ , the rate will be calculated using the following formula:

$$Rate = \left[ \frac{(\text{Contractual Price of Natural Gas} - D_n) \times 60.5}{\text{Contractual Price of Natural Gas}} \right] \%$$

In order to adjust for inflation, parameter  $E_n$  will be updated annually in accordance with the following formula:

$$E_n = E_{n-1} * (1 + \pi_{n-1})$$

Where  $E_n$  takes values from the base Year through the last reference Year,  $E_0 = 5.5 \frac{USD}{MMBtu}$  in the base Year and  $n$  indicates the corresponding Year.

iii. When the Contractual Price of Natural Gas is equal to or greater than  $E_n$ :

$$Rate = \frac{\text{Contractual Price of Natural Gas}}{E_n}$$

In order to adjust for inflation, parameter  $F_n$  will be updated annually in accordance with the following formula:

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$$F_n = F_{n-1} * (1 + \pi_{n-1})$$

Where  $F_n$  takes value from the base Year through the last Year of reference,  $F_0 = 100$  in the base Year and  $n$  indicates the corresponding Year.

- (d) The following rate will be applied to the Contractual value of the Condensates:
- i. When the Contractual Price of the Condensates is less than  $G_n$ , the following will apply:

$$\text{Rate} = 5\%$$

In order to adjust for inflation, the parameter  $G_n$  is updated annually in accordance with the following formula:

$$G_n = G_{n-1} * (1 + \pi_{n-1})$$

Where  $G_n$  takes values from the base Year through the last Year of reference,  $G_0 = 60 \frac{USD}{bbl}$  in the base Year and  $n$  indicates the corresponding Year.

- ii. When the Contractual Price of the Condensates is equal to or greater than  $G_n$ :

$$\text{Rate} = [(H_n * \text{Contractual Price of the Condensates}) - 2.5]\%$$

In order to adjust for inflation, the parameter  $H_n$  is updated annually in accordance with the following formula:

$$H_n = \frac{H_{n-1}}{(1 + \pi_{n-1})}$$

Where  $H_n$  takes values from the base Year through the last Year of reference,  $H_0 = 0.125$  in the base Year and  $n$  indicates the corresponding Year.

The Producer Price Index of the United States of America referred to in this subsection will correspond to the first index published by the Bureau of Labor

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Statistics of the United States of America on the month of December of the immediately preceding Year, identified as WPU00000000 not seasonally adjusted, which represents the index of all commodities, or, if applicable, a substitute index designated by the issuing institution. In case of adjustments or revisions to such price index, the first version published shall prevail. If the reference index is changed, the Ministry of Finance will make known the new reference.

### 4.2 Contract Fee for the Exploratory Phase

Monthly payment of the Contract Fee to the Mexican State for the Exploratory Phase for the part of the Contract Area that does not have a Development Plan approved by CNH will be made in cash in accordance with the following fees<sup>2</sup>:

- (a) During the first 60 Months of the term of the Contract:  
1,150 Mexican pesos per square kilometer.
- (b) Beginning in Month 61 of the term of the Contract and through the end of its term:  
2,750 Mexican pesos per square kilometer.

The amounts for the monthly fees will be updated each Year in accordance with the Applicable Laws, on the 1<sup>st</sup> of January of each Year, considering the period from the preceding thirteenth Month and until the immediately preceding Month to that where the update is made, applying the update factor that results from dividing the National Consumer Price Index corresponding to the immediately preceding Month, over the National Consumer Price Index corresponding to the prior oldest Month of the considered period published by the National Institute of Statistics and Geography or if applicable its substitute index.

### 4.3 Adjustment mechanism

- (a) As a result of the Adjustment Mechanism, the applicable rate to determine the Consideration as a percentage of the Contract Value of Hydrocarbons will be determined according to the following:

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<sup>2</sup> The initial value for the contract fees shall be updated in the final version of the Contract considering the adjustment that correspond for the variation observed in December 2015.

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$$T_t = R_0 + AR_n$$

Where:

$T_t$  = Applicable rate to the Contract Value of Hydrocarbons produced in the Contract Area during Period  $t$

$R_0$  = Initial percentage of the Contract Value of the Hydrocarbons produced in a Contract Area according to subtitle 3.1 in this Annex 3 = \_\_\_\_ percent (\_\_\_%).

$AR_n$  = The adjustment factor applicable to the Periods that constitute Quarter  $n$  and that will be adjusted in terms of subparagraph (b) in this subtitle.

(b) The adjustment factor applicable for each Quarter will be determined by the end of the immediately preceding Quarter, in the Months of March, June, September and December based on the following formulas:

$R$ factor at the end of the immediately preceding Quarter	Applicable adjustment factor
$FR_{n-1} < 2$	$AR_n = 0\%$
$2 \leq FR_{n-1} \leq 4$	$AR_n = [(FR_{n-1} - 2) \times 25 \times CRO_{n-1}] \%$
$4 < FR_{n-1}$	$AR_n = (50 \times CRO_{n-1}) \%$

Where:

$AR_n$  = The adjustment factor applicable for the Periods that constitute Quarter  $n$ .

$FR_{n-1}$  = The  $R$  factor calculated at the end of the immediately preceding Quarter in terms of subparagraph (c) of this subtitle.

$CRO_{n-1}$  = The operative result coefficient calculated by the end of the immediately preceding Quarter in terms of subparagraph (d) of this subtitle.

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- (c) The  $R$  factor used to determine the adjustment factor will be calculated at the end of every Quarter in the Months of March, June, September and December as follows:

$$FR_n = \frac{\sum_{i=1}^n (VCH_i - CP_i - IEEH_i)}{\sum_{i=1}^n CT_i}$$

Where:

$FR_n = R$  factor up to Quarter  $n$ .

$VCH_i =$  Contractual Value of Hydrocarbons in Quarter  $i$ .

$CP_i =$  Considerations paid in Quarter  $i$ , including the Royalties referred to in subtitle 4.1 of this Annex, Consideration as a percentage of the Contractual Value of Hydrocarbons referred to in subtitle 3 of this Annex that it is determined considering the adjustments established in subtitle 4.3 in this Annex and the Contractual Fee for the Exploratory Phase referred to in subtitle 4.2 of this Annex.

$IEEH_i =$  Exploration and Extractions of Hydrocarbons activities Tax paid in Quarter  $i$ .

$CT_i =$  The Costs incurred in Quarter  $i$ , registered in terms of Annex 4 and the guidelines issued by the Ministry of Finance in force at the date of award of this Contract.

$n =$  Quarter in which the calculation is carried out.

$\Sigma =$  Indicates the sum of the elements indexed as  $i$ .

$i =$  Index of the sum that indicates the set of Periods starting from the initial Quarter of the Effective Date until the last Month of the last Quarter that there is reference of.

The  $R$  factor will be equal to zero as long as the Contractor does not incur in Costs, according with the provisions of the indicative work programs and budgets presented to CNH. In case of indetermination of the calculations, the  $R$  factor will be equal to 4.

To determine the  $R$  factor, no interests or adjustments for inflation will be considered.

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The Contractor shall registry the  $R$  factor that results for each Quarter in the system that the Funds establishes for such effects.

- (d) The operative result coefficient used to determine the adjustment factor will be calculated at the end of each Quarter in the Months of March, June, September and December through the following formula:

$$CRO_n = \frac{VCH_n - CP_n - IEEH_n - CT_n}{VCH_n}$$

Where:

$CRO_n$  = The operative result coefficient in Quarter  $n$ .

$VCH_n$  = The Contractual Value of Hydrocarbons in Quarter  $n$ .

$CP_n$  = Considerations paid in Quarter  $n$ , including the Royalties, Consideration as a percentage of the Contractual Value of Hydrocarbons referred to in subtitle 3 of this Annex that it is determined considering the adjustments established in subtitle 4.3 in this Annex and the Contractual Fee for the Exploratory Phase.

$IEEH_n$  = Exploration and Extractions of Hydrocarbons activities Tax paid in Quarter  $n$ .

$CT_n$  = The Costs incurred in Quarter  $n$ , registered in terms of Annex 4 and the guidelines issued by the Ministry of Finance in force at the date of award of this Contract.

$n$  = Quarter in which the calculation is carried out.

The operative result coefficient will be equal to zero as long as no production exists or in case the coefficient determined by the formula set forth in this subparagraph has a negative value.

To determine the operative result coefficient, no interests or adjustments for inflation will be considered.

The Contractor shall register the operative result coefficient that results for every Quarter in the system set by the Fund for such effects.

4.4 Other adjustments to the Considerations

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The Ministry of Finance may carry out adjustments to the amount of the Considerations as a percentage of the Contractual Value of Hydrocarbons that allow to restore the economic balance of the Contractor relative to the fiscal terms prevailing at the moment of the award of this Contract in case that: (i) specific contributions are established to the Exploration and Extraction of Hydrocarbons industry that are different from those that were in effect at the moment the Contract was awarded, regarding such contribution and in no case regarding contributions of general nature, or (ii) there is a modification of specific elements to the industry of Exploration and Extraction of Hydrocarbons for the determination of the prevailing contributions at the moment that the Contract was awarded regarding such modifications. If this were the case, the Ministry of Finance will set the necessary mechanism.

The Ministry of Finance, through the Fund will notify the Contractor with respect to any adjustment to the Considerations that is determined according with this subtitle.

### 5. Procedures for payment of Considerations

5.1 In each Period, the Parties will receive their Considerations according to the measurement of the volume and the Contract Prices determined according to subsection 1 of this Annex 3, considering the following:

(a) The State will receive payment by the Contractor through an electronic transfer of the following

- i. Royalties, in Dollars, for each type of Hydrocarbon produced in the Period
- ii. The Considerations as a percentage of the Contract Value of Hydrocarbons for the State, in Dollars, that will be determined considering the adjustments established in subsection 4.3 of this Annex 3 corresponding to each Period.
- iii. The Contractual Fee for the Exploratory Phase, in Pesos, for each Period.

(b) The State will transfer to the Contractor the Hydrocarbons produced during the Period in the Contract Area at the Measurement Point, as long as the Contractor

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is up to date with the compliance of the payments of the State's Considerations that are enforceable from the Effective Date.

The Contractor shall have the right to the onerous transfer of the property of Hydrocarbons produced in the Contract Area during the Period only when there exists production in the Contract Area, including the Extraction of Hydrocarbons during tests referred to in Article 5.3 of the Contract, so that, as long as there is no production, under any circumstance the Contractor's Consideration will be enforceable and no down payment will be granted.

- 5.2. The volume of each Hydrocarbon produced in the Period will be determined at the end of it, according the measurement is made on a daily basis at the Measurement Point. The CNH shall register the information regarding the production of the Contract of the previous Period within the first ten (10) Business Days of each Month in the electronic system established by the Fund for such purposes.
- 5.3 The Contractor shall determine and pay in cash to the Fund the State's Considerations established in this Contract no later than the seventeenth (17<sup>th</sup>) Day of the subsequent Period. In case such day is not a Business Day, the payment will be executed the next Business Day.
- 5.4 The Contractor shall register all information relative to the Contractual Prices, the production volumes, the Costs and all other information necessary to calculate the Considerations in the electronic systems that the Fund establishes for such effects no longer than the Day that the corresponding payment is executed.

As an exception, the Contractor may register and, in such case, present the corresponding supporting documents up to sixty (60) Business Days upon the receipt of the corresponding invoices by the Contractor.

- 5.5 For the purposes of the provisions of subparagraph (b) of subtitle 5.1, the Hydrocarbons extracted from the Contract Area and until the Measurement Point are property of the State. Without prejudice of the aforementioned, the Contractor shall have the custody and possession of the Hydrocarbons at all times, thus it will be responsible to transfer the Hydrocarbons to the Measurement Point, as provided in the Contract and the Applicable Laws. The transfer of property of the volume of Hydrocarbons from the State to the Contractor in terms of subparagraph (b) of subtitle 5.1 will be performed at the outlet of the Measurement Point, where daily registries will be performed in terms of Article 12 of the Contract. The Contractor will be responsible for the custody and possession of the Hydrocarbons at all times, that is,

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before and after the transfer of the property is performed at the Measurement Point, and in no case the physical or real transfer of Hydrocarbons to the State or to the Contractor.

- 5.6 At the end of the Period, once the State’s Consideration in the Month in question has been determined and paid by the Contractor:
- (a) The CNH and the Contractor will sign a record that should establish the Hydrocarbons volume for the period by type of Hydrocarbon and the Contract Value of the Hydrocarbons during the Period. The minutes will be signed separately for each type of hydrocarbon produced. A copy of the minutes shall be delivered to the Fund for its records.
  - (b) The Fund, through the CNH, will issue a certificate of payment as long as the Contractor is up to date with its payments of the State’s Considerations that are enforceable from the Effective Date. The CNH will be responsible to deliver, by account of the Fund, the corresponding certificate to the Contractor.
- 5.7 In case that the Contractor does not execute the payment of the State’s Considerations in the term indicated in subtitle 5.3 of this Annex, the Contractor shall be liable to a penalty for delay determined by a daily rate, equivalent in annual terms to the 28 days Equilibrium Interbank Interest Rate (TIIE) valid at the end of the term referred in subtitle 5.3 of this Annex plus ten percent (*TIIE + 10%*), capitalized daily over the Value of Hydrocarbons calculated based on the measurement of the volume registered by the CNH and the formulas for the price determination established in subtitles 1.4, subparagraph (b); 1.5, subparagraph (b) and 1.6 subparagraph (c) of this Annex.
- 5.8 In case the Contractor does not execute the payment of the Considerations or the applicable penalties in terms of this Annex, the Fund will notify the CNH so that it can act in terms of this Contract and the Applicable Laws with respect to the sanctions and the administrative rescission.

**6. Considerations Verification**

- 6.1 The Fund:
- (a) Will receive the State’s Considerations, and other Considerations in favor of the State established in this Contract and its Annexes.

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- (b) Will receive and keep the information records and support documents required to calculate and determine the Considerations established in this Contract.
  - (c) Will notify the Ministry of Finance and the CNH regarding irregularities it may find in the exercise of its functions for the purpose of enforcing the State's rights under this Contract, or if the case may be, the corresponding penalties or sanctions will be applied, without prejudice to other legal, judicial or criminal actions that may be applicable.
- 6.2 The Ministry of Finance:
- (a) Will verify the financial aspects of this Contract related to the Considerations and other elements provided by the Hydrocarbon Revenues Law.
  - (b) Will verify the proper payment of the State's Considerations and any other payments in favor of the State according with subtitle 4.4 of this Annex.
  - (c) May determine adjustments to the Considerations in case of any differences between the amount of Considerations paid by the Contractor and the amount calculated in the verification based on the information received by the Fund.
  - (d) May request from the Contractors and third parties the information it requires for the proper exercise of its functions in accordance with this Contract.
- 6.3 The Ministry of Finance will perform the verification of the payment of Considerations in each Period, based on the information provided by the Contractor and the CNH.
- (a) In case that the Contractor does not register in the system that the Fund establishes for such effects, the measurement of the volume of Hydrocarbons in the Period, or that there are any discrepancies in the information presented by the Contractor and the CNH, the verification of the State Considerations will be performed based on the registered measurement by the CNH.
  - (b) In case that the Contractor does not register in the system that the Fund established for such effects, the information relative to the Contractual Price, the verification of the State's Considerations will be performed based on the formulas for the price determination provided in subtitles 1.4, subparagraph (b); 1.5, subparagraph

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(b), and 1.6, subparagraph (c) of this Annex.

(c) In case the Contractor does not register in the system that the Fund established for such effects, the information relative to the Costs incurred in the Period including the Costs referred to in this subtitle 1.7 of this Annex, the verification of the State's Considerations will be performed considering that the amount of such Costs is equal to zero for such Period.

6.4 Any adjustment that the Ministry of Finance determines to the State's Considerations paid by the Contractor derived from its verifications faculties, will be performed as following:

(a) The Ministry of Finance, through the Fund, will notify the Contractor the corresponding adjustment. The notification referred to will be subject to the provisions of subtitles 3.30 to 3.33 of Section VI of Annex 4 of this Contract. The Fund may issue the notifications in the e-mail address that the Contractor establishes for such purposes or through the electronic systems that the Fund establishes or determines.

(b) In case the adjustment results in a balance in favor of the Contractor, this will be credited against the amount corresponding to the Considerations payable by the Contractor in the following Period in which the adjustment is required. In this case, the Fund will issue, along with the notice, an invoice that states the creditable balance in favor of the Contractor.

(c) In case the adjustment results in a balance in favor of the State, the Contractor will have five (5) Business Days from the respective notice to execute the corresponding payment. If the Contractor does not execute the payment within this term, it will be obliged to cover the adjustment amount notified by the Fund plus a daily penalty for delay that will apply from the Business Day following the Day in which the notice is issued. The penalty will be determined as the daily rate, capitalized on a daily basis on the pending balance, equivalent in annual terms to the 28 days Equilibrium Interbank Interest Rate (TIIE) valid at the end of the term referred in subtitle 5.3 of this Annex plus twenty percent (*TIIE + 20%*),

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**ANNEX 4**

**PROCEDURES FOR ACCOUNTING AND  
REPORTING OF COSTS**

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**PROCEDURES FOR ACCOUNTING AND REPORTING OF COSTS**

**1. Procedures for Accounting, Reporting of Costs**

**Section I. Accounting.**

- 1.1 The purpose of these procedures for accounting and reporting of Costs is to establish the manner in which the Contractor will report and provide information on the transactions arising from the purpose of the Contract.

For purposes of this Annex 4, in addition to the definitions established in the Contract, the definitions in the applicable Guidelines issued by the Ministry of Finance in effect on the date of the award of the Contract shall be deemed to be included.

- 1.2 The Contractor shall keep its accounting records in accordance with the “Código Fiscal de la Federación” hereinafter (CFF) (Tax Code of the Federation), the related Regulations and the “Normas de Información Financiera” hereinafter (NIF) (Financial Reporting Standards) in force in Mexico; its accounting must be maintained in Spanish and amounts must be stated in the Recording Currency, in Mexican pesos, regardless of the Foreign and Reporting Currency used by the Contractor which shall be in Dollars.
- 1.3 Independently of the provisions of the Tax Code of the Federation (CFF), the Contractor shall keep its accounting, information and documentation related to the Costs in its tax residence for a period of five (5) Years after the termination of the Contract.
- 1.4 The Contractor shall record revenues that it receives from the provision of services to third parties referred to in Annex 13 or for the sale or disposal of Sub-Products in the IT system set up by the Fund.

**Section II. The Operating Account.**

- 1.5 The Costs relating to the purpose of the Contract shall be recorded in the Operating Account in the Period in which they are incurred in accordance with the accounting catalogue published by the Fund and in accordance with the provisions of subsection 1.7 of this Annex 4.

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- 1.6 The Contractor shall not duplicate Costs that have already been recorded in the Operating Account. If the Contractor participates in more than one Contract, the Contractor may only record the amounts supported and/or detailed by “Comprobante Fiscal Digital por Internet” hereinafter (CFDI) (Digital Tax Vouchers via the Internet) and/or receipts for residents abroad that correspond to the Costs actually paid for the performance of activities under this Contract.
- 1.7 The Contractor must record the Costs by category under Petroleum Activity, Petroleum Sub-activity and Task; Cost Center; Cost category and ledger account established for such purposes on the Fund’s information system in accordance with the indicative work programs and budgets presented to CNH.

With respect to the Petroleum Activities, Petroleum Sub-activities and Tasks, the following categories should be included, as applicable:

Petroleum Activity	Petroleum Sub-Activity	Task
Exploration	General	Technical and economic evaluations.
		Information gathering.
		Administration, management of activities and project expenses.
		Information review and evaluation.
	Geophysical	Seismic acquisition, 2D, 3D, 4D, multicomponent.
		Pre-processing, processing, interpretation and reprocessing of seismic data.
		Magnetometric surveys, acquisition, processing and interpretation.
		Gravimetric surveys, acquisition processing and interpretation.
	Geology	Geochemical analysis of samples.
		Stratigraphic studies.
		Hydrocarbon Analysis.
		Regional geological studies.
		Detailed geological studies.
	Drilling of Wells	Petrophysical studies.
		Preparation of areas and/or paths to access the location.
		Maritime and/or air transportation of personnel, Materials, and/or equipment.
		Support services.
		Well drilling services.
		Performance of formation tests.
		Supplies and Materials.
Well completion.		

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	Engineering of Reservoirs	Estimates of prospective resources and production estimates.
		Reservoir delimitation.
		Reservoir characterization.
	Other Engineering	Conceptual engineering.
		Surface facilities design.
		Sea bottom studies.
		Pipeline design.
	Safety, Health and Environment	Environmental impact studies.
		Fire and gas leaks prevention and detection.
		Safety audits.
		Treatment and disposal of residues.
		Environmental restoration.
		Environmental audits.

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Petroleum Activity	Petroleum Sub-Activity	Task
Appraisal	General	Technical and economic evaluations
		Development plan with basic engineering.
		Administration, management of activities and project expenses.
	Geophysical	Seismic acquisition, 2D, 3D, 4D, multicomponent.
		Pre-processing, processing, interpretation and reprocessing of seismic data.
		Magnetometric surveys, acquisition, processing and interpretation. Gravimetric surveys, acquisition processing and interpretation.
	Geology	Geochemical analysis of samples.
		Stratigraphic studies.
		Hydrocarbon Analysis.
		Regional geological studies.
		Detailed geological studies. Petrophysical studies.
	Production Tests	Well equipment.
		Performance of production tests.
	Engineering Reservoirs of	Calculation of Reserves and production estimates.
		Reservoir modelling and simulation.
		Pressure, volume and temperature studies (PVT).
		Reservoir characterization.
		Well completion design.
	Other Engineering	Conceptual engineering.
		Surface facilities design.
		Seafloor studies.
		Pipeline design.
	Drilling of Wells	Preparations of areas and/or access routes to the location.
		Maritime and/or air transportation of personnel, Materials and/or equipment.
		Support services.
		Well drilling services.
		Performance of formation tests.
		Supplies and Materials. Well completion.
	Safety, Health and Environment	Environmental impact studies.
		Fire and gas leak prevention and detection.
		Safety audits.
		Treatment and disposal of residues.
		Environmental restoration. Environmental audits.

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Petroleum Activity	Petroleum Sub-Activity	Task
Development	General	Technical and economical evaluation.
		Contract administration.
		Development Plan with detailed engineering.
		Administration, management of activities and general project expenses.
	Geophysical	Detailed seismic reinterpretation.
		Seismic data processing and reprocessing.
	Geology	Geological – petrophysical characterization of Reservoirs.
		Geochemical analysis of samples.
		Stratigraphic studies.
		Hydrocarbon analysis.
	Drilling of Wells	Petrophysical studies.
		Preparation of areas and/or Access routes to the location.
		Maritime and/or air transportation of personnel, Materials and/or equipment.
		Support services.
		Well drilling services.
	Production Tests	Supplies and Materials.
		Well completion.
		Well equipment.
	Engineering of Reservoirs.	Performance of production tests.
		Calculation of Reserves and production estimates.
		Reservoir modelling and simulation.
		Pressure, volume and temperature studies (PVT).
	Well Intervention	Characterization of reservoirs.
		Well completion design.
	Other Engineering.	Well intervention for restoration.
		Other specific Well interventions.
		Detailed engineering.
		Conceptual engineering.
	Construction of Facilities	Surface facilities design.
		Seafloor studies.
		Pipeline design.
	Safety, Health and Environment	Construction of onshore and offshore facilities.
		Pipeline construction and laying.
		Preparation of safety and environmental plan.
Fire and gas leak prevention and detection.		
Implementation and follow-up.		
Safety, Health and Environment	Environmental audit.	
	Treatment and elimination of residues.	
	Environmental restoration.	

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	Safety audits.
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Petroleum Activity	Petroleum Sub-Activity	Task
Production	General	Contract administration.
		Administration, management of activities and general project expenses.
		Maritime and/or air transportation of personnel, Materials and/or equipment.
		Support services.
	Geology	Processing and re-processing of geophysical and petrophysical information.
		Geological and petrophysical characterization of reservoirs.
		Geochemical analysis of samples.
		Petrophysical studies.
	Production Tests	Well equipment.
		Performance of production tests.
	Engineering Reservoirs of	Calculation of Reserves and production estimates.
		Reservoir modelling and simulation.
		Pressure, volume and temperature studies (PVT).
		Well completion design.
	Other Engineering	Detailed engineering for reconditioning of facilities.
	Construction of Facilities	Construction and/or adaptation of infrastructure or other facilities.
		Well Intervention
	Operation of production facilities. of	Well intervention for maintenance and rehabilitation.
		Other specific well interventions.
		Maintenance of production facilities.
	Pipelines	Production engineering.
		Operation of production facilities.
		Pipeline maintenance.
	Safety, Health and Environment	Pipeline operation.
		Updating the safety and environment plan.
		Fire and gas leak prevention and detection.
		Implementation and follow-up.
Environmental audit.		
Treatment and disposal of residues.		
Environmental restoration.		
Safety audits.		

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Petroleum Activity	Petroleum Sub-Activity	Task	
Abandonment	General	Technical and economic evaluations.	
		Contract administration.	
		Administration, management of activities and general project expenses.	
	Other Engineering	Abandonment plans.	
	Dismantling of Facilities	Execution of Abandonment of surface facilities.	
		Execution of recovery plans.	
		Execution of Abandonment plans for deep water facilities.	
		Maritime and/or air transportation of personnel, materials and/or equipment.	
		Support services.	
	Safety, Health and Environment	Environmental impact studies.	
		Fire and gas leak prevention and detection.	
		Environmental restoration.	
		Treatment and disposal of residues.	
			Safety audit.

The Costs will be identified in accordance with the Financial Reporting Standards (NIF) in force in Mexico and will be assigned first, by the Cost Center of each Well from which it originated; second, by the Cost Center of each Reservoir; third, by the Cost Center of each Field, and lastly, they will be assigned by the Cost Centers of the common infrastructure or general administration of the Contract Area in accordance with the following structure:

**Cost Center Structure**

Area	Field	Reservoir	Well
Contract Area	Field(1)	Reservoir <sub>(1,1)</sub>	Well <sub>(1,1,1)</sub>
			Well <sub>(1,1,2)</sub>
			Well <sub>(1,1,...)</sub>
			Well <sub>(1,1,f)</sub>
		Reservoir <sub>(1,2)</sub>	Well <sub>(1,2,1)</sub>
			Well <sub>(1,2,2)</sub>
			Well <sub>(1,2,...)</sub>
			Well <sub>(1,2,g)</sub>
		Reservoir <sub>(1,...)</sub>	Well <sub>(1,...,1)</sub>
			Well <sub>(1,...,2)</sub>
			Well <sub>(1,...,n)</sub>

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		Reservoir <sub>(1,b)</sub>	Well <sub>(1,...h)</sub>
			Well <sub>(1,b,1)</sub>
			Well <sub>(1,b,2)</sub>
			Well <sub>(1,b,...)</sub>
			Well <sub>(1,b,i)</sub>

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Area	Field	Reservoir	Well
Contract Area	Field <sub>(2)</sub>	Reservoir <sub>(2,1)</sub>	Well <sub>(2,1,1)</sub>
			Well <sub>(2,1,2)</sub>
			Well <sub>(2,1,...)</sub>
			Well <sub>(2,1,j)</sub>
		Reservoir <sub>(2,2)</sub>	Well <sub>(2,2,1)</sub>
			Well <sub>(2,2,2)</sub>
			Well <sub>(2,2,...)</sub>
			Well <sub>(2,2,k)</sub>
		Reservoir <sub>(2,...)</sub>	Well <sub>(2,...,1)</sub>
			Well <sub>(2,...,2)</sub>
			Well <sub>(2,...,...)</sub>
			Well <sub>(2,...,l)</sub>
	Reservoir <sub>(2,c)</sub>	Well <sub>(2,c,1)</sub>	
		Well <sub>(2,c,2)</sub>	
		Well <sub>(2,c,...)</sub>	
		Well <sub>(2,c,m)</sub>	
	Field <sub>(...)</sub>	Reservoir <sub>(...,1)</sub>	Well <sub>(...,1,1)</sub>
			Well <sub>(...,1,2)</sub>
			Well <sub>(...,1,...)</sub>
			Well <sub>(...,1,n)</sub>
		Reservoir <sub>(...,2)</sub>	Well <sub>(...,2,1)</sub>
			Well <sub>(...,2,2)</sub>
			Well <sub>(...,2,...)</sub>
			Well <sub>(...,2,o)</sub>
		Reservoir <sub>(...,...)</sub>	Well <sub>(...,...,1)</sub>
			Well <sub>(...,...,2)</sub>
			Well <sub>(...,...,...)</sub>
			Well <sub>(...,...,p)</sub>
Reservoir <sub>(...,d)</sub>		Well <sub>(...,d,1)</sub>	
		Well <sub>(...,d,2)</sub>	
		Well <sub>(...,d,...)</sub>	
		Well <sub>(...,d,q)</sub>	

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Area	Field	Reservoir	Field	
Contract Area	Field <sub>(a)</sub>	Reservoir <sub>(a,1)</sub>	Well <sub>(a,1,1)</sub>	
			Well <sub>(a,1,2)</sub>	
			Well <sub>(a,1,...)</sub>	
			Well <sub>(a,1,r)</sub>	
		Reservoir <sub>(a,2)</sub>	Well <sub>(a,2,1)</sub>	
			Well <sub>(a,2,2)</sub>	
			Well <sub>(a,2,...)</sub>	
			Well <sub>(a,2,s)</sub>	
		Reservoir <sub>(a,...)</sub>	Well <sub>(a,...,1)</sub>	
			Well <sub>(a,...,2)</sub>	
			Well <sub>(a,...,...)</sub>	
			Well <sub>(a,...,t)</sub>	
		Reservoir <sub>(a,e)</sub>	Well <sub>(a,e,1)</sub>	
			Well <sub>(a,e,2)</sub>	
			Well <sub>(a,e,...)</sub>	
			Well <sub>(a,e,u)</sub>	
	Common infrastructure in the Contract Area			
	General Administration			

The delimitation of the Field shall consider the Development Plans approved by CNH for the Contract Area.

The ledger accounts shall be grouped together by category of Costs in accordance with the classification of accounts published by the Fund for such purposes.

**Section III. Information Recording System.**

1.8 The Contractor shall have an electronic system allowing the preparation of records and the production of reports of the financial and accounting transactions so that accounting records, information and documentation related to the Operating Account all the transactions may be electronically transferred to the information system published for such purpose by the Fund. The information must meet the specifications established by the Fund, which will need to be updated according to modifications that are issued for such purpose.

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The Contractor's information system shall be designed to contain financial information related to Costs and credits, as well as production and its valuation. Additionally, the Contractor must have the ability to record other quantitative non-financial information as required for the adequate administration of the Contract.

**Section IV. Requirements for information and documentation related to the Costs.**

- 1.9 The information and documentation related to Costs shall include, as applicable:
- (a) The Digital Tax Voucher via Internet (CFDI);
  - (b) Customs licenses;
  - (c) Contracts;
  - (d) Proof of payment (transfers and/or checks). Payments in amounts in excess of \$2,000.00 M.N. (two thousand pesos) shall be made via electronic funds transfer from accounts opened in the Contractor's name at Institutions comprising the Mexican Financial System and entities authorized for such purpose by the Bank of Mexico; by nominative check drawn on the Contractor's account, or by credit, debit or service card;
  - (e) Proof of providers residing abroad, which shall comply with the requirements of the tax provisions in effect in Mexico;
  - (f) Additionally, for the Abandonment reserves:
    - i. Constitute agreement for the Abandonment Trust;
    - ii. Quarterly records of contributions to the Abandonment Trust, and
    - iii. Total estimated amount of Abandonment Costs in accordance with the Development Plan and the Financial Reporting Standard (NIF) C-18.

**Section V. Conversion of Costs paid in Foreign Currency.**

- 1.10 For the conversion of Costs in a Foreign Currency, the exchange rate of the Recording Currency against the Dollar, rounded to the nearest ten thousandth, as published by the Bank of Mexico in the "Diario Oficial de la Federación" hereinafter (DOF) (Official Gazette of the Federation) on the Business Day before the day the

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transaction was effected, shall be considered. On days when the Bank of Mexico does not publish such exchange rate, the last exchange rate published prior to the Day the transaction is effected will apply.

The Mexican peso equivalent in Foreign Currencies other than the Dollar will govern for reporting purposes shall be calculated by multiplying the exchange rate indicated in the preceding paragraph by the equivalent in Dollars of the relevant foreign currency, in accordance with the table published monthly by the Bank of Mexico during the first week of the Month immediately following the relevant Month.

All transactions in Foreign Currency shall be initially recognized in the Recording Currency using the Historical Exchange Rate, calculated by multiplying the transaction by the Exchange Rate rounded to the nearest hundredth.

**Section VI. Abandonment Reserve.**

- 1.11 Once the Development Plan has been approved by CNH, the Contractor shall create an Abandonment reserve in accordance with Financial Reporting Standard (NIF) C-18, in which the Contractor shall record the provisions and reserves for Abandonment according to the rules issued for such purpose by CNH and the Agency. For such purpose, the Contractor shall constitute the Abandonment Trust.
- 1.12 The Contractor shall establish as the purpose of the Abandonment Trust the creation of a reserve to fund Abandonment activities in the Contract Area and as provided by the terms of this Contract. The Contractor may only use funds deposited in such trust for the execution of activities relating to Abandonment, in accordance with the Development Plans approved by CNH. In each Period, the Contractor will contribute resources to such trust to fund Abandonment activities in the Contract Area as established in the Contract, and shall not be entitled to pledge, assign or otherwise dispose of these funds without prior written consent of CNH and prior notice to the Ministry of Finance.

If funds from the Abandonment account are insufficient to cover all Costs of Abandonment, the Contractor shall be responsible for covering the deficiency. The Abandonment Trust contract shall provide that in the event any amount remains in the fund after all Costs of Abandonment have been covered, such resources shall be remitted to the Contractor, prior authorization from CNH that certifies of all the Abandonment obligations as provided in this Contract and the approved Development Plans.

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**Section VIII. Of the Costs recognized for the calculation of the Adjustment Mechanism.**

- 1.13 In terms of the provisions in subtitle 4.3 of Annex 3, those Costs strictly indispensable for the conduction of the Petroleum Activities incurred from the Effective Date and until the termination of the Contract will be recognized, as long as they meet the requirements set forth in Annexes 4, 10 and 11, and in the guidelines issued for such purpose by the Ministry of Finance valid during the date of award of the Contract, including:
- (a) The payments for tariffs in which the Contractor incurs for the use of share infrastructure referred to in Annex 13, as long as it does not exceed the maximum tariff determined in terms of the aforementioned Annex 13.
  - (b) The additional Costs incurred by the Contractor to provide services to third parties in terms of Annex 13.
  - (c) The additional Costs incurred by the Contractor, required for the sale and disposition of Sub-Products, and
  - (d) The payments for concept of insurance premiums that are required by the Agency.
- 1.14 In terms of subtitle 4.3 of Annex 3, those Costs that area not strictly indispensable or that are not inherent to the object of the Contract will not be recognized, as well as: those that do not comply with Annexes 4, 10 or 11 and with the guidelines issued for such purposes by the Ministry of Finance valid at the date of award of the Contract; those that are executed before the Effective Date, after the Measurement Point; those corresponding to the activities not included in the Exploration, Appraisal or Development Plans Approved by CNH; those that do not have the corresponding documental support in case of verification or that have not been registered in the Operative Account. In addition, the following Costs will not be considered:
- (a) The financial Costs;
  - (b) The Costs incurred by negligence or fraudulent conduct, willful misconduct, bad faith or guilt of the Contractor, its Subcontractors or their respective Affiliates;
  - (c) Any donation or gift;

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- (d) The Costs per servitudes, rights of way, temporary or permanent occupations, leasing or acquisition of land, indemnifications and any other analogous item arising under the provisions of article 27 and Chapter IV of Title IV of the Hydrocarbons Law;
- (e) The Costs incurred for any type of legal services and advice, except those that derive from studies approved in the Exploration, Appraisal and Development Plans;
- (f) The Costs incurred by breach, whether directly or indirectly of the Contract, in terms of the Industry Best Practices and experience, or the Applicable Laws;
- (g) Costs arising from a breach of the Applicable Laws and Industry Best Practices, including those related to risk management;
- (h) Costs related to training activities and programs which are not indispensable for the efficient operation of the project, and which are not implemented generally;
- (i) Any Cost related to long-term incentive plans for the Contractor's personnel;
- (j) Costs derived from breach of the conditions of guarantees of acquired goods and services, as well as those which result from the acquisition of property that is not warranted by the manufacturer or its representative with respect to manufacturing defect in accordance with generally accepted practices in the petroleum industry;
- (k) Costs incurred in the use of the Contractor's own technologies, except those for which there is information, documentation and/or evidence to demonstrate that, for the purposes of transactions entered into with related parties residing in national territory or abroad, that were determined using the prices and amounts of considerations that would have been used with or between independent parties in comparable transactions;
- (l) Amounts reported as provisions and reserves of funds, except those for the Abandonment of the facilities in accordance with the Financial Reporting Standard (NIF) C-18;
- (m) Costs associated with the Abandonment activities in accordance with the Development plan which are funded by the reserve constituted in the Abandonment Trust;

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- (n) Legal Costs incurred in any arbitration, conciliation or dispute that involves the Contractor, its contractors or sub-contractors;
- (o) Commissions paid to brokers, agents or commission agents;
- (p) Any consideration, Cost or expense corresponding to other contract;
- (q) Costs which exceed benchmarks or Market Prices according to what is stated in subsection 1.15 and 1.16 of this Annex and 1.6 of Annex 10;
- (r) Costs pertaining to categories or activities not included in the indicative budget presented to CNH, or those in excess of the Costs, which having been contemplated in the current budget: (i) increase the total budget by more than five per cent (5%) of the current amount approved by CNH, or (ii) increase the budget contemplated for the item or activity under the catalogue of accounts by more than ten percent (10%) of the budget for such item or activity and presented as part of the indicative budget to CNH;
- (s) The Costs related to the marketing or transportation to Crude Oil, Natural Gas and Condensates and/or their delivery beyond the Measurement Points;
- (t) Fines or financial penalties incurred for breach of legal or contractual obligations;
- (u) Costs related to the employment of an independent expert for the purpose of resolving legal disputes;
- (v) Any retention associated with taxes relating to the Contractor's employees, as well as the payment of employee participation in corporate profits;
- (w) Decreases in the value of assets not used in the oil industry;
- (x) Any Cost related to public relations and/or Costs and expenses relating to the representation of the Contractor and its related parties, including lobbying, promotion and understanding;
- (y) Any Cost related to activities arising from emergency situations that require immediate action and have not been subsequently authorized by CNH or the Agency;
- (z) Payments for insurance premiums that are not authorized by the Agency, and

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(aa) Tax Obligations paid by the Contractor, except for the Exploration and Extraction of Hydrocarbons Activities Tax.

**Section IX. Transactions with related parties.**

- 1.15 The Contractor will be deemed to conduct transactions with Related Parties residing abroad or in the country, when it falls within the circumstances established in articles 90, last paragraph, and 179, fifth paragraph, of the Income Tax Law. For these purposes, in the transactions conducted, the Contractor will be required to determine its income and Costs, entered into by Related Parties, considering the prices and amount of consideration that would have been used with or between independent parties in comparable transactions on the terms, methods and conditions set forth in the referenced law.
- 1.16 The Contractor that conducts transactions with Related Parties shall demonstrate that those transactions were agreed to at market prices. To prove that the transaction was agreed to at market prices, the Contractor shall make use of the methods established in this Annex 4 and Annex 10 and described in the guidelines on Transfer Pricing for Multinational Enterprises and Tax Administrations, adopted by the Council of the Organization for Economic Cooperation and Development in 1995 or any substitute guidelines.

**Section X. Inventories.**

- 1.17 The Contractor shall keep a record of all Materials indicating their specification, value and location and will not be able to transfer the property of any Material without written approval from CNH. The Contractor may not transfer any Material without the written consent of CNH. The Contractor shall provide a quarterly report of its record of inventories containing: (i) a description and the codes of all Materials; (ii) the amount charged to the accounts for each Material, and (iii) the Month in which each Material was charged to the accounts. Any revenues derived from the disposal of any Material shall be credited to the Operating Account.

**Section XI. Reports.**

- 1.18 All reports the Contractor is required to make relating to transactions constituting Costs, shall be submitted through the information system made available by the Fund and signed using an Advanced Electronic Signature (FIEL). The Fund shall provide

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and announce the mechanisms to receive such reports in cases where the Contractor is not able to file or sign them for reasons of Force Majeure.

- 1.19 The Contractor shall record production volumes according to the provisions of the Contract, and such volumes will be validated with the information submitted to CNH through the information system established for such purposes by the Fund.
- 1.20 The Contractor shall submit, the information it is required to report on a monthly basis, through the electronic system established by the Fund.
- 1.21 If the Contractor changes residence, as provided in the Contract, it must inform CNH and the Fund of the new tax domicile for hearing and receiving Notice within a period no greater than five (5) Business Days after the approval of the change of residence by the Tax Administration Service.

**2. External Audits**

- 2.1 The Contractor's financial statements shall be audited annually, by an independent external auditor, pursuant to the Tax Code of the Federation and its Regulations in force.
- 2.2 The external independent auditor shall deliver the following information to the Ministry of Finance via the information system provided for such purpose by the Fund:
  - (a) Written report prepared by the external independent auditor.
  - (b) Financial statements:
    - (i) Statement of financial condition;
    - (ii) Statement of results;
    - (iii) Statement of changes in shareholder's equity, and
    - (iv) Statement of cash flows.
  - (c) Notes to the Financial Statements;
  - (d) If there are transactions with Related Parties, the transfer pricing study;
  - (e) Letter of recommendations to the Contractor regarding internal control pursuant to international accounting practices, and

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- (f) The Contractor's response regarding actions to be implemented as a result of the internal control recommendations proposed by the external independent auditor.

Such information shall be delivered no later than July 15 of the tax year following the tax year for which the financial statements are audited.

- 2.3 Any adjustment resulting from the independent audit shall be immediately recorded in the Operating Account. Furthermore, such adjustment shall be reported to the Ministry of Finance, together with the information referenced in subsection 2.2 of this Annex 4.

**3. Verification**

- 3.1 The Ministry of Finance will verify that the Contractor complies with the accounting and financial aspects regarding the State Considerations provided in Annexes 4, 10 and 11, by performing:

- (a) Audits, and
- (b) Visits.

The verification work will be performed with respect to the Operating Account and the State Considerations, as well as the originals of the supporting documents related to the Operating Account in the course of any Year or part thereof.

**Section I. Audits**

- 3.2 The Ministry of Finance may perform audits consisting of requests for information from the Contractor. For such purpose, the Contractor will be notified of any such request, which notice must contain at least the following:

- (a) Objective or purpose of the information request;
- (b) Description of the required information;
- (c) Period for delivery of the information, which may not be less than five nor more than fifteen (15) Business Days, both as of the effective date of the notice of the request;

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- (d) Format for the delivery of the information, and
- (e) Address where the required information and documentation should be delivered, or if applicable, the medium or information system for its transmission.

Upon the written request of the Contractor, the period for submitting the required information may be extended only once, but in no case may the extension exceed one-half of the period originally granted.

- 3.3. Based upon the analysis and review of the information submitted by the Contractor pursuant to the preceding subsection, the Ministry of Finance may make requests for additional information in compliance with the requirements set forth therein.
- 3.4. When the Ministry of Finance determines that the information received must be verified at the location where the activities under the Contract are conducted or at the location considered its tax residence, the Ministry of Finance shall notify the Contractor of a visitation order pursuant to this Annex 4.
- 3.5. After having analyzed and reviewed the information received, together with other information it may have, if applicable, the Ministry of Finance will provide the Contractor with notice of the partial report of completion of audit in accordance with subsection 3.19 of this Annex 4, and will proceed pursuant to subsections 3.20 to 3.24 of this Annex 4.
- 3.6. The Ministry of Finance may, at any time, instruct that audits be performed by the Tax Administration Service or the external auditors or inspectors.

**Section II. Visits.**

- 3.7. To visit the Contractor, the Ministry of Finance will issue and provide notice of a visitation order, which shall indicate at least:
  - (a) Its objective or purpose;
  - (b) The location or locations where it shall be made. The Contractor must be notified in writing of any increase in the locations to be visited within a period no greater than five (5) Business Days before the end of the visit;
  - (c) The time scheduled for conducting the visit, and

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- (d) The name of the Person or Persons that will conduct the visit, which may be substituted, increased or reduced in number at any time by the Ministry of Finance. The Contractor will be notified of any replacement or of increase in Persons conducting the visit.

- 3.8 Minutes of the Commencement of the visit will be drawn up to record the commencement of the visit. For this purpose, the legal representative or the Person arranging the visit will designate two witnesses and, if these witnesses are not designated or the designees do not agree to serve as such, the visitor or visitors will designate them as such, without this circumstance invalidating the results of the visit.

The Visitors must be credited as personnel designated to conduct visits upon arriving at the location or locations where the visit will be conducted, before the Person designated by the Contractor to receive notices and attend the visit.

- 3.9 The visit may encompass, but shall not be limited to, the review of all types of records, books, documents, papers, files, data, bank statements, whether in physical or electronic form, discs, tapes, or any other actionable data storage medium related to the purpose of the visit. It may also include inspection or verification of goods and merchandise, as well as interviews with the Contractor's personnel, all relating to the purpose of the visit.

In the course of the visit, the Contractor and its personnel will be obligated to provide the visitors with assistance and logistical support without any charge, and shall allow them access to the facilities, as well as make available the accounting and other physical and electronic documents that are the object of the visit and relate to compliance with the contractual provisions and guidelines issued for such purpose by the Ministry of Finance in effect on the date of award of the Contract and other Applicable Laws.

- 3.10 The visits may be conducted at any location where activities that are the object of the Contract are conducted, or at the location considered its tax residence, indistinctly.
- 3.11 The scheduled time for the visit may be extended only once by determination of the Ministry of Finance or by written request by the Contractor, with the extension not to exceed one-half of the original period, and must comply with the provisions of subsection 3.16 of this Annex 4.

The Ministry of Finance shall notify the Contractor of the extension of the period at least five (5) Business Days before the end of the original period. If the request is

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made by the Contractor, the request shall be submitted at least ten (10) Business Days before the end of the original deadline.

- 3.12 The Visitors designated by the Ministry of Finance may require copies from the Contractor so that, after comparison with their originals, they may be certified by the Visitors and attached to the Partial and Final Completion Reports that are issued.
- 3.13 The Ministry of Finance may make visits directly, as well as through the Tax Administration Service or through third parties hired for this purpose, as well as with the support of CNH, who shall at all times be subject to the terms of the Contract, its Annexes and the guidelines issued by the Ministry of Finance in effect on the date it was awarded.
- 3.14 After completion of the visit, the Ministry of Finance will provide the Contractor with notice of the Partial Report of Completion pursuant to Section VI of this Annex 4 and will proceed pursuant to subsections 3.19 to 3.23 of this Annex 4.

Prior to the issuance of the Partial Completion Report, the Ministry of Finance may require additional information from the Contractor, in compliance with the provisions of subsection 3.2 of this Annex 4.

- 3.15 Regardless of the Contractor's obligations, when the Contractor changes its residence from the place where the visit is being conducted, it shall provide a written motion to the Ministry of Finance notifying it of such situation.

**Section III. Provisions common to audits and visits.**

- 3.16 The verification work will have a maximum duration of twenty-four (24) Months following the date of notification of the first information request or of the visitation order.
- 3.17 In the event that no irregularities are detected during the verification work, the Ministry of Finance will issue a resolution of closure and make the Contractor aware of the same.
- 3.18 Partial Completion Report. If inconsistencies are found as a result of the verification work, the Ministry of Finance shall give the Contractor notice of the Partial Completion Report.

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- 3.19 Response to Partial Completion Report. The Contractor shall submit in writing a response and clarification of the findings indicated in the Partial Completion Report to the Ministry of Finance, attaching sufficient and complete evidence, within a period no greater than fifteen (15) Business Days, from the effective date of the notice.

At the express request of the Contractor, the period established in the preceding paragraph may be extended only once for up to eight (8) more Business Days.

The acts or omissions set forth in the above-mentioned Partial Completion Report will be deemed consented to if the Contractor does not submit supporting documentation to refute those acts or omissions within the period indicated above.

- 3.20 Completion Report. Once the information indicated in the preceding subsection is analyzed, the Ministry of Finance will provide the Contractor with the Completion Report which will indicate the findings, irregularities and conclusions that have not been clarified within the period granted in the Partial Completion Report.

The Completion Report shall:

- (a) Be issued within a period no greater than twenty (20) Business Days after the response and clarification by the Contractor of the findings indicated in the Partial Completion Report;
  - (b) Comply with International Standards on Auditing;
  - (c) Describe in detail the irregularities detected and the conclusions reached, and
  - (d) Be signed by the authorized public official.
- 3.21 If in the judgment of the Ministry of Finance, the Contractor has clarified or remedied all inconsistencies and conclusions detected in the Partial Completion Report, it shall issue and notify the Contractor of a resolution of closure.
- 3.22 In the event that the Completion Report determines irregularities, the Contractor shall have a period of fifteen (15) Business Days after notice to remedy such irregularities, for which the Contractor must deliver documentation proving conclusively that they have been cured.

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Upon written request of the Contractor, the period specified in the preceding paragraph may be extended only once for up to eight (8) Business Days.

- 3.23 Final Verification Resolution. The Ministry of Finance will assess the documentation submitted by the Contractor in response to the Completion Report and, if the irregularities detected have been remedied, will issue a resolution of closure and notify the Contractor thereof.

If in the judgment of the Ministry of Finance the irregularities were not remedied, it will issue the Final Verification Resolution, complying for such purpose with the requirements specified in subparagraphs (a) to (d) of subsection 3.20 of this Annex 4.

The Ministry of Finance will indicate in the Final Verification Resolution any adjustment that should be made to the State Considerations in terms of subtitle 6.4 of Annex 3, as well as the other effects and consequences that arise in accordance with the Contract and the Applicable Laws.

- 3.24 Any adjustment resulting from the Partial Completion and Final Verification Resolutions shall be recorded immediately in the Operating Account.
- 3.25 Disputes arising by reason of the provisions of this Chapter shall be resolved pursuant to the provisions of the Contract or the Applicable Laws.
- 3.26 In addition to the information and documentation requirements that the Contractor must comply with, in accordance with Annexes 3, 4, 10 and 11, the Ministry of Finance may request documentation that, in each particular case, must be preserved in accordance with the laws, regulations and tax provisions in effect as of the date the transaction was conducted.
- 3.27 The Ministry of Finance will establish a committee for evaluation and follow-up of the verification work.

#### **Section IV. Requests for information to third parties and related parties**

- 3.28 The Ministry of Finance at any time may require third parties and related parties to the Contractor to submit documentation and information relating to their operations with the Contractor or relating to the activities performed by it under this Contract, for the purposes of complementing, supporting, and enhancing the verification work with which it is charged.

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The information requirements referenced in the preceding paragraph shall be subject, in relevant part, to the provisions of subsections 3.2 and 3.3 of this Annex 4.

### Section V. Requirements from the Tax Administration Service.

- 3.29 The Tax Administration Service may request the Fund to submit all the information provided by the Contractor in the IT system made available by the Fund, with the purposes of verifying the Contractor compliance regarding its tax obligations.

### Section VI. Notices

- 3.30 The legal representative of the Contractor, Related Party or Third Party, will be considered authorized to receive notices and to attend the audits, visits and requests for information pursuant to this Annex 4.

The Contractor shall register its legal representative(s) with the Fund, which representatives may be freely removed, without prejudice to the fact that for purposes of this Annex 4 and the Contract, they will be deemed removed so long as notice is provided to the Fund within a period not to exceed five (5) Business Days from the date the removal or granting of power is formalized. The removal will be effective from the Day following receipt of notice.

- 3.31 Notices will be effective on the Day they are performed. The periods specified in this Chapter shall start running on the Day after the notice becomes effective.
- 3.32 If the legal representative of the interested party is not present when the person arrives to deliver the notice at the tax domicile or the location where it conducts its activities, a summons will be left with the Person who is present at that time at such domicile.
- 3.33 If the legal representative does not answer the summons, notice may be delivered to the Person who is present at the time at the tax domicile or the place where the activities are conducted.
- 3.34 The Ministry of Finance may decide to deliver notices to the Contractor at the e-mail address designated for such purpose, or through information systems it may establish or determine.

For this purpose, the Ministry of Finance shall notify the Contractor in writing, at least ten (10) Business Days in advance, of its decision to initiate the notices referred

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to in this Chapter by the electronic systems indicated in the preceding paragraph, informing it of any necessary technical and operational requirements and other provisions that will apply.

#### Section VII. The verification work.

- 3.35 To perform the verification work by it for such purpose, referenced in this Chapter, the Ministry of Finance, and the personnel designated, shall adhere to the International Standards on Auditing, this Contract and its Annexes, and the applicable procedures, in addition to complying with the following:
- (a) Preserve their independence to perform any verification work with the objective of being free of any impediments to issuing its opinion without being affected by influences that compromise professional judgment, permitting it to act with integrity, objectivity and professionalism; avoiding facts and circumstances that compromise its opinion such as personal relationships, economic or other interests, as well as any conflict of interest;
  - (b) Have the necessary technical knowledge and professional capability for the particular case;
  - (c) Submit to a training and self-evaluation program for continual improvement of their work, and
  - (d) Treat as confidential the data, reports, documents and other information of the Contractor, Related Party, or Third Party that they receive or discover.

#### Section VIII. Sanctions.

- 3.36 In case the Contractor fails to comply with the payment procedures for the Considerations established in Annexes 3, 4 and 11, the Ministry of Finance shall make the corresponding adjustments applying, in such case, the penalties established in Annex 3.
- 3.37 In case that the Ministry of Finance identifies that during the registry of operations with related and/or third parties, the Contractor fails to comply with the information requirements established in the Contract, it will inform the Tax Administration Service for the applicable effects.

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**ANNEX 5**

**MINIMUM WORK PROGRAM**

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**Minimum Work Program**

1. The Minimum Work Program, the Minimum Program Increase, and, in such case, the additional commitments acquired during the First Additional Exploration Period or Second Additional Exploration Period shall be expressed in Work Units.
2. The Work Unit amount committed as part of the Minimum Work Program is defined in the following table. Such Work Units shall be executed during the Initial Exploration Period:

Contract Area No.	Basin	Work Units (number)
1	Perdido Area Blocks	4,293
2		4,986
3		3,374
4		3,611
1	Saline Basin Blocks	4,241
2		5,414
3		17,701
4		13,059
5		14,131
6		14,293

3. The Work Unit amount committed as part of the Minimum Program Increase is defined in the following table. Such Work Units shall be executed during the Initial Exploration Period, in case that, as a result of the Bidding Procedure, the Contractor committed to perform an exploratory Well as part of its economic proposal:

**Value of the exploratory Well in each Contract Area**

Contract Area No.	Basin	Value of an exploratory Well in Work Units (number)
1	Perdido Area Blocks	66,000
2		82,000
3		44,000

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4		44,000
1	Saline Basin Blocks	55,000
2		55,000
3		46,000
4		46,000
5		44,000
6		44,000

4. Compliance with the Minimum Work Program, the Minimum Program Increase and, in such case, the additional commitments shall be evaluated in terms of the execution of Exploration activities within the Contract Area, in terms of its value in Work Units, regardless of the Costs incurred in its performance.
  
5. For the purpose of the penalties for breach on the Minimum Work Programs, the Minimum Program Increase, and, in such case, the additional commitments acquired for the First Additional Exploration Period, or the Second Additional Exploration Period, the reference value per Work Unit not performed will be indexed to the Hydrocarbon price in terms of the following table:

**Reference Value per Work Unit**

[]

6. The amounts of the Corporate Guarantee shall be calculated as the result of multiplying the reference value per Work Unit defined in this Annex 5, applicable at the date of award of this Contract, by seventy five percent (75%) of the number of Work Units corresponding to the Minimum Work Program and the Minimum Program Increase not performed during the Initial Appraisal Period, and the additional work commitment for the Contractor for the additional Exploration periods, in terms of Article 17.1.
  
7. In order to credit performance of the Minimum Program, the Minimum Program Increase and, if applicable, the additional commitments, the Contractor shall carry out the Exploration Plan activities, including the drilling, studies and seismic activities.

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7.1 The Contractor may accumulate Work Units per drilled exploratory Well, provided as follows:

**Work Units per exploratory Well by depth**

Drilling depth (mbsl)	Water Depth (meters)			
	500-1,000	>1,000-2,000	>2,000-3,000	> 3,000
1,000	34,000	36,000	38,000	45,000
1,500	37,000	42,000	44,000	52,000
2,000	41,000	44,000	46,000	56,000
2,500	44,000	46,000	48,000	62,000
3,000	47,000	50,000	52,000	68,000
3,500	50,000	55,000	57,000	76,000
4,000	55,500	58,000	60,000	82,000
4,500	60,000	64,000	66,000	90,000
5,000	67,000	71,000	73,000	100,000
5,500	82,500	96,000	98,000	113,000
6,000	93,500	108,000	123,000	130,000
6,500	107,000	123,000	148,000	170,000
7,000	123,500	142,000	173,000	188,000
7,500	134,000	154,000	198,000	213,000
8,000	146,000	168,000	223,000	243,000
8,500	159,500	183,000	248,000	263,000
9,000	163,000	196,000	273,000	288,000
9,500	173,000	209,700	298,000	313,000
10,000	183,000	223,400	323,000	338,000
10,500	193,500	237,100	352,000	367,000
11,000	203,000	250,800	381,000	396,000
>11,000	214,000	264,500	410,000	425,000

Note: mbsl, meters below the sea level.

7.1.1 Drilled Wells will be credited in exploratory Wells drilled by the Contractors within the framework of the Contract.

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- 7.1.2 The depth of the exploratory Wells shall be measured in meters below the sea level, rounded up until the next full meter.
  - 7.1.3 If the depth of such Well does not correspond to a quantity expressed in the table above, the Work Units shall be determined by linear interpolation based on such table.
- 7.2 The Contractor may credit Work Units for the activities related to seismic and exploratory studies, provided as follows:

**Work Units for seismic and exploratory studies**

Activity	Units	Work Units (number)
Reprocessing of existing NAz 3D seismic	By km <sup>2</sup>	0.70
Reprocessing of existing WAz 3D seismic	By km <sup>2</sup>	1.25
Acquisition and processing of NAz 3D seismic	By km <sup>2</sup>	2.50
Acquisition and processing of WAz 3D seismic	By km <sup>2</sup>	5.00
Seismic interpretation <sup>3</sup>	By contract area	250
Generation of AVO seismic attributes and seismic Investment <sup>4</sup>	By contract area	200
Synthetic seismograms <sup>5</sup>	By contract area	180

<sup>3</sup> Including at least interpretation and generation of structural configurations of the main stratigraphic intervals of interest (seabed, summit and allochthonous salt base, Miocene, Eocene, Oligocene, Cretaceous). Coverage of the total surface with seismic coverage of the contract area.

<sup>4</sup> Including at least seismic inversion where there exist coverage with the necessary quality, preferably pre-stacked inversion. Coverage of the total surface with seismic coverage of the contract area.

<sup>5</sup> Collection of synthetic seismogram from the available well information. Including: 1) edition of records for synthetics generation; 2) generation of pseudo sonic and density records in case there are not real data from wells; 3) synthetics generations for every available wells used for seismic calibration; 4) polarity determination and phase for every survey, and 5) frequency and thickness adjustment in intervals of interest.

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Physic rock models <sup>6</sup>	By contract area	235
Velocity models <sup>7</sup>	By contract area	50
Regional geological studies <sup>8</sup>	By contract area	200
Prospective resources appraisal <sup>9</sup>	By contract area	150

- 7.2.1 Only the studies corresponding to exploratory Wells drilled by the Contractor within this Contract.
- 7.2.2 Crediting of such studies will be subject to the delivery of the information to CNH.
- 7.2.3 Acquisition, reprocessing and seismic interpretation will only be accepted if they are limited to the Contract Area.
- 7.2.4 The square kilometers credited by the acquisition of 3D seismic shall not exceed 200% of the surface of the Contract Area.
- 7.2.5 Crediting of such activities will be subject to the delivery of information related to CNH.
- 7.2.6 The Contractor may corroborate compliance of the acquisition and reprocessing of seismic activities with data derived from authorizations for Surface Reconnaissance and Exploration.

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<sup>6</sup> Petro physical property model construction of possible reservoir rocks. Including: 1) fluid substitution to determine its effect on possible reservoir intervals (brine, oil, gas); 2) theoretical response estimation with AVO attributes for rocks filled with brine, oil and gas; generation of synthetic gathers; and 3) determination of the AVO class for the detection of hydrocarbons from the results of the modelling.

<sup>7</sup> Velocity model generation for the contract area, incorporating well and velocity data in the conversion of time-depth. Velocity volume for the entirety of the contract area with 3D seismic coverage.

<sup>8</sup> Including: 1) integrated basin analysis studies (subsidence history, thermal maturity, seismic-stratigraphic interpretation, etc); and 2) regional correlation sections.

<sup>9</sup> Play and prospect evaluation. Including: 1) Prospect prioritization and identification; 2) Probabilistic analysis, Pg and economic analysis estimation; y 3) Prospective resource estimation in the contract area (including the evaluation process and the possible exploratory leads identified as non-commercial).

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**ANNEX 6**

**MINIMUM SCOPE OF THE APPRAISAL  
ACTIVITIES**

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**Minimum Scope of the Appraisal Activities**

Any Appraisal Plan shall contain and develop at least the following items:

1. Maps and coordinates of the area of the prospect that will be appraised.
2. A report of the studies and activities conducted that lead to a Discovery.
3. A report of the nature of the Discovery and its estimated size.
4. A plan of Appraisal activities including drilling, testing and Appraisal, as well as technical, economic, social and environmental studies to be conducted in order to determine recovery factors, as well as the Hydrocarbon processing and transportation requirements of the Discovery.
5. Estimated quantity and possible location of the Appraisal Wells to be drilled.
6. Preliminary drilling programs for the Appraisal Wells.
7. A detailed estimate of the Costs of conducting the Appraisal activities.
8. Proposal for the duration of the Appraisal Period.
9. Safety and environmental protection measures.
10. Schedule for performance of the Appraisal activities.
11. A chapter containing the applicable periods and stages to guarantee that the goal for the minimum percentage of national content indicated in Article 19.3 will be achieved and a chapter containing a technology transfer program. Such chapters will be considered obligations of the Contractor and an integral part of the Contract.

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**ANNEX 7**

**APPRAISAL REPORT**

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**Appraisal Report**

The Appraisal Report shall include at a minimum the following information:

1. A report describing all Surface Reconnaissance and Exploration, Exploration and Appraisal activities carried out by the Contractor in the Contract Area during the Exploration Period, including the Appraisal Periods;
2. The technical data, maps and reports relating to the Contract Area, including, without limitation: topographical, geological, geophysical and information on analysis of the subsoil; the density of potential production areas; the depths of the various contact points for gases and/or fluids; the petro physical properties of the rocks in the reservoir; an analysis of the data relating to pressure-volume-temperature (PVT) of the fluids and gases in the reservoir; the characteristics and pertinent analysis of the Crude Oil discovered, and the depth, pressure and other characteristics of the reservoir and the fluids found therein;
3. An estimate of the Hydrocarbons found at the site and of the ultimate recovery from the reservoir;
4. A forecast of the maximum efficient rate of production of each individual Well, as indicated in Article 8.1;
5. A study of the feasibility of development of the Appraisal Area, which shall contain an economic analysis based on reasonable forecasts, on a Year-by-Year basis, of the production profiles, required investments, revenues and operating Costs;
6. Any opinion provided by experts responsible for conducting operational, technical and economic studies related to the Discovery;
7. Any other fact considered relevant by the Contractor and the conclusions resulting from such fact, and
8. General conclusions and discussion of the reasoning behind them, including any conclusion regarding any Discovery that may be considered a Commercial Discovery.

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**ANNEX 8**

**MINIMUM CONTENT OF THE DEVELOPMENT  
PLAN**

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**Minimum Content of the Development Plan**

The Development Plan shall be prepared in accordance with the Applicable Laws and shall contain at least the following:

1. Description of the Commercial Discovery to be developed.
  - (a) General description;
  - (b) Delimitation of the Field;
  - (c) Description of the area in which it is located, and
  - (d) Description of the formations containing the Hydrocarbons.
2. Information on Reserves and Production.
  - (a) Estimate of the volumes *in situ*, proven, probable and possible Reserves with respect to each reservoir in the relevant Field (determined in each case on the basis of the life of the reservoir without taking into account the duration of the Development Period). The information shall be broken down by Petroleum, Condensates and Natural Gas. If applicable, an estimate of potential resources shall be included;
  - (b) Estimate of production profile for each reservoir which is expected to be delivered at the Measurement Point each Year during the Development Period. The information shall be broken down by proven, probable and possible Reserves;
  - (c) Explanation of how the production profile of the proven Reserve permits achievement of the commercial potential of such Reserve as efficiently as possible, taking into account alternative development schemes that were considered or rejected, and
  - (d) Estimated date for commencement of Regular Commercial Production.
3. Description of the Proposed Activities.
  - (a) A description of the focus of proposed development including the following:

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- (i) General description of expected activities for the relevant Development Period;
  - (ii) General description of the Materials to be constructed or employed in connection with the relevant Development Plan, including a description of the Gathering Facilities and in such case those in which the shared use of facilities is contemplated according with Annex 13;
  - (iii) General description of required Commercialization Facilities;
  - (iv) Description of the development and management policy for the reservoir;
  - (v) The Measurement System and Measurement Points that the Contractor proposes to use;
  - (vi) The proposed location and drilling and completion techniques of Wells; and
  - (vii) Expected actions for Abandonment of the facilities to be used during the Development Period, including the total estimated Cost the Contractor expects with respect to Abandonment activities.
- (b) Principal characteristics of the proposed works, services and Materials and of the probable additional works, services and Materials to be performed or purchased depending on the results of the initial work, services and Materials, including those which are necessary to condition Hydrocarbons into acceptable marketing conditions as for the contents of sulfur, water and other elements according to the Applicable Laws and the Industry Best Practice.
  - (c) Alternative approaches to development considered and the reasons for selection of the proposed approach.
  - (d) Schedule for works, services and supply or construction of Materials including the tentative schedule for construction or purchase of major facilities and timetable for reaching commercial production rates.
  - (e) If the Commercial Development extends beyond the Contract Area, a proposal for the program of the unified development for the Fields.

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- (f) In case that shared use of facilities is foreseen, a proposal for the corresponding agreement, according to Annex 13 and the Applicable Laws.
4. Budget and Economics.
- (a) An estimate of the Costs for each Year. Such estimate shall be made in each case of proved, probable and possible Reserves. This estimates shall be presented in constant Dollars and without an adjustment for expected inflation;
- (b) Any proposed arrangement to share facilities or Costs, or to mix and redistribute production, with Persons outside of the Contract Area, and
- (c) Expected schedule for return of the Contract Area or any part thereof.
5. Management System. The Management System shall contain the following items at a minimum:
- (a) A description of the measures and actions for prevention, monitoring and mitigation of the identified, analyzed and evaluated risks, as well as improvement of the performance of a facility, or group of facilities, including emergency and contingency plans to be implemented in accordance with Industry Best Practices, and
- (b) Other considerations determined by the Agency in accordance with Applicable Laws.
6. Subcontracting. A reasonably detailed description of the works, services and Materials to be carried out by Subcontractors, as well as the focus of the development related thereto, including a program for the selection and contracting of Subcontractors.
7. Additional Information. The Contractor shall include in the proposed Development Plan any other information it considers to be necessary for a complete evaluation of the Development Plan, including the information requested by CNH.
8. Additional Information for Modifications of the Development Plan. If the Contractor wishes to make changes to the Development Plan, the Contractor shall submit:
- (a) Detailed reasons for the proposed modification;

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- (b) A discussion of activities that have been conducted under the original Development Plan or its most recent modification, as the case may be, and
- (c) All information set forth in this Annex 8 (or, if applicable, only such information as is being modified).

In the event that CNH does not approve the modifications to the Development Plan proposed by the Contractor, the Contractor shall implement the previously approved Development Plan.

- 9. National Content and Transfer of Technology. The Contractor shall include a chapter in its proposed Development Plan containing the applicable periods and stages to ensure achievement of the national content goal set forth in Article 19.3. In addition, the Contractor shall include a chapter containing a transfer of technology program. Such chapters shall be considered a commitment by the Contractor and an integral part of the Contract.
- 10. Geological, geophysical and engineering information considered. The Contractor shall make available to CNH the supporting information it used for the proposed Development Plan. Such information shall be kept throughout the duration of the Contract.

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**ANNEX 9**

**FORM OF PERFORMANCE GUARANTEE**

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**Form of Performance Guarantee**

Date:

Irrevocable Standby Letter of Credit No: \_\_\_\_\_

From: [Name of Issuing Bank] (the “ISSUING/CONFIRMING BANK”)

By request and on account of [NAME OF ISSUING/CONFIRMING BANK CUSTOMER], we hereby issue this Irrevocable Standby Letter of Credit number \_\_\_\_\_ (the “Letter of Credit”) in favor of the National Hydrocarbons Commission (the “BENEFICIARY”) up to the amount of USD\$ \_\_\_\_\_ (\_\_\_\_\_ million Dollars), available on demand at the desks of the ISSUING/CONFIRMING BANK.

The BENEFICIARY may make one or more drawings under this Letter of Credit (each a “Drawing”) against a written payment demand that states the amount requested and that:

(a) (i) There has been a default by the Contractor (as such term is defined in the Contract) of the Minimum Work Program, Minimum Program Increase, or the applicable additional work commitment for the Exploration Period under the License Contract for Exploration and Extraction of Hydrocarbons dated \_\_\_\_\_, between the National Hydrocarbons Commission of Mexico and [XYZ] (the “Contract”), and (ii) the BENEFICIARY is entitled in accordance with the Contract to make a Drawing under the Letter of Credit for the amount requested to be paid, or

(b) (i) The BENEFICIARY has received a notice pursuant to the following paragraph of this Letter of Credit to the effect that the ISSUING/CONFIRMING BANK has decided not to extend the Expiration Date of this Letter of Credit for an additional period of one (1) year, and (ii) the Contractor (pursuant to the definition of such term in the Contract) did not provide a substitute letter of credit, in form and substance acceptable to the BENEFICIARY, no later than thirty (30) Days prior to the Expiration Date, issued by a bank acceptable to the BENEFICIARY, it being understood that in such case the BENEFICIARY will be entitled to draw the total amount available under this Letter of Credit.

This Letter of Credit shall expire on \_\_\_\_\_ (the “Expiration Date”), it being understood that such date shall be automatically extended as indicated in International

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Practices for Letters of Credit - ISP98, ICC publication 590. This Letter of Credit shall be automatically extended for additional periods of one Year following the Expiration Date and each subsequent expiration date, unless the ISSUING/CONFIRMING BANK notifies the BENEFICIARY at least thirty (30) calendar Days before the Expiration Date, by written notice delivered by hand with acknowledgement of receipt requested, that the ISSUING/CONFIRMING BANK has decided not to renew this Letter of Credit for such period.

The ISSUING/CONFIRMING BANK agrees that any Drawing by the BENEFICIARY satisfying the terms and conditions of this Letter of Credit shall be punctually honored and paid by the ISSUING/CONFIRMING BANK with its own funds on or before the end of the second Business Day following proper presentation, on or before the Expiration Date, of the required documents. Under this Letter of Credit “Business Day” means any Day other than Saturday, Sunday or another Day when banks are authorized or required to close in Mexico.

This *Standby* Letter of Credit is subject to International Practices for Letters of Credit - ISP98, ICC publication 590, and, to the extent there is no conflict with ISP98, shall be governed and construed by the laws of Mexico. Any dispute arising out of this Letter of Credit shall be subject to the exclusive jurisdiction of the competent federal courts of Mexico located in Mexico City.

Upon receipt of a demand for a Drawing by the BENEFICIARY, within one Business Day thereafter, the ISSUING/CONFIRMING BANK shall determine whether the documents constituting the Drawing were in order in accordance with the conditions of this Letter of Credit, or whether such Drawing does not meet the requirements of this Letter of Credit, and shall inform the BENEFICIARY in writing of the defects resulting in such rejection. The BENEFICIARY may present new requests meeting the terms and conditions of this Letter of Credit.

All payments that ISSUING/CONFIRMING BANK makes to BENEFICIARY under this Letter of Credit shall be made via electronic funds transfer to the bank account in Mexico City specified by the BENEFICIARY in the payment request.

The rights of the BENEFICIARY under this Letter of Credit are not transferable, except where such rights are assigned to the Federal Government of Mexico.

All banking expenses related to this Letter of Credit shall be borne by [NAME OF ISSUING/CONFIRMING BANK’S CUSTOMER].

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The BENEFICIARY may present Drawing demands for all or a portion of the Drawings.

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**ANNEX 10**

**PROCUREMENTS OF GOODS AND SERVICES**

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**PROCUREMENT OF GOODS AND SERVICES**

**1. Procedures for the Procurement of Goods and Services**

**Section I. General Principles.**

- 1.1. For the procurement of goods and services, the Contractor shall observe the rules and guidelines on the procurement of goods and services established in this Annex for the activities carried out under this Contract, as well as the guidelines issued by the Ministry of Finance, valid at the date of the award of the Contract subject to principles of transparency, economy and efficiency.

For the purposes of this Annex, in addition to the definition established in the Contract, the definitions included in the applicable guidelines issued by the Ministry of Finance in force as of the date of the award of the Contract will be considered.

- 1.2. The Contractor shall observe the following regarding acquisitions and contracting:
- I. Comply with the provisions of the Contract establishing the Methodology for the Measurement of National Content in Assignments and Contracts for the Exploration and Extraction of Hydrocarbons, and for permits in the Hydrocarbons industry, issued by the Ministry of the Economy;
  - II. Give preference to contracting with local companies when the services they offer are similar in quality and availability to those in the international market and when the prices for their services are within benchmarks or market prices, and
  - III. Give preference to purchasing Materials, equipment, machinery and other consumer goods produced domestically when their quantity, quality and delivery dates are similar to those Materials, equipment, machinery and other consumer goods available in the international market and when prices are within benchmarks or market prices.

**Section II. Procedure for contracting suppliers of goods and services.**

- 1.3. When contracting with suppliers, the company that offers the best quality, price, logistics and guarantees as to the volumes of goods and amount of services

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required throughout the project shall be considered. For such purposes, the Contractor shall adhere to the provisions in this Annex 11, and if applicable submit relevant documentation in order to demonstrate that the contracting of such goods and/or services was not agreed upon at prices higher than benchmarks or market prices.

- 1.4. The goods or services that are linked to joint processes shall be agreed upon on an integrated basis, as long as it represents a greater guarantee of supply and greater associated economic benefit.

In such case, the guidelines or bidding requirements for the terms of reference applicable for procurement via contests or bidding processes shall establish legal conditions, and conditions of economic, financial and technical capability and of experience and other conditions that the contestants or bidders shall satisfy to participate. The Contractor shall not establish requirements that prevent and hamper the participation of the companies or violate the equality of applicants.

- 1.5. In any event, the contests or bidding processes carried out by the Contractor shall be carried out under principles of transparency, maximum publicity, equality, competitiveness and simplicity. In addition, the Contractor may provide different award mechanisms. In the contests or bidding processes tiebreaker criteria shall be stipulated, and should be included in the contest or bidding guidelines in terms of the Applicable Laws and Industry Best Practices.

- 1.6. The Contractor may directly assign the contract or acquisition, so long as it submits to the system of the Fund the documentation respect to the Costs derived from such contract or the acquisition where it is demonstrated that such Costs are not higher than the benchmarks or market prices, and, in such case, that the amounts of consideration or profit margins found in reasonable markets, For such purposes, the provisions in subsections 1.15 and 1.16 of Annex 4 and in the guidelines issued by the Ministry of Finance valid at the award date of the Contract shall be considered.

In the case of contracting goods and/or services with prices regulated by the State and no other purchase option exists, the Contractor may carry out make such contracts without conducting preceding studies.

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**ANNEX 11**

**PROCEDURES FOR DELIVERY OF INFORMATION  
OF CONSIDERATIONS TO THE MEXICAN  
PETROLEUM FUND FOR STABILIZATION AND  
DEVELOPMENT**

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**PROCEDURES FOR DELIVERY OF INFORMATION  
OF CONSIDERATIONS TO THE MEXICAN PETROLEUM FUND FOR  
STABILIZATION AND DEVELOPMENT**

1. Procedures
  - 1.1 The Fund shall establish and administer a registry in which every contract shall be registered. The Fund shall announce the requirements for the Contractor to complete such registration. Such requirements shall include at a minimum:
    - (a) Application for registration;
    - (b) Certified copy of the corresponding contract, as well as any modification thereto, and
    - (c) Public instrument that certifies the personality of its legal representative.

The Contractor shall deliver the necessary documentation to CNH in order to register the contract in the registry in accordance with the guidelines it issues.
  - 1.2 No later than three (3) Business Days after the Contractor meets all requirements for the registry of the Contract, the Fund shall deliver a certificate of registration to the Contractor.
  - 1.3 The Fund may not register the Contract and accordingly, it shall not pay the Contractor the Considerations to which it is entitled under this Contract, if the requirements to register are not met or the certificate of registration has not been delivered. The Fund and its representatives shall not incur any liability in the event a contract cannot be registered in the registry due to failure to comply with the registration requirements.
  - 1.4 The Fund shall administer a computer system that will permit it to collect and safeguard the information provided by the Contractors in terms of the provisions in Annexes 3 and 4. The Fund shall announce on its website the means, protocols, catalogues, formats and other specifications to allow the upload of the information in its computer system, including the signature by means of advanced electronic signature (FIEL), to be uploaded.

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- 1.5 Through the computer system developed for such purpose, the Fund shall keep a record of the production, Contractual Prices and Contractual Value of the Hydrocarbons, the Costs and other elements required for the determination of the Considerations.
- 1.6 The Fund will make available to the Contractor an exclusive access portal to the above-mentioned computer system and grant an access key to such portal to every Person designated by the Contractor for such purpose by means of security systems determined by the Fund. Information related to the Contract as well as information regarding production, prices, recorded Costs, Considerations, among other items, may be consulted in such portal.
- 1.7 The information that the Contractor registers and that, prior validation by CNH, Ministry of Finance, Tax Administration Service, or the Fund according to their respective competencies, if applicable, is contained in the computer system, shall be considered final. Any information that the Contractor does not enter into the system shall be deemed not to have been presented.
- 1.8 The Fund shall issue a certificate of payment of Considerations to which the Contractor is entitled to in terms of the provisions in Annex 3.
- 1.9 The Fund shall establish the dates of issuance of certificates in accordance with the provisions of subsection 6 of Annex 3, as well as the schedules for reception, notifications and prior notices. The delivery of resources and payment of State Considerations shall be made exclusively by electronic means, using the relevant payment systems, in the accounts and through the mechanisms published by the Fund for such purposes.
- 1.10 In cases of Force Majeure determined by CNH, the terms shall be suspended until the Force Majeure ceases.
- 1.11 The Contractor, shall deliver to the Fund all the accounting reports regarding economic benefits made in accordance with the Applicable Laws, considering the guidelines issued for such effect by the National Bank and Securities Commission, so that issuing companies report, for financial and accounting purposes, the Contracts and the corresponding expected benefits.
- 2 Application for registration to the Mexican Petroleum Fund for Stabilization and Development.

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**BANK OF MEXICO as Trustee**  
 AVENIDA 5 DE MAYO, COLONIA CENTRO, DELEGACIÓN  
 CUAUHTEMOC  
 MEXICO, DISTRITO FEDERAL

*Ref: Application for Registration*

In reference to the Public Trust Fund referred to as the MEXICAN PETROLEUM FUND FOR STABILIZATION AND DEVELOPMENT (interchangeably the “Fund” or the “Trust Fund”) celebrated on 30 September 2014 by the Ministry of Finance, as Trustor and the Bank of Mexico as Trustee.

All undefined capitalized terms used in this Application shall have the meaning set forth in the corresponding Trust Fund.

With respect to the provisions in Clause Seventh of the Trust Fund, we hereby request the registration of the (Contract / Assignment) described in this Application for Registration in the Registry of the Trustee, therefore the present Application for Registration is accompanied by the following documents and information:

- (I) Certified Copy of the (Contract / Assignment Title) as Annex A;
- (II) The signee, [*Full Name of the Legal Representative*], [*Position*], related to the Trust Fund, certifies that: (i) the Persons whose names are indicated below (the “Authorized Persons”) are duly empowered to subscribe in representation of the [Contractor/Assignee] any documents and notices in accordance with the terms and conditions of the Trust Fund; (ii) the signature that appears in this certificate next to the persons’ names is the wielding signature, and (iii) the Trustee shall only recognize as valid the documents signed by the Authorized Persons, and

ME	NA	SIGNATU RE	PHO NE NUMBER	E -MAIL

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(III) With respect to the Contractor Considerations, which in any case, the Trustee shall pay the Contractor in accordance with the provisions of the Trust Fund, it is hereby informed that these quantities shall be deposited in the corresponding account [].

[Contractor]

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By: []

Position: []

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<sup>i</sup> This fraction shall only be included in the applications for registration submitted by the Contractors whose contracts include cash payments for the corresponding considerations.

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**ANNEX 12**

**ASSET INVENTORY**

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**ASSET INVENTORY**

1. General Description of the Facilities.

Inventory as of \_\_ of 20\_\_.

(a) Wells

Location	Well	Position (geographic)	Depth	Type	Drilling Year	Status

(b) Pipelines

Type	Origin	Destination	Diameter (in)	Length (km)	Pipeline Description	Construction Year	Status

(c) Discharge Lines

Type	Origin	Destination	Diameter (in)	Length (km)	Description	Construction Year	Status

(d) Facilities

Type	Name	Position	Process Type	Capacity (mbpd, mmcfpd)	Construction Year	Status

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**ANNEX 13**

**SHARED USE OF FACILITIES**

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**SHARED USE OF FACILITIES**

**1. General Provisions**

1.1 For purposes of this Annex 13 the following will apply:

- (a) The Contractor acts as a service provider when it uses: (i) facilities developed prior to the Effective Date and that have been transferred along with the Contract Area or (ii) facilities developed in terms of the Contract to assist a user – contractor or assignee – in exchange for a fee, in terms of this Annex 13.
- (b) A third party who enters into an agreement with the Contractor for the shared use of (i) facilities developed prior to the Effective Date and that have been transferred along with the Contract Area or (ii) facilities developed in terms of the Contract, shall be deemed as “User”.

**2. Available Capacity Evaluation**

2.1 As part of the Development Plan submission, in case that such Development Plan considers the construction of new Gathering, displacement and logistics facilities for unprocessed Hydrocarbons, outside of the Contract Area, the Contractor will have the obligation to conduct a market research, for the purpose of detecting any possible needs for additional capacity regarding the planned facilities. As part of this research an open season shall be conducted in accordance with the applicable regulations and the regulations from the Energy Regulatory Commission.

In case that the market research outlined in the previous paragraph determines third party interest regarding the shared use of facilities, they shall be deemed as transportation or Storage facilities, as appropriate, and they will be subject to the regulations from the Energy Regulatory Commission, in particular with respect to open access. In accordance with the applicable regulations for transportation and Storage, the Contractor may not conduct such activities directly with respect to its corporate purpose.

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2.2 In case that the market research determine no third party interest regarding the shared use of facilities, or in case that such facilities are catalogued as regulated facilities, and its construction suffered delays due to the lack of purchase guarantees, in accordance with the maximum term established in the Development Plan approved by CNH, the Contractor shall proceed with the construction of the facilities as originally proposed in the Development Plan by its own and in terms of this Contract. Without prejudice of the former, the Contractor shall make such facilities available when it is technically viable, in accordance with subsections 3 and 4 of this Annex 13.

**3. Shared Use of Facilities Developed in Accordance with the Contract**

3.1 The facilities that (i) have been developed prior to the Effective Date and that have been transferred to the Contractor along with the Contract Area or (ii) facilities developed in accordance with the Contract with the purpose of gathering, conditioning and displacement of Hydrocarbons may be subject to shared use; and hence, the Contractor shall share and make available such facilities, in accordance with the following:

- (a) The Contractor may reach an agreement with a third party regarding the access to the facilities developed in accordance with the Contract for its shared use, and in such case, it will be deemed as service provider in exchange for a fee that shall not be greater than such fee determined in accordance with the methodology for the maximum fee determination established in subsection 4 of this Annex 13.
- (b) In the case that a third party does not reach an agreement with a third party, CNH will submit an opinion regarding the conditions for the a service provision agreement in order to grant access to the third party for the shared use in accordance with the principles established in the next paragraph. The decision of CNH will be bonding for both parties.
- (c) The shared use of facilities shall not be unduly discriminatory and will be subject to:
  - i. The availability of volumetric capacity of the systems and technical flexibility.
  - ii. The minimum quality thresholds used by the Contractor in the facilities of the Contractor.

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- 3.2 The Contractor and the third parties shall determine the terms and conditions for their access, subject to the principles established in paragraph (c) of the previous subsection and the Applicable Laws.

Such terms and conditions shall determine the responsibilities of each party with respect to infrastructure and the provided services, as well as guarantee, among other aspects, that the Contractor and the User shall have the quantities and qualities of Hydrocarbons equivalent to those delivered in the interconnection point, without prejudice of the volumetric adjustments at the exit point, to compensate for quality profits or losses.

The terms and conditions shall be approved by CNH, before their underwriting.

- 3.3 Third parties interested in the shared use of infrastructure referred to in this section 3, shall present the corresponding request form to the Contractor as provided in the Applicable Laws.

The Contractor shall allow shared use of the facilities based on the terms and conditions agreed upon with the User, which will be included in the agreement entered into by the parties.

- 3.4 In the case that there exist technical obstacles, the Contractor, and the User shall jointly reach an agreement in good faith to resolve such obstacles. If the Contractor, and the User do not reach an agreement to solve the technical obstacles, any of them shall request the opinion of CNH, which will fix its position within the following thirty (30) Days after the receipt of the referred request. The decision of CNH shall be bonding for both parties.

- 3.5 In case that the Contractor denies access to the facilities to a User and it is actually proven that the Contractor has available capacity, or is offering such service in unduly discriminatory conditions, the User may request the opinion of CNH, which will fix its position within the following thirty (30) Days after the receipt of the referred request. The decision of CNH shall be bonding for both parties. In the first case the Contractor shall demonstrate to CNH the lack of capacity or any other technical obstacle at the moment that it denied access.

- 3.6 In case that the Contractor, claims that restriction to the shared use is due to Force Majeure, this shall be notified to CNH on the next Day after it is updated by the means determined by CNH for such purpose. The Contractor shall present a continuity plan

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for the activities in the term established by CNH in accordance with the particular conditions of the event.

- 3.7 In case that the Contract corresponding to the Contractor that is providing services terminates for any reason, CNH will determine the third party that will operate, on behalf of the State, the shared facilities. The User shall conduct the corresponding payment in accordance with the agreed unitary fee for the use of facilities that corresponds in favor of the third party operator determined by CNH.

**4. Maximum Unitary Fee for the Shared Use of Facilities**

- 4.1 The cost for the User for the use of the shared facilities is subject to the following:
- (a) The cost for the User will be the result of multiplying the agreed unitary fee times the handled volume in the facilities of the service provider.
  - (b) The agreed unitary fee between the Contractor and the User shall not be greater than the maximum unitary fee established in accordance with this section 4. In case that the Contractor and the User are related parties, the determination of the components of the formula regarding the maximum unitary fee shall follow the provisions relative to transfer prices established in Annex 4.
  - (c) If necessary, the maximum unitary fee shall consider additional required facilities to allow the interconnection as well as operation and maintenance costs associated with such additional facilities for the efficient handling of the volume of the User in the existing facilities.
  - (d) Operation and maintenance of the shared facilities, as well as the construction and installation of additional required facilities for the interconnection will be conducted and financed by the Contractor.
- 4.2 In such case, the costs associated to the User interconnection with the facilities subject to the shared use shall be covered by the User.
- 4.3 The maximum unitary fee shall be determined in accordance with the next formula:

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$$M_t = \left[ \frac{I_o}{Q_o \times (1 - \tau)} \times \left( \frac{1}{a_{N_o|r}} - \frac{\tau}{N_o} \right) \right] + \left[ \frac{I_A}{Q_A \times (1 - \tau)} \times \left( \frac{1}{a_{N_A|r}} - \frac{\tau}{N_A} \right) \right] + O_t + A_t$$

Where:

$M_t$  = Maximum unitary fee in Dollars per unit of volume, for the use of facilities in Period  $t$ .

$I_o$  = Investment originally made by the Contractor to develop facilities in terms of the Contract intended to be shared in Dollars considering the Costs registered and recognized in terms of the Contract and its accounting procedures.

$Q_o$  = Annual installed capacity of the infrastructure associated with  $I_o$ .

$N_o$  = Contractual life in Years that the facilities associated with  $I_o$  operate since the beginning of the Period in which construction is finalized, until the end of the Contract of the Contractor.

$I_A$  = Additional investment in facilities made by the Contractor in order to provide the service to the User, in Dollars.

$Q_A$  = Annual capacity of the facilities associated with  $I_A$ . In such case, this annual capacity shall consider the additional capacity that  $I_A$  brings to the original facilities associated with  $I_o$ .

$N_A$  = Contractual life in Years that the facilities associated with  $I_A$  operate since the beginning of the Period in which construction of such facilities is finalized, until the end of the Contract of the Contractor.

$O_t$  = Operation and maintenance costs incurred by the Contractor, associated with  $I_o$ , in Dollars per unit of volume handled in such infrastructure in Period  $t$ .

$A_t$  = Operation and maintenance costs incurred by the Contractor, associated with  $I_A$ , in Dollars per unit of volume handled in such infrastructure in Period  $t$ .

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$\tau$  = Tax rate, equal to 30%.

$a_{N_i=0,A|r}$  = Formula for the present value of an annuity of  $N_i$  periods with yield  $r$ .

$$a_{N_i|r} = \frac{1 - (1 + r)^{-N_i}}{r}$$

$r$  = Nominal return rate, equivalent to 10.81%.

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